中国铁建

中國鐵建高新裝備股份有限公司

CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

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

Stock Code: 1786

2015 Annual Report

Contents

Financial Highlights

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME HIGHLIGHTS

	Year Ended 31 December			
	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,973,132**	3,476,720	3,169,030	2,863,645
Gross profit	**953,525**	818,704	802,418	710,764
Profit before tax	**525,512**	415,543	318,438	253,823
Profit for the year	**455,174**	362,036	287,944	224,348
Profit attributable to:				
Owners of the parent	**456,235**	354,860	286,885	224,693
Non-controlling interests	**-1,061**	7,176	1,059	-345
Basic earnings per share *(RMB Yuan/share)*	**0.45**	0.36	0.49	0.38

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December			
	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**6,737,675**	4,230,431	5,795,131	4,544,842
Total liabilities	**1,595,570**	1,341,294	3,264,367	2,629,396
Net assets	**5,142,105**	2,889,137	2,530,764	1,915,446
Equity attributable to:				
Owners of the parent	**5,142,105**	2,840,456	2,481,106	1,866,845

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual report of the Company for the year ended 31 December 2015. On behalf of the Board of Directors, I would like to express my sincere gratitude to all Shareholders for your continual care and support.

PERFORMANCE REVIEW

The Group's revenue in 2015 amounted to RMB3,973.1 million (2014: RMB3,476.7 million), representing an increase of 14.28% year-on-year. The Company was listed on the Hong Kong Stock Exchange on 16 December 2015. The Company intends to reserve the accumulated profit from July 1, 2015 to the last day immediately prior to the Listing for the distribution as dividends to our existing and new Shareholders. Profit attributable to owners of the parent amounted to RMB456.2 million in 2015. Basic earnings per share amounted to RMB0.45.

BUSINESS REVIEW

In 2015, facing the continuous deepening of China's railway reform and the complex and changeful market environment, the Company, centering on the strategy of our own technology, internationalized operation and diversified industry coverage, strived to develop market and enhance internal management and achieved progress and growth in a steady development.

In 2015, the Company achieved remarkable breakthroughs in technological innovation and market development, which mainly included:

1. In the aspect of technological innovation, the Company was awarded "National Intellectual Property Advanced Enterprise" in 2015, and successfully obtained the certificate and manufacturing license of HFX constant-tension catenary stringing machine, the certificate of CQS-550 turnouts undercutter ballast cleaning machine model and the import license of JDZ-160 catenary inspection and maintenance vehicle.

2. In the aspect of the expansion of overseas market, in June 2015, the Company delivered three stabilizing machine developed with our proprietary technologies to Kazakhstan, achieving the direct export of products for the first time; meanwhile, the Company completed the first railway maintenance service project in Hong Kong in 2015.

3. In the aspect of the expansion of urban rail transit market, the Company successfully obtained the purchase orders of rail milling train of Shanghai Metro Company, Beijing Metro Company and Kunming Metro Company in 2015.

4. In the aspect of the expansion of railway power supply market, in 2015, the Company, once again, successfully obtained the order of China Railway Corporation's 22 catenary inspection and maintenance vehicle through bidding.

In the past year, the Company promoted the standardized management, and continued to improve organizational performance and operation efficiency.

DEVELOPMENT PROSPECT

In 2016, the Company will pay close attention on the development opportunities of China's railway and urban rail transit industry, and the state grand strategy of "Going Global" and "One Belt and One Road" of China's railway. The Company will on one hand, manage the enterprises according to laws to ensure compliance in operation, further improve the corporate governance structure, strictly abide by all the provisions of laws, regulations and supervision authorities, safeguard and enlarge Shareholders' interests, improve the compliance operation and risk prevention system, and then comprehensively enhance the level of standard operation; on the other hand, drive the enterprise's development with innovation, exert multi-points scale and effectiveness making ability of the whole industry chain, stick to the two main lines of technology and market, then provide system solution for customers, thus steadily expand international market and the related diversified new fields.

In the field of railway engineering work, the Company will comprehensively promote the effectiveness of making ability in the whole industry chain, strengthen the penetration ability of existing market, exert independent innovation ability, develop the high-end products with multi-function, high efficiency and environmental protection effect, so as to form the product portfolio with multi-genealogies; promote the research and development of high speed railway maintenance products, exert the supporting collaborative function of products; strengthen the scale repair ability of products that are returned to the factory for repair; improve the professional management skills of track maintenance operation and technical service.

In the field of railway electricity work, the Company will exert the combined advantages of technology and industry, strengthen the research of power supply maintenance operation, accelerate the innovation and system integration ability, and then spare no effort to rapidly extend the power supply equipment field.

In the field of urban rail transit, the Company will set up the product layout, exert the synergistic effect of existing products' adaptive improvement and independent innovation, and then spare no effort to rapidly extend the field of urban rail transit.

In the field of international market, the Company will grasp the state strategic opportunity of "Going Global" and "One Belt One Road" of China's railway, exert the strategic alliance advantage formed with railway construction units, and thus achieve the entire industrial chain output of product, technology, standard, and service.

Looking into the future, the Company has the confidence to extend the new competitive advantages in all the industry fields, consolidate industry status, spare no efforts to develop the business, and focus on the improvement of quality and efficiency, so as to create more values for Shareholders.

Ren Yanjun
Chairman

Kunming, the PRC
30 March 2016

Management Discussion and Analysis

While reading the following discussion and analysis, please refer to the audited financial statements and notes of the Group as shown in this report.

REVENUE

	2015 (RMB in millions)	2014 (RMB in millions)
Manufacturing and sales of machines	**2,892.0**	2,791.5
Parts and components sales and services	**607.4**	440.1
Overhaul services	**432.3**	215.0
Railway line maintenance services	**41.4**	30.1
Total revenue	**3,973.1**	3,476.7

The Group's revenue increased by RMB496.4 million or 14.28% from RMB3,476.7 million for the year ended 31 December 2014 to RMB3,973.1 million for the year ended 31 December 2015.

In 2015, all the businesses of the Group experienced varying degrees of growth, in which the greatest growth aspect was overhaul service, representing an increase of approximately RMB217.3 million as compared with the same period last year, and the main reason for such growth was the repair and delivery of large railway track maintenance machines reaching the overhaul period; the second was the sale and service of parts and components, representing an increase of approximately RMB167.3 million as compared with the same period last year, and the main reason for such growth was the sales increase in spare parts of large track maintenance machines sales; the third was the manufacturing and sales of machines, representing an increase of approximately RMB100.5 million as compared with the same period last year, and the main reason for such growth was the sales increase in large railway track maintenance machines; the fourth was maintenance service of railway line maintenance service, representing an increase of approximately RMB11.3 million as compared with the same period last year, and the main reason for such growth was the increase in the range and engineering quantity of large railway track maintenance machines.

COST OF SALES

The Group's cost of sales increased by 13.60% from RMB2,658.0 million for the year ended 31 December 2014 to RMB3,019.6 million for the year ended 31 December 2015. The increase in the cost of sales was mainly due to the growth in the revenue.

GROSS PROFIT

The Group's gross profit margin increased from 23.55% for the year ended 31 December 2014 to 24.00% for the year ended 31 December 2015. The change in gross profit margin was mainly due to the change of gross profit structure of each business line.

OTHER INCOME AND GAINS

The Group's other income and gains decreased by 38.41% to RMB41.2 million for the year ended 31 December 2015 from RMB66.9 million for the year ended 31 December 2014. The decrease of other income and gains was mainly caused by a decrease of government grants and interest income.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses decreased by 10.18% to RMB64.3 million for the year ended 31 December 2015 from RMB71.6 million for the year ended 31 December 2014, primarily due to control of marketing expenses.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 10.74% from RMB357.2 million for the year ended 31 December 2014 (representing 10.27% of the Group's revenue for the whole year) to RMB395.5 million for the year ended 31 December 2015 (representing 9.95% of the Group's revenue for the whole year). The increase in administrative expenses was due to the increase in listing expenses and depreciation and amortization expenses of the Group in 2015. However, as strict control was exercised over expenses by the Group, the proportion of the Group's administrative expenses in the full year revenue decreased by 0.32 percentage point as compared to last year.

OTHER EXPENSES

The Group's other expenses decreased to RMB3.2 million for the year ended 31 December 2015 from RMB17.9 million for the year ended 31 December 2014, primarily due to a decrease in exchange losses and reversal of impairment of trade receivables during the year.

FINANCE COSTS

The Group's finance costs decreased from RMB23.5 million for the year ended 31 December 2014 to RMB6.3 million for the year ended 31 December 2015. The decrease in finance costs was mainly due to the decrease in bank borrowings during the year.

PROFIT BEFORE TAX

The Group's profit before tax increased by 26.46% from RMB415.5 million for the year ended 31 December 2014 to RMB525.5 million for the year ended 31 December 2015. The increase in profit before tax was mainly due to the increase in revenue and the improvement of gross profit margin.

INCOME TAX EXPENSE

The Group's income tax expense increased by 31.46% from RMB53.5 million for the year ended 31 December 2014 to RMB70.3 million for the year ended 31 December 2015. The increase in income tax expense was mainly due to the increase in profit before tax during the year.

Aotongda Company, Ruiweitong Company and Kunweitong Company were accredited as high and new technology enterprises and received approvals from the relevant government authorities, and they were subject to the preferential corporate income tax rate of 15%.

The Company and Guangweitong Company were subject to the preferential tax policy of the western development, and they were entitled to be taxed at the preferential corporate income tax rate of 15%.

Hengyuan Business Company was subject to the corporate income tax rate of 25%.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Profit attributable to owners of the parent increased by 28.57% from RMB354.9 million for the year ended 31 December 2014 to RMB456.2 million for the year ended 31 December 2015. The increase in the profit attributable to owners of the parent was mainly due to the increase in revenue and the improvement of gross profit margin.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests decreased by RMB8.3 million from RMB7.2 million for the year ended 31 December 2014 to negative RMB1.1 million for the year ended 31 December 2015. The decrease in profit attributable to non-controlling interests was mainly due to the slight loss of Ruiweitong Company in the first three quarters of 2015, and the Company acquired non-controlling interests during the first three quarters in 2015.

BASIC EARNINGS PER SHARE

Basic earnings per share increased by RMB0.09 from RMB0.36 for the year ended 31 December 2014 to RMB0.45 for the year ended 31 December 2015.

LIQUIDITY AND SOURCE OF CAPITAL

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. The net increase in cash and cash equivalents of the Group amounted to RMB1,351.7 million for the year ended 31 December 2015.

NET CASH OUTFLOW FROM OPERATING ACTIVITIES

The Group's net cash outflow from operating activities increased from RMB254.2 million for the year ended 31 December 2014 to RMB503.2 million for the year ended 31 December 2015, which was mainly due to the decrease in the sales collections in 2015.

NET CASH OUTFLOW FROM INVESTING ACTIVITIES

For the year ended 31 December 2015, the Group's net cash outflow from investing activities was approximately RMB29.5 million. The cash outflow item in investing activities was mainly due to the addition of property, plant and equipment and intangible assets during the year.

NET CASH INFLOW FROM FINANCING ACTIVITIES

For the year ended 31 December 2015, the Group's net cash inflow from financing activities was approximately RMB1,878.0 million. The cash inflow item in financing activities was from the raised funds for listing and the outflow item is for distribution of dividend.

LIQUIDITY

The Board considers that the Group has sufficient liquidity to meet the Group's present requirements for liquid funds.

COMMITMENTS

The Group's commitments as at the dates indicated are set out as follows:

	31 December 2015 (RMB million)	31 December 2014 (RMB million)
Capital commitments:		
Contracted but not provided for	**14.3**	3.9

INDEBTEDNESS

The Group has no indebtedness as at 31 December 2015 and 2014.

PLEDGE

The Group has pledged bills receivable of RMB11,300,000 and pledged deposits of RMB299,684,000 to guarantee for bills payable as at 31 December 2015.

GEARING RATIO

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the parent. The Group's gearing ratio was 16% as at 31 December 2014 and -13% as at 31 December 2015.

CONTINGENT LIABILITIES

The Group has no material contingent liability as at 31 December 2015.

MARKET RISKS

The Group is subject to various market risks, including foreign exchange risk and interest rate risk. Details of such risks are set out in the note 35 to financial statements.

POLICY RISK

The Group is subject to risks arising from changes in the construction policies of the railway market by the Chinese government.

Directors, Supervisors and Senior Management

Mr. Ren Yanjun (任延軍), aged 54, was appointed as a chairman, executive Director and general manager of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Ren has 30 years of experience in manufacturing and repair of railway track maintenance machinery. From June 1985 to January 1991, Mr. Ren worked as an assistant engineer and engineer at the machine processing shop of Kunming Machinery Factory under the projects direction department of the MOR (鐵道部工程指揮部昆明機械廠機) ("Kunming Machinery Factory"), our predecessor. From January 1991 to December 1991, he served as the deputy head and an engineer at the training center of Kunming Machinery Factory. From December 1991 to September 1992, he served as a deputy division manager and engineer at the design division of Kunming Machinery Factory. From September 1992 to February 1995, he served as a manager and engineer at the Kunming Railway South Trading Company of Kunming Machinery Factory. From February 1995 to August 2004, he served successively as a deputy division manager, division manager and senior engineer at the design division of Kunming Machinery Factory. Mr. Ren served as our deputy general manager and senior engineer from August 2004 to January 2010. He served as general manager, senior vice general manager and senior engineer of China Railway Large Maintenance Machinery Co., Ltd. from January 2010 to January 2015. From January 2015 to June 2015, he served as director, general manager and senior engineer of China Railway Large Maintenance Machinery Co., Ltd. Kunming. He has been a director, executive director, general manager and senior manager of CRCC High-Tech Equipment Corporation Limited since June 2015. He obtained a bachelor's degree from Southwest Jiaotong University in August 1983, majoring in mechanical engineering at the department of engineering.

Mr. Ma Yunkun (馬雲昆), aged 61, was appointed as an executive director of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Ma has 29 years of experience in manufacturing and repair of railway track maintenance machinery. From November 1986 to July 1994, he served successively as a salesman, deputy division manager, division manager and assistant economist at the planning operation division of Kunming Machinery Factory. From July 1994 to March 2003, he served as the deputy factory manager and an economist at Kunming Machinery Factory, primarily responsible for marketing business. Mr. Ma served as our general manager, vice chairman, Director and economist from March 2003 to August 2004. From August 2004 to January 2010, he served as our chairman, general manager, Director, economist and senior economist. From January 2010 to May 2015, he served as our chairman, Director and senior economist. In January 2015, he was appointed as our Director and senior economist. Since September 2005, he has been a non-executive director of Zhuzhou CSR Times Electric Co., Ltd. (stock code: 03898). He obtained a bachelor's degree through distance learning from Lanzhou University in July 2007, majoring in administration management.

Mr. Jiang He (江河), aged 49, was appointed as an executive director, vice general manager and senior engineer of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Jiang has 28 years of experience in manufacturing and repair of railway track maintenance machinery. From August 1987 to December 1991, he served as a technician and assistant engineer of the assembly shop of Kunming Machinery Factory. From September 1994 to October 1998, he served successively as a deputy division manager, division manager, assistant engineer and engineer at the inspection division of Kunming Machinery Factory. From October 1998 to December 2000, he served as the union president and an engineer at Kunming Machinery Factory, primarily responsible for activities in the union. From December 2000 to March 2003, Mr. Jiang served as the deputy factory manager and engineer at Kunming Machinery Factory. From March 2003 to June 2015, served as vice general manager and senior engineer in China Railway Large Maintenance Machinery Co., Ltd. Kunming. He obtained a master's degree from Southwest Jiaotong University in May 2009, majoring in business administration.

Mr. Yu Yuanlin (余園林), aged 51, was appointed as an executive director, vice general manager and chief financial officer of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Yu has 32 years of experience in accounting and financial management. From January 1999 to December 2002, he served as the head of the finance department and deputy general manager of Hubei Pufang Sanlu Industrial Co., Ltd. From January 2003 to December 2006, Mr. Yu was appointed as a certified public accountant of the supervisory committee under SASAC. From February 2007 to June 2008, he served as the leader of the finance group of Stock Reform and Listing Office. From March 2007 to September 2009, he served as an office director at the audit committee of the board of China Railway Construction 11th Bureau Group Electric Engineering Co., Ltd. From September 2009 to April 2010, he served as a level-one staff at the project supervision (labor service management) center of Southern Engineering Co., Ltd. under the Electrification Bureau of China Railway Construction Corporation. From April 2010 to June 2010, he served as a financial controller and the head of the finance department of Guiyang project instruction department under CRCC. From June 2010 to October 2012, he served as the vice department head of our finance department and the vice chief financial officer of our Company. From October 2012 to June 2015, he served as vice general manager and chief financial officer in China Railway Large Maintenance Machinery Co., Ltd. Kunming. Mr. Yu obtained the qualification of certified public accountant issued by Chinese Institute of Certified Public Accountants in July 1998. In January 2016, he graduated from Shijiazhuang Railway University and obtained a master's degree, majoring in business management.

Mr. Li Xuefu (李學甫), aged 50, was appointed as a non-executive director of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Li has 24 years of experience in modern enterprise management and business management. From January 1991 to October 1998, he served as an engineer at the education and training department in CRCCG. From November 1998 to December 2005 he served as the vice head of the education and health department and assistant director of Beijing training center in CRCCG. From December 2005 to July 2008, he served as an office director under the board of directors of CRCCG. From July 2008 to September 2014, he served as a director of the secretariat of the board of directors of CRCC. Since September 2014, he has served as the deputy chief economist and supervisor of CRCC. He obtained a master's degree from North Jiaotong University in August 2000, majoring in business management.

Mr. Wu Zhixu (伍志旭), aged 47, was appointed as a non-executive director of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Wu has 23 years of experience in legal service areas, such as reorganization and listing of enterprise, standardized daily operation of company and foreign investment. November 1992 to October 1993, he served as a lawyer in Yunnan Trade Law Firm. From October 1993 to December 1999, he served as a lawyer and partner in Yunnan Haihe Law Firm. From December 1999 to April 2014, he served a legal adviser of Kunming People's Government. Since April 2014, he has served as vice president of the Administrative Law Institute of the Yunnan Law Society. From May 2008 to May 2011, he served as an independent director of Yunnan Xiyi Industry Corporation (stock code: 002265). From February 2011 to February 2014, he served as an independent director of Yunnan Lincang Xinyuan Germanium Industry Corporation (stock code: 002428). Since June 2011, he has served as an independent director of Yunnan Tourism Corporation (stock code: 002059). He obtained a postgraduate diploma from Yunnan University in July 1997, majoring in economic law.

Mr. Sun Linfu (孫林夫), aged 52, was appointed as an independent non-executive director of CRCC High-Tech Equipment Corporation Limited in November 2015. Mr. Sun has nearly 23 years of experience in advanced manufacturing and railway maintenance machinery industry. From October 1992 to September 1999, he served as the executive deputy director of the Computer-aided Design (CAD) Engineering Center of Southwest Jiaotong University. From September 1999 to October 2014, he served as the director of the CAD Engineering Center of Southwest Jiaotong University. He has been engaged in the long term research of the relevant aspects of advanced manufacturing in CAD techniques and strategies. Since December 2006 he served as the dean of Sichuan Provincial Modern Service Technology Research Institute (formerly known as Sichuan Provincial Research Institute of Manufacturing Information). Mr. Sun has been appointed as a professor of Southwest Jiaotong University since June 1996. He was appointed as the doctoral supervisor by Southwest Jiaotong University in April 2000. He obtained a doctor's degree from Southwest Jiaotong University in June 1993, majoring in bridge and tunnel engineering.

Mr. Yu Jiahe (于家和), aged 61, was appointed as an independent non-executive director of CRCC High-Tech Equipment Corporation Limited in November 2015. Mr. Yu has 36 years of experience in design and selection of railway maintenance machinery. From June 1980 to May 2014, he successively served as an intern, assistant engineer, engineer, station head and senior engineer in the Design Institute of Railway Discipline (currently known as China Railway Engineering Consulting Group Co., Ltd). He obtained an academic certificate for university from Southwest Jiaotong University in February 1980, majoring in machinery manufacturing technique and equipment.

Mr. Wong Hin Wing (黃顯榮), aged 53, was appointed as an independent non-executive director of CRCC High-Tech Equipment Corporation Limited in November 2015. He has 32 years of experience in accounting, finance, investment management and advisory. He is an independent non-executive director of Dongjiang Environmental Company Limited (a public company with A shares listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and H shares listed on the Stock Exchange) and AEON Credit Service (Asia) Co., Ltd. (a public company with H shares listed on the Stock Exchange). He is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a member of the Nursing Council of Hong Kong and a Council member of Hong Kong Institute of Certified Public Accountants. He has been the chief executive officer and responsible officer of Legend Capital Partners, Inc., a licensed corporation under the Securities and Futures Ordinance since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years. He holds a master's degree in executive business administration from Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administration. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment.

Mr. Lyu Jianming (呂檢明), aged 53, was appointed as the chairman of the Supervisory Committee and employee Supervisor of the Company in June 2015. Mr. Lyu has 15 years of experience in manufacturing and repair of railway track maintenance machinery. From May 2003 to February 2006, he served as the deputy head and the head of the product inspection department of the Company, primarily responsible for product quality management. From February 2006 to April 2010, he served as the head of the production department of the Company, primarily responsible for production management. From April 2010 to December 2011, he served as a vice chief engineer and the head of technology management department of the Company. From December 2011 to February 2013, he served as the assistant to the general manager and the head of technology management department of the Company. From February 2013 to January 2014, he served as the assistant to the general manager and the head of the international department of the Company. He obtained a bachelor's degree from Harbin University of Technology in July 1984, majoring in precision machine manufacturing process.

Mr. Zhang Zhumin (張主民), aged 42, was appointed as our representative Supervisor of Shareholders in June 2015. Mr. Zhang has 18 years of experience in financial management. From July 1997 to March 2003, he successively served as an accountant, billing clerk, financial manager and assistant accountant in Guangdong Securities Corporation. From April 2006 to April 2015, he successively served as the deputy head and head of the finance department, senior accountant and senior economist of Sinoma Technology and Equipment Group Co., Ltd. Since June 2015, he served as the head of the legal and risk control department, senior accountant, senior economist and corporate counsel of China Railway Construction Heavy Industry Group Co., Ltd. He obtained a master's degree from Jinan University in January 2002, majoring in accounting.

Mr. Wang Huaming (王華明), aged 47, was appointed as our representative Supervisor of Shareholders in June 2015. Mr. Wang has 22 years of experience in corporate economic management. From June 2002 to July 2004, he was a member of the finance department and a deputy director of the investment audit department under Anhui Engineering Co., Ltd. of Shanghai Railway Construction Group. From August 2004 to December 2012, he served as the chief financial officer of Anhui Engineering Company of Shanghai Railway Construction Group (renamed as Anhui Engineering Co., Ltd. of China Railway 24th Bureau. From July 2011 to December 2012, he concurrently served as the general counsel of Anhui Engineering Co., Ltd. of China Railway 24th Bureau, primarily responsible for corporate legal affairs. From January 2013 to August 2014, he served as the financial director and general counsel of China Railway Zhanjiang Development Co., Ltd. Since September 2014, he served as the general manager of the supervision and audit department of China Railway Construction Investment Group. He obtained a master's degree from the Party University under Anhui Provincial Communist Party Committee in July 2011, majoring in economic management.

Mr. Hu Bin (胡斌), aged 49, was appointed as our vice general manager and chief engineer in June 2015. Mr. Hu has 29 years of experience in R&D and manufacturing of railway track maintenance machinery. From February 1996 to July 1998, he served successively as a deputy division manager and engineer at the design division of Kunming Machinery Factory. From July 1998 to August 2004, he served as the deputy department head, deputy chief engineer, engineer and senior engineer of the product development department of Kunming Machinery Factory. Since September 2007, he has served as a doctoral tutor of Kunming University of Science and Technology, majoring in mechanical design and theory. From August 2004 to June 2015, he served as deputy chief engineer, senior engineer and professor senior engineer of China Railway Large Maintenance Machinery Co., Ltd. Kunming. He obtained a bachelor's degree from Shanghai Railway College in July 1987, majoring in mechanization of railways.

Mr. Yang Chaokai (楊朝凱), aged 56, was appointed as the union president and vice general manager of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Yang has 25 years of experience in labor and salary and manufacturing and repair of railway track maintenance machinery. From October 1997 to April 2000, he served as the operation manager and administration engineer at the diversified operation office of Kunming Machinery Factory. From April 2000 to March 2003, he worked as the administration engineer at the assembly shop of Kunming Machinery Factory. From March 2003 to November 2008, he served successively as the vice manager and administration engineer at our general assembly shop. From November 2008 to July 2011, he served as deputy Party secretary and administration engineer of Kunming Railway Large Maintenance Machinery Group Co., Ltd. From July 2011 to March 2014, he served as deputy Party secretary, union president and senior administration engineer of Kunming Railway Large Maintenance Machinery Group Co., Ltd. From March 2014 to June 2015, he served as deputy Party secretary, union president and senior administration engineer of Kunming Railway Large Maintenance Machinery Group Co., Ltd. He obtained a bachelor's degree from the Party University under Yunnan Provincial Communist Party Committee in December 2003, majoring in law.

Mr. Huang Zhaoxiang (黃兆祥), aged 53, was appointed as a vice general manager of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Huang has 30 years of experience in manufacturing and repair of railway track from February 1995 to October 1998, he served successively as the deputy division manager, division manager, assistant engineer and engineer at the equipment division of Kunming Machinery Factory maintenance machinery. From October 1998 to March 2003, he worked as the deputy factory manager, engineer and senior engineer at the equipment power shop of Kunming Machinery Factory. From October 1998 to February 2003, he served as deputy factory manager, engineer and senior engineer at the equipment power shop of Kunming Machinery Factory. From February 2003 to June 2015, he served as vice general manager and senior engineer at Kunming Railway Large Maintenance Machinery Group Co., Ltd. He obtained a bachelor's degree from Southwest Jiaotong University in July 1986, majoring in mechanical engineering.

Mr. Zhang Zhong (張忠), aged 53, was appointed as a vice general manager of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Zhang has 30 years of experience in manufacturing and repair of railway track maintenance machinery. From August 1989 to August 1990, he worked as the head and assistant engineer at the energy office of Kunming Machinery Factory. From August 1990 to February 1995, he worked as a deputy division manager, division manager and engineer at the equipment power shop of Kunming Machinery Factory. From February 1995 to December 2004, he worked as the head and engineer at the foreign affairs office of Kunming Machinery Factory. From December 2004 to January 2010, he served as a vice general economist, the manager of our procurement center and the general manager of Kunming Railway Large Maintenance Machinery Group Co., Ltd. From January 2010 to June 2015, he worked as vice general manager and engineer at Kunming Railway Large Maintenance Machinery Group Co., Ltd. He obtained a bachelor's degree from Changsha Railway College in July 1984, majoring in railway trains.

Mr. Sun Guoqing (孫國慶), aged 55, was appointed as a vice general manager of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Sun has 33 years of experience in manufacturing and repair of railway track maintenance machinery. From December 1992 to December 2004, he served successively as a dispatcher, deputy director, director and distinguished economist at the assembly shop of Kunming Machinery Factory. From December 2004 to January 2011, he worked successively as the deputy chief economist, manager of our general assembly shop and distinguished economist at Kunming Railway Large Maintenance Machinery Group Co., Ltd. From February 2011 to January 2013, he worked as a vice general manager and the manager of the general manufacturing factory at Kunming Railway Large Maintenance Machinery Group Co., Ltd. From January 2013 to May 2015, he served as vice general manager and distinguished economist at Kunming Railway Large Maintenance Machinery Group Co., Ltd. He obtained a bachelor's degree through correspondence courses from the Institute of Yunnan University of Finance and Economics in June 2009, majoring in economic management.

Mr. Chen Yongxiang (陳永祥), aged 49, is a vice general manager of CRCC High-Tech Equipment Corporation Limited. Mr. Chen has 27 years of experience in manufacturing and repair of railway track maintenance machinery. From November 1998 to December 2004, he served as the deputy director and engineer at the production preparation workshop of Kunming Machinery Factory. From December 2004 to May 2005, he worked as the manager and engineer at the metal materials processing shop of Kunming Railway Large Maintenance Machinery Group Co., Ltd. From May 2005 to January 2010, he worked as the manager and engineer at the machine processing shop of Kunming Railway Large Maintenance Machinery Group Co., Ltd. From January 2010 to June 2015, he served as a vice general manager and engineer of Kunming Railway Large Maintenance Machinery Group Co., Ltd. He got a master's degree from Nankai University (南開大學) in June 2013, majoring in international economics and commercial relations.

Mr. Tong Pujiang (童普江), aged 38, is a vice general manager of CRCC High-Tech Equipment Corporation Limited. Mr. Tong has 17 years of experience in manufacturing and repair of railway track maintenance machinery. From August 2005 to February 2011, he served as our company secretary, deputy chief, chief and engineer of China Railway Large Maintenance Machinery Co., Ltd. Kunming. From February 2011 to January 2013, he served as the assistant to the general manager, and the head of our human resource department and engineer. From January 2013 to January 2015, he worked as the assistant to our general manager, the manager of the general manufacturing factory and an engineer. He graduated as a postgraduate student from Chinese Communist Party School (中共中央黨校) in June 2014, majoring in economic management.

Mr. Ma Changhua (馬昌華), aged 42, is the secretary of the Board of CRCC High-Tech Equipment Corporation Limited. Mr. Ma has 20 years of experience in manufacturing and repair of railway track maintenance machinery. From March 2005 to February 2011, he served as our deputy head, head and engineer of information management department of China Railway Large Maintenance Machinery Co., Ltd. Kunming. From February 2011 to June 2011, he served as our office director and the head and engineer of information management department of China Railway Large Maintenance Machinery Co., Ltd. Kunming. From July 2011 to August 2012, he served as office director and engineer China Railway Large Maintenance Machinery Co., Ltd. Kunming. From August 2012 to January 2014, he served as our office director, the assistant to the general manager and engineer of China Railway Large Maintenance Machinery Co., Ltd. Kunming. From January 2014 to February 2015, he served as the assistant to the general manager and commander and engineer at construction instruction department of the northern base of the Company. From February 2015 to June 2015, he served as secretary of the Board of China Railway Large Maintenance Machinery Co., Ltd. Kunming. He obtained a master diploma from Yunan University in June 2005, majoring in software engineering. He obtained a master diploma from Nankai University in June 2014, majoring in international economics and commercial relations.

Corporate Governance Report

The Company has always been dedicated to improving the quality of its corporate governance, and maximizing long-term shareholder value by increasing the Group's accountability and transparency through strict implementation of corporate governance practices.

CORPORATE GOVERNANCE PRACTICES

During the period from Listing Date to 31 December 2015, the Company has fully complied with all the code provisions of the CG Code, except for the followings:

Provision A.2.1 of the CG Code provides that the roles of chairman of the Board and general manager should be separated and should not be performed by the same individual. Mr. Ren Yanjun is the chairman of the Board and general manager of our Company. After taking into consideration the relevant principle of provision A.2.1 of the CG Code and reviewing the management structure of our Company, the Board believes that:

(1) the composition of the Board is diverse and professional, and we have established a very structured and strict operation system and a set of procedural rules for meetings. The chairman of the Board, as a convener and chairperson of the Board meetings, does not have any special power different from that of other Directors in the decision making process of the Board;

(2) in the day-to-day operation of our Company, our Company has put in place an established system and structure, and decisions on all material matters will be subject to complete and stringent deliberation and decision making procedures in order to ensure that the general manager can perform his duties diligently and effectively; and

(3) there is clear delineation in the responsibilities of the Board and the management set out in the Articles.

In light of the above, the Board believes that the role of Mr. Ren Yanjun as the chairman of the Board and general manager provides our Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board believes that the structure of vesting the role of both chairman and general manager in the same person will not impair the balance of power and authority between the Board and the management. The Board will review the efficiency of this management structure from time to time.

The Board and the management of the Company make every effort to comply with the CG Code in order to protect and enhance the interests of the Shareholders. As the Company continues to grow, the Company will monitor and revise its corporate governance policy on an ongoing basis, in order to ensure the relevant policy will be in compliance with the general regulations and standards required by Shareholders.

In accordance with the relevant laws and regulations, the Company has set up a structure with general meetings, the Board, committees of the Board, the Supervisory Committee and the management to act as check and balance against one another. The division of responsibilities among the general meetings, the Board, committees of the Board and the management is distinct, and each of them is assigned with clearly defined responsibilities. The Board has delegated the execution and daily operations of the Company's business to the management. However, clear directions are given to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Company. The Company will continue to improve its corporate governance mechanism, exercise discipline in the fulfilment of corporate duties, and strengthen information disclosure.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for governing the securities transactions by the Directors.

The Company has issued a specific enquiry regarding whether the securities transactions by Directors are in compliance with the Model Code and the Company confirmed that all Directors have complied with the securities transactions standards governing directors specified by the Model Code during the period from Listing Date to 31 December 2015.

BOARD OF DIRECTORS

Composition of the Board

According to the Articles, the Company established the Board consisting of nine directors, of whom one is chairman and three are independent directors.

As at the date of this report, the Board consisted of nine Directors, of whom Mr. Ren Yanjun was the chairman and an executive Director; other three executive Directors were Mr. Ma Yunkun, Mr. Jiang He and Mr. Yu Yuanlin respectively; two non-executive Directors were Mr. Li Xuefu and Mr. Wu Zhixu respectively; three independent non-executive Directors were Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing respectively.

All the Directors entered into a service contract with the Company for the term of three years. A Director may be re-elected and re-appointed at a general meeting after his/her term of office expires.

The Directors strictly complied with their promises, fidelity and integrity, and diligently performed their responsibilities. The quantities and members' composition of the Board conformed to the requirements of relevant laws and regulations. There was no any non-working relationship among the members of Board, including financial, business, family member or other significant relevant relations.

The Directors distinguished themselves in their field of expertise, and exhibited high standards of personal and professional ethics and integrity. All the directors gave sufficient time and attention to the Company's affairs. The Board believed that the ratio of executive to non-executive Directors was reasonable and adequate to provide checks and balances that safeguard the interests of the Shareholders and the Company as a whole.

Meetings of the Board and Directors Attendance Record

During the reporting period, the Company convened a total of six Board meetings and three general meetings.

The following set forth the Directors' attendance of the Board meetings and general meetings during the report period.

Name	Title	Board meetings	General meetings
Ren Yanjun	Chairman and Executive Director	6/6	3/3
Ma Yunkun	Executive Director	6/6	3/3
Jiang He	Executive Director	6/6	3/3
Yu Yuanlin	Executive Director	6/6	3/3
Li Xuefu	Non-Executive Director	6/6	3/3
Wu Zhixu	Non-Executive Director	4/6	1/3
Sun Linfu	Independent Non-Executive Director	0/6	0/3
Yu Jiahe	Independent Non-Executive Director	1/6	0/3
Wong Hin Wing	Independent Non-Executive Director	1/6	0/3

Note: Five of the Directors, Ren Yanjun, Ma Yunkun, Jiang He, Yu Yuanlin and Li Xuefu, were elected in the first general meeting convened by the Company on 24 June 2015, and thus attended all the Board meetings and general meetings during the reporting period. Wu Zhixu was elected as a Director at the first extraordinary general meeting in 2015 convened by the Company on 24 June 2015, and thus attended the subsequent four Board meetings and one general meeting. Yu Jiahe and Wong Hin Wing were elected as Directors in the first extraordinary general meeting in 2015 convened by the Company on 24 June 2015, and Sun Linfu was elected as a Director in the second extraordinary general meeting in 2015 convened by the Company on 16 November 2015. The term of services of three independent non-executive Directors, Yu Jiahe, Wong Hin Wing and Sun Linfu, came into force from the date of the Long Board meeting convened for arrangement of subsequent Listing matters after issuance and listing of H Shares passing the hearing from the Stock Exchange (23 November 2015), therefore Yu Jiahe and Wong Hin Wing attended one Board meeting (the sixth meeting of first Board session) during the reporting period; Sun Linfu delegated Yu Jiahe to attend the sixth meeting of first Board session on his behalf. Three general meetings during the reporting period were convened before the appointments of independent non-executive Directors came into force.

Continuous Training and Development Schemes for Directors

According to the CG Code, all the directors should participate in continuous professional development schemes to develop and refresh their knowledge and skills, in order to ensure that their contribution to the board remained informed and relevant.

All the Directors regularly accepted the briefs and update about the business, operations, risk management and corporate governance matters of the Group, and had been provided with new key laws and regulations and changes to the forgoing appropriate applicable to the Company. According to the CG Code, all the Directors provided their respective training records to the Company.

During the reporting period and as at the date of this report, the Company provided the appropriate continuous training and professional development courses for the Directors, including delegating the Company's counsel to interpret contents of the Listing Rules in details, etc. All the Directors had attended the related trainings, were made aware of and carefully read the relevant documents. Moreover, the Company received the letters of confirmation for attending the continuous professional trainings from each Director.

Operation of the Board

The Board assumes responsibility for leadership and control of the Company in respect of general meetings, and is responsible for formulating the overall development strategy, reviewing and monitoring the business performance of the Company, as well as preparing and approving financial statements. Moreover, the Board not only is responsible for the day-to-day management, administration and operation of the Company, but also reviews those granted functions on a periodic basis to ensure that relevant arrangement remains appropriate to the needs of the Company.

The Board convenes regular and extraordinary meetings in accordance with legal procedures and complies strictly with relevant laws and regulations and the Articles in the exercise of its authority, with an emphasis on protecting the interests of the Company and its Shareholders.

All Directors are given no less than 14 days' notice of regular Board meetings, and all Directors are given no less than 5 days' notice of extraordinary Board meetings.

The secretary to the Board records and prepares documents concerning all matters that are discussed during the Board meetings. Draft minutes of every Board meeting are circulated to all Directors for their review. After finalization, the Board minutes will be signed by all Directors who have attended the meeting, the secretary to the Board and the minutes recording person. These documents are permanently kept as an important record of the Company at the Company's domicile.

The Board of Directors is responsible to the general meetings and it principally exercises the following powers:

(I) to convene general meetings and report its work to the general meeting;

(II) to implement the resolutions of the general meetings;

(III) to make decisions on business plans and investment plans of the Company;

(IV) to formulate the Company's proposed annual financial budget and final budgetary reports;

(V) to formulate the Company's profit distribution plans and plans for making up for losses;

(VI) to formulate the Company's plans for increasing or reducing the registered capital, issuing shares, bonds or other securities and listing;

(VII) to formulate the Company's plans for major acquisitions, repurchase of the Company's shares or merger, division, dissolution and change in corporate form;

(VIII) to decide such matters of the Company such as external investment, purchase and sales of assets, pledge of assets, external guarantee, entrusted finance and related party transactions within the scope of authorization of general meeting;

(IX) to decide the setting of internal administrative organs of the Company;

(X) to appoint or dismiss the general manager and the secretary to the board of directors of the Company, to appoint or dismiss any senior management, including vice general manager and financial controller of the Company according to the nomination by the general manager, and to decide their remuneration and rewards and punishments;

(XI) to formulate the basic management system of the Company;

(XII) to formulate proposals for any modifications to the Articles;

(XIII) to manage the disclosure of information of the Company;

(XIV) to propose on the general meeting the appointment or change of the accounting firm that provides the Company with the service of auditing annual financial statements and to determine its audit fee;

(XV) to listen to work reports of the general manager of the Company and to review his/her work;

(XVI) to decide the establishment and composition of special committees of the board of directors;

(XVII) other functions and authorities as specified by laws, regulations and the listing rules of the stock exchange on which shares of the Company are listed and as granted by the general meeting of shareholders and the Articles.

All Directors have access to the advice and services of the company secretary. The Company provides all Directors with the necessary information and data to enable them to make scientific, timely and prudent decisions. Any Director can request the general manager to, or through the general manager to request, the Company's relevant department to provide him/her with any necessary information and explanation to enable him/her to make scientific, timely and prudent decisions. If any of the independent non-executive Directors considers necessary, an independent institution can be engaged to provide independent opinions to assist his/her in making decisions. The Company is responsible for arranging the engagement of the independent institution at the Company's costs.

Director(s) with interest in any connected transaction cannot vote at the Board meeting considering the particular connected transaction. If a resolution cannot be passed due to the Director(s) abstaining from voting, the resolution will be submitted directly to the general meeting for consideration by the Shareholders.

The Company has taken out appropriate liability insurance policies for Directors, supervisors and senior management members, for the purpose of covering any of their liability arising out of the Group's corporate activities.

Committees of the Board

The Company has established strategy and investment, audit and risk management, nomination, remuneration and assessment committees. The function of each committee is to study specific issues in its area of expertise and to provide opinions and suggestions for consideration by the Board.

a. *Strategy and Investment Committee*

The strategy and investment committee of the Company was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. The strategy and investment committee consists of three Directors: Mr. Ren Yanjun, Mr. Sun Linfu and Mr. Yu Jiahe. Mr. Ren Yanjun is the chairman of the strategy and investment committee. The strategy and investment committee is primarily responsible for studying and proposing suggestions on the Company's development strategy planning and significant investment decisions, which include, among other things:

- to review the Company's long-term development strategies;
- to review the major issues that affect the development of the Company; and
- to review the significant capital operations, asset management projects, significant investments, financing and guarantee projects which should be approved by the Board.

b. *Audit and Risk Management Committee*

The audit and risk management committee of the Company was established in June 2015. It currently consists of three non-executive Directors. The audit and risk management committee consists of three Directors: Mr. Yu Jiahe, Mr. Sun Linfu and Mr. Wong Hin Wing. Mr. Yu Jiahe is the chairman of audit and risk management committee.

The audit and risk management committee is primarily responsible for supervising our internal control, risk management, financial information disclosure and internal audit matters, which include, among other things:

- to supervise and manage the audit work, to propose appointment or removal of external audit agencies and to supervise the work of external audit agencies;
- to supervise internal audit system and its implementation, to review our financial and accounting policies and practices;
- to ensure communication and coordination between internal audit and external audit agencies;
- to supervise our financial information and its disclosure, and to review the major opinions on financial reporting as set out in the statements and reports; and
- to review our financial control, internal control and risk management system, to review major connected transactions, and to ensure that the management has discharged its duty to establish an effective internal control system.

The Company has established an audit department with relatively independent functions on internal audit, internal control and risk management. The audit department is under the guidance and supervision of the audit and risk management committee, and reports its work to the audit and risk management committee.

c. *Nomination Committee*

The Company's nomination committee was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. The members of the nomination committee are Mr. Ren Yanjun, Mr. Sun Linfu and Mr. Yu Jiahe. Mr. Ren Yanjun is the chairman of nomination committee.

The nomination committee is primarily responsible for formulating the nomination procedures and standards for candidates for Directors, which include, among other things:

- to formulate the nomination procedures and standards for Directors and senior management, and to make suggestions on the proposed changes of the Board with the aim to facilitate the Company's strategies;
- to assess the independence of independent Directors; and
- to assess and review the candidates for Directors and senior management to be potentially appointed by the Board, and make suggestions to the Board on plans for appointment, re-appointment and succession of Directors.

d. *Remuneration and Assessment Committee*

The Company's remuneration and assessment committee was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. The members of the remuneration and assessment committee are Mr. Yu Jiahe, Mr. Ren Yanjun and Mr. Sun Linfu. Mr. Yu Jiahe is the chairman of remuneration and assessment committee.

The remuneration and assessment committee is primarily responsible for formulating and reviewing the compensation policies and schemes for the Company's Directors and senior management, which include, among other things:

- to make recommendations to the Board on the Company's policies and structure for the remuneration of Directors and senior management;

- to study the performance assessment management measures for the Company's Directors and senior management, to formulate assessment standards, and to determine the assessment objectives; and

- to develop formal, fair, reasonable and transparent remuneration system, and to supervise the effective implementation of the Company's remuneration system.

The above committees of the Board commenced its operation and performance after the date of the Board meeting (23 November 2015) held for the arrangement of the subsequent listing after the issuing of H shares and listing of the Company passing the hearing of the Stock Exchange, thus the Company did not convene any meeting of the above committees during the reporting period.

e. *Corporate Governance Functions*

The Board is responsible for the following corporate governance functions:

I. to formulate and review the Company's corporate governance policy and practices and make recommendations;

II. to review and monitor the training and professional development on an ongoing basis of the Directors and senior management members;

III. to review and monitor the Company's policies and practices on compliance, laws and regulations;

IV. to formulate, review and monitor any code of conduct and compliance manual, where appropriate, applicable to employees and Directors; and

V. to review the Company's compliance with the CG Code and the disclosure of corporate governance report as set out in the annual report of the Company.

CHAIRMAN AND GENERAL MANAGER

The offices of the Chairman and the general manager of the Company are held by the same person. Mr. Ren Yanjun is the Chairman and the general manager of the Company. The division of responsibilities between them has been clearly established and set out in writing. The Chairman is responsible for leadership of the Board and chairing Board meetings while the general manager is responsible for the Company's day-to-day operations.

According to the Articles, the Chairman exercises the following powers:

(1) to convene and preside at general meetings, and to preside at Board meetings;

(2) to supervise and check the implementation of Board resolutions;

(3) to sign important documents of the board of directors and other documents that should be signed by the legal representative of the Company;

(4) to exercise certain powers of the board of directors in accordance with authorization of the Board during intermissions of the meetings of the board of directors;

(5) to sign the securities issued by the Company;

(6) to organize the formulation of relevant systems relating to the Board and to coordinate with its operation;

(7) in case of emergency circumstances of force majeure events such as extraordinary natural disasters, to exercise special disposal powers which comply with legal provisions and are in the interests of the Company on matters of the Company and provide post-event reports to the Board and the general meeting;

(8) to listen to the reporting of the general manager, other senior management of the Company and person in charge of the invested enterprises;

(9) other powers granted by the Board.

The general manager is responsible to the Board. The general manager and the management team under his leadership have the following powers:

(1) to take charge of the production, operation and management of the Company, to organize implementation of resolutions of the board of directors, and to report his/her work to the board of directors;

(2) to organize the implementation of annual operation plans and investment plans of the Company;

(3) to establish plans for establishment of the Company's internal management structure;

(4) to establish the Company's basic management system;

(5) to formulate the basic rules and regulations of the Company;

(6) to propose to the board of directors the appointment or dismissal of any vice general manager, chief accountant, chief engineer and chief economist of the Company;

(7) to appoint or dismiss of managers other than those whose appointment or dismissal shall be decided by the board of directors;

(8) to propose convening an interim meeting of the board of directors;

(9) other powers granted by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the Articles, independent non-executive directors were elected in the general meeting for a term of three years. Upon expiry of the term, they were eligible for re-election and re-appointment, but no more than six years, except where otherwise expressly provided by relevant laws, regulations and listing rules of the stock exchange in which the Company's shares were listed.

Each of the independent non-executive Directors has issued a confirmation in respect of the factors set out in Rule 3.13 of the Listing Rules concerning his independence. The Company considers all of the independent non-executive Directors to be independent.

BOARD DIVERSITY POLICY

When determining the composition of the Board, the Company seeks to achieve board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits of the candidates and the contribution that they can bring to the Board.

The Board has set measurable objectives (including the aforesaid measurable objectives) to implement the policy and the nomination committee is responsible for reviewing such objectives from time to time to ensure their appropriateness and monitoring the progress made towards achieving those objectives, and reviewing the policy, as appropriate, to ensure its continued effectiveness from time to time.

NOMINATION OF DIRECTORS

Directors are elected at general meetings in accordance with the Articles. Written notice of intention to nominate a candidate for the post of Director and the candidate's agreement to be nominated must be given to the Company after the date of the notice of the general meeting and at least seven days prior to the holding of the general meeting.

REMUNERATION OF SENIOR MANAGEMENT

According to Code B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band whose particulars are contained in the section headed "Directors, Supervisors and Senior Management" in this annual report for 2015 is set out below:

Remuneration band (RMB)	Number of individuals
RMB1 million or above	1
RMB0.9 million (including) to RMB1 million	2
Less than RMB0.9 million	5
Total	8

Note: Four senior management members were appointed on 24 June 2015 and therefore, the remuneration above only included the remuneration of the four senior management members during the period from 24 June 2015 to 31 December 2015.

REMUNERATION OF THE AUDITOR

Ernst & Young is the overseas auditor of the Company in 2015, and Ernst & Young Hua Ming LLP is the domestic auditor of the Company in 2015. For the year ended 31 December 2015, the services provided and the remuneration received by Ernst & Young, Ernst & Young Hua Ming LLP and other Ernst & Young member firms are as follows:

Internal control review	RMB0.462 million
Restructuring audit	RMB1.612 million
Listing audit and reporting accountant	RMB2.417 million
2015 financial statement audit	RMB1.980 million

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

JOINT COMPANY SECRETARIES

Mr. Law Chun Biu and Mr. Ma Changhua were appointed as joint company secretaries of the Company on 23 November 2015.

Mr. Law Chun Biu, aged 42, serves as one of the joint company secretaries of the Company. He joined the Company and was appointed as a joint company secretary in November 2015. From March 2000 to December 2002, Mr. Law worked for Harbor Ring Management Limited as an assistant accounting manager. From March 2003 to October 2006, he was a senior accountant of Tonic Electronics Ltd. From October 2006 to April 2007, he was a finance manager of Fuji Kon Industrial Co. Ltd. Since December 2007, he has been a joint company secretary of China Railway Construction Corporation Limited (hereinafter referred to as "CRCC"). Mr. Law is a member of Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Law obtained a bachelor's degree from Hong Kong University of Science and Technology in 1997, majoring in business administration. He obtained a master's degree from Hong Kong Polytechnic University in 2006, majoring in information systems.

Biography of Mr. Ma Changhua is set out in the section of Directors, Supervisors and Senior Management.

CONSTITUTIONAL DOCUMENTS

The Company's first extraordinary general meeting was convened on 24 June 2015 to deliberate and pass the resolution on Adoption of the Articles after Issuance and Listing of H Shares of CRCC High-Tech Equipment Corporation Limited, and to approve the applicable Articles of Association (Draft) after issuance and listing of H Shares. Those Articles came into force since the Listing Date of H Shares on the Main Board of the Stock Exchange. During the period from Listing Date to 31 December 2015, the Company did not make any amendment to the Articles.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has a sound organization system of internal control. The Board is responsible for the establishment, improvement and effective implementation of the risk management and internal control systems. A year-end review of the effectiveness of the Company's and its subsidiaries' risk managements and internal control systems has been conducted annually and the systems are considered to be effective and adequate. Guided by the Board and the audit and the risk management committee, the audit department carries out inspection, supervision and evaluation for internal controls of the Company and its branches and subsidiaries in respect of important control functions such as financial control, operation control, compliance control and risk management, supervises and timely rectifies internal control deficiencies and effectively controls operating risks.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meetings

Shareholders holding more than 10% of shares (individually or together with others) shall be entitled to request for an extraordinary general meeting upon signing one or several written requests with the same content and format, and stating the subject of the meeting. If the Board agrees to convene an extraordinary general meeting, it shall issue a notice of general meeting within five days upon making the Board decision. If the Board disagrees to convene an extraordinary general meeting, or does not reply within 10 days upon receipt of the proposal, Shareholders individually or together holding more than 10% of the shares of the Company are entitled to request the Supervisory Committee in writing to hold an extraordinary general meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within five days upon making the decision. If the Supervisory Committee does not issue the notice of general meeting within the prescribed period, it shall be deemed as the Supervisory Committee not convening and not holding the general meeting. Then the Shareholders who individually or together hold more than 10% of the shares for more than 90 consecutive days may convene and hold the meeting themselves.

Putting enquires to the Board

The Company's information shall be communicated to the shareholders mainly through general meetings (including annual general meetings), the Company's financial reports (interim reports and annual reports), and its corporate communications posted on the Company's website and the Stock Exchange's HKExnews website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any relevant questions shall be first directed to the company secretary at the Company's principal place of business in Hong Kong or the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Putting proposals to general meetings

Any shareholder solely holding, or shareholders aggregately holding, more than 3% of shares in the company may put forward an interim proposal and submit the same in writing to the convener 10 days prior to the convening of the general meeting. Besides, shareholder(s) should follow the procedures of convening the extraordinary general meetings for putting forward proposals at extraordinary general meetings. The Company shall include the matters in the proposals which are within the scope of the terms of reference of the general meetings in the agenda of the meeting.

INVESTOR RELATIONSHIP

The Company places great emphasis on communication with investors and has established a securities affairs department to handle affairs regarding investor relationship. When investors come to visit the Company, reception and site visit will be arranged by designated staff. The Company actively participates in various meetings concerning investor relationship, so as to enable investors to have better understanding about the Company.

The Company will continue to improve its relationship with investors, so as to further enhance its transparency.

Directors' Report

The Board is pleased to present the Directors' Report and the audited financial statements of the Company for the year ended 31 December 2015.

THE COMPANY'S BUSINESS ACTIVITIES

The Company is mainly engaged in the research, development, manufacture and sale of large railway track maintenance machines, parts and components sales and services, overhaul services and railway line maintenance services. The principal businesses and details of the Company's subsidiaries is set out in the Note 1 to Financial Statements.

There was no material change in the nature of the Group's key business during the reporting period.

MAJOR RISKS AND UNCERTAINTIES

The Board is ultimately responsible for the sufficient risk control measures of the Company, so as to directly and effectively reduce the major risks faced by the Company during the business operation. The Board will delegate part of its responsibilities to each of the function departments.

Regulatory Risks

The Company's business operation and financial position may face the following major risks:

- Railway Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress on 7 September 1990 and amended on 27 August 2009 and 24 April 2015;

- Regulation on Administration of Railway Safety promulgated by the State Council on 17 August 2013 and enforced on 1 January 2014;

- Measures for License for Design, Manufacture, Maintenance and Import of Railway Locomotives and Vehicles promulgated by the Ministry of Transport of the People's Republic of China on 24 December 2013 and enforced on 1 January 2014;

- Rules for the Implementation of License for Design, Manufacture, Maintenance and Import of Railway Locomotives and Vehicles promulgated and enforced by the State Railway Administration of the People's Republic of China on 3 April 2014.

In 2015, the Company also paid close attention to the legislative development of the industry while operating in compliance with the regulatory requirements under the abovementioned laws, regulations and rules.

Policy Risks

Our business and financial performance may be materially affected by changes in the PRC government policies in respect of the large railway track maintenance machinery industry; any decrease in public spending on, or any change in public procurement policies or industry standards relating to, rail transportation could impact our business.

Market Risks

The Company's market risks are mainly from its major customers and major suppliers:

- Most of the Company's revenue comes from major customers. Therefore, the loss of one or more major customers or changes in their orders or the terms of the contract may have a material adverse impact on the Company's business.

- The largest supplier of the Company is Plasser & Theurer, the purchase from whom is attributable to approximately 18.80% of the Company's total purchase, and the purchase attributable to our five largest suppliers amounted to 55.11% of our total purchase. Significant changes in the relationship between the Company and major suppliers may have a material adverse impact on our business.

In addition, other market risks, including foreign exchange risk and interest rate risk, also have an impact on our business and operation, details of which are set out in note 35 to the financial statements of this report.

Operating Risks

Operating risks generally include risks resulting from inadequate or failed internal processes and the risks resulting from human error in internal operations or other reasons. For example, defective products resulting from human error in internal operation may lead to product claims or incur loss against the Company.

In order to manage these risks, the Company established a mature internal control system and improved business processes, so as to reduce the risk of such adverse effects on the Company.

ENVIRONMENTAL POLICY

The Company will perform its social responsibilities and strictly implement the Environmental Protection Law of the People's Republic of China and other requirements under applicable laws from the perspective of corporate sustainability and development, as well as carry out solid environmental protection technical renovation work and regulate the environmental protection indexes. In particular, the Company will standardize the management of operation and maintenance of environmental facilities, and improve the operation rate and efficiency of environmental protection facilities, so as to ensure standard emission. Adhering to the principle of "safety and reliability, mature technology and being cost-effective", the Company will continue to optimize and refine the process of the technological improvement, and advance the implementation of environmental technical renovation in a continuous manner.

BUSINESS MODEL AND DIRECTION OF STRATEGY

The Company insists on adhering to the market-oriented principle of development and is committed to creating sustainable value for the shareholders in order to achieve sustainable development for the Company. Manufacturing and sales of large railway track maintenance machines, parts and components sales and services, overhaul services and railway line maintenance services are the major sources of income of the Company. The key strategic development directions of the Company are:

1. Further consolidating our leading position in the PRC large railway track maintenance machinery Industry and committed to providing our customers with industry value chain with systemic solutions.

2. Further enhancing the value of our business, products and services to strengthen our industry value chain coverage and providing our customers with systemic solutions covering the entire life cycle of our products.

3. Promoting our international strategy and enhancing international operations.

4. Focusing on R&D and innovation in order to enhance core competitiveness.

5. Developing a professional talent pool.

The performance review and development prospect is set out in the section of Chairman's Statement and Management Discussion and Analysis. There is no material events having influence on the Company after the end of the financial year under review.

RESULTS AND DIVIDENDS

Results of the Company for the year ended 31 December 2015, prepared in accordance with the IFRSs, is set out in the audited financial statement of this report.

For financial index analysis on the Company's 2015 annual results, please refer to Management Discussion and Analysis section in this report.

As at 31 December 2015, the Group's retained profits (before distribution of the final dividend) amounted to RMB196.2 million in total, the Board proposed the distribution of dividend of RMB0.04 per share (including applicable taxes) for the year in cash. The proposed dividends shall not be distributed until approval at the 2015 annual general meeting to be held in 2016. It is expected that the Company will pay the cash dividend by the end of August 2016, subject to the approval from shareholders. Further details in relation to the closure of register of member for H shares and expected payment date will be announced by the Company after the arrangement of such general meeting.

FINANCIAL HIGHLIGHTS

Property, plant and equipment

The Group revised the accounting estimates on the useful lives and depreciation method of property, plant and equipment. The change in accounting estimates was approved on 30 March 2016 by the board of directors, and adopted from 1 October 2015. The table below shows the details of estimated useful lives and depreciation method before and after 1 October 2015:

	Before 1 October 2015		**After 1 October 2015**	
Category of property, plant and equipment	Estimated useful lives	Annual rate	Estimated useful lives	Annual rate
Production equipment	10 years	9.50%	5–10 years	9.50%–19.00%
Other equipment	5 years	19.00%	3–5 years	19.00%–31.67%

	Before 1 October 2015	After 1 October 2015
	Depreciation method	Depreciation method
Machinery and equipment used for research and development	Straight-line method	Accelerated depreciation method

These changes in accounting estimates have reduced the Group's profit before tax for the year ended 31 December 2015 by approximately RMB1,168,000.

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 13 to the financial statements.

Short-term borrowings

The Group has no short-term borrowings as at 31 December 2015.

Long-term borrowings

The Group has no long-term borrowings as at 31 December 2015.

SHARE CAPITAL

As at 31 December 2015, the number of issued shares of the Company was 1,519,884,000 shares, of which 531,900,000 shares are H shares.

RESERVES

Details for the Group's reserves as at 31 December 2015 are set out in note 26 to the financial statements.

USE OF PROCEEDS OF THE COMPANY

Approximately 40% of the net proceeds from the Global Offering will be used for the construction of our International Technology Cooperation Center Project, including acquisition of land, construction of infrastructure and purchase of equipment. Approximately 30% of the net proceeds from the Global Offering will be used for upgrading our business network by developing our sales offices into 4S stores that integrate functions of sales, service, spare parts and survey, so as to provide comprehensive customer services and systemic solutions to our large railway track maintenance machine customers. Approximately 20% of the net proceeds from the Global Offering, will be used for general domestic and overseas acquisitions that, among others, relate to the large railway track maintenance machinery industry, and will enable us to strengthen and complement our core value chain. Approximately 10% of the net proceeds from the Global Offering will be used to supplement working capital.

According to the use of proceeds disclosed in the prospectus of the Company, the actual usage as at 31 December 2015 is detailed as follows:

Planned use	Budgeted amount (RMB: Billion)	Actual usage amount (RMB: Billion)
For the International Technology Cooperation Center Project	0.9	0.5
For the upgrading of business network	0.7	0
For the domestic and overseas acquisition	0.4	0
To supplement working capital	0.2	0.2
Total	2.2	0.7

As at 31 December 2015, the balance of the proceeds from H shares issuance of the Company was about RMB1.5 billion (including interest income).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company Law of the PRC or in the Articles which require the Company to offer new shares on a pro-rata basis to its existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period from Listing Date to 31 December 2015, there was no purchase, redemption or sale of any listed securities of the Company by the Company or any of its subsidiaries.

SHAREHOLDERS' EQUITY

Shareholders' equity of the Company set out in the consolidated statement of changes in equity.

RETAINED PROFITS

As at 31 December 2015, the Group's retained profits calculated in accordance with relevant regulations amounted to approximately RMB196.2 million, of which RMB60.8 million has been proposed to be paid as final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

Our major customers include China Railway Corporation ("CRC") and its affiliated enterprises, local railway operators and railway construction companies. During the year, CRC is our largest customer, and the sales of goods and provision of services attributable to CRC was approximately 56.39% of the Group's total revenue. The sales of goods and provision of services attributable to the five largest customers was approximately 73.08% of the Group's total revenue. The five largest customers of the Group are all independent third parties.

Saved as disclosed above, none of the Directors, their close associates or those Shareholders so far as is known to the Directors having more than 5% interest in the share capital of the Company, had any interest in CRC during the year.

During the year, Plasser & Theurer is the largest supplier of the Company, and the percentage of the Company's purchase attributable to purchase from Plasser & Theurer during the year was approximately 18.80% of the Company's total purchases. The purchase costs in aggregate attributable to our five largest suppliers amounted to approximately 55.11% of our total purchase costs. Our five largest suppliers are all independent third parties.

Saved as disclosed above, none of the Directors, their close associates or those shareholders so far as is known to the Directors having more than 5% interest in the share capital of the Company, had any interest in any of the Group's five largest suppliers during the year.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company during the reporting period and as at the date of this report are:

Executive Directors

Ren Yanjun — *Chairman of the Board*
Ma Yunkun
Jiang He — *vice general manager*
Yu Yuanlin — *vice general manager, chief financial officer*

Non-executive Director

Li Xuefu
Wu Zhixu

Independent non-executive Directors

Sun Linfu
Yu Jiahe
Wong Hin Wing

Supervisors

Lyu Jianming — *Chairman of the Supervisory Committee, employee supervisor*
Zhang Zhumin — *representative supervisor of shareholders*
Wang Huaming — *representative supervisor of shareholders*

COMPOSITION OF THE SUPERVISORY COMMITTEE

According to the Articles, the Supervisory Committee shall comprise three supervisors, of which two supervisors are representative supervisors of shareholders and one supervisor is employee supervisor.

As at the date of this report, the Supervisory Committee comprised three supervisors, of which Mr. Lyu Jianming is the Chairman of the Supervisory Committee, Mr. Zhang Zhumin and Mr. Wang Huaming are the representative supervisors of shareholders.

BIOGRAPHIES OF DIRECTORS AND SUPERVISORS

Details of the biographies of the Directors and supervisors of the Company are set out in Directors, Supervisors and Senior Management section of this report.

POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of positions held by Directors, supervisors and senior management of the Company in entities of substantial shareholders and other entities are set out in Directors, Supervisors and Senior Management section of this report.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and supervisors for a term of three years. The service contracts with all Directors and supervisors shall continue for a term of three years or for a shorter period as may be decided upon at the respective re-elections of the Directors and supervisors at the general meeting or the employees' representative committee meeting of the Company (as the case may be). Notice of termination of service contracts given by any party shall not be less than three months.

None of the Directors nor supervisors to be re-elected on the general meeting has a service contract with the Company which is not terminable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the reporting period and as at 31 December 2015, none of the Directors nor supervisors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding Company or any of its subsidiaries was a party.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the reporting period and as at 31 December 2015, none of the Directors, directly or indirectly, had an interest in any business which competes or may compete with the business of the Company and/or its subsidiaries.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND GENERAL MANAGER IN THE SHARES AND DEBENTURES

During the reporting period and as at 31 December 2015, none of the Directors, supervisors and the general manager of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions in the shares required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PERMITTED INDEMNITY PROVISIONS

During the reporting period and as at 31 December 2015, the Company has purchased liabilities insurance for the Directors and supervisors, which provides appropriate insurance for the Directors and supervisors.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the reporting period were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors, supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors and supervisors to acquire such rights in any other body corporate.

EMPLOYEES AND REMUNERATION POLICY

The Group's remuneration policy for its employees takes into account the individuals' post value, work performance and competence. The Group places great emphasis on the provision of on-the-job-training and development of its employees. Each staff member is required to participate in trainings organized by the Group and its department prior to the commencement of his or her employment. The Company formulates training plans according to its staff position and career development needs and releases its annual training plan at the beginning of year pursuant to which all departments need to organize staff training. The management and other employees are required to undertake training for enhancing work ability as specified by the Group. The Company has established channels for career development of employees. Employees have opportunities of promotion and development according to the orders of different positions within the Company. As at 31 December 2015, the Company had 1,912 full-time employees, and the total amount of remuneration (including salaries and allowances) for employees in 2015 was approximately RMB406.1 million.

The remuneration of Directors and supervisors is proposed by the Board and subject to approval by the Company at the general meetings, taking into consideration their respective experience, level of responsibilities within the Group, performance of the Company as well as remuneration benchmark in the industry and the market situation. Details of the remunerations of Directors and supervisors are set out in note 8 to the financial statements.

MANAGEMENT CONTRACT

During the reporting period, there was no construct entered into or subsisted in relation to the management and administration of the whole or any substantial part of any business of the Company.

STRUCTURE OF SHARE CAPITAL

The Company's share capital structure as at 31 December 2015 was as follows:

Shareholder	Type	As at 31 December 2015 Number of shares	Approximate % of issued share capital
China Railway Construction Corporation Limited	Domestic share	968,224,320	63.70%
China Railway Construction Investment Group Co., Ltd.	Domestic share	4,939,920	0.325%
CRCC International Group Co., Ltd	Domestic share	4,939,920	0.325%
China Civil Engineering Construction Ltd.	Domestic share	4,939,920	0.325%
CRCC China-Africa Construction Limited	Domestic share	4,939,920	0.325%
Shares in public hands	H share	531,900,000	35.00%
Total		1,519,884,000	100%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSED ACCORDING TO THE SECURITIES AND FUTURES ORDINANCE

As far as the Company's Directors knew, as at 31 December 2015, except the Company's Directors, Supervisors or chief executives, the following persons held the interests and short positions in the Company's share or shares registered on the register within the meaning of section 336 of Part XV of the SFO:

Unit: share

Name of substantial shareholder	Number of shares held note 1	Capacity	Approximate percentage of domestic share capital	Approximate percentage of H share capital	Approximate percentage of issued share capital
China Railway Construction Corporation Limited note 2	968,224,320(L)	Beneficial owner	98.00%	—	63.70%
	19,759,680(L)	Interest of controlled corporation	2.00%	—	1.30%
China Railway Construction Corporation note 3	987,984,000(L)	Interest of controlled corporation	100.00%	—	65.00%

Name of substantial shareholder	Number of shares held note 1	Capacity	Approximate percentage of domestic share capital	Approximate percentage of H share capital	Approximate percentage of issued share capital
CITIC Securities Company Limited note 4	159,570,000(L)	Interest of controlled corporation	—	30.00%	10.50%
Morgan Stanley note 5	78,607,999(L)	Interest of controlled corporation	—	14.77%	5.17%
GIC Private Limited	54,996,500(L)	Interest of controlled corporation	—	10.34%	3.62%
UBS Group AG note 6	52,806,000(L) 13,258,500(S)	Interest of controlled corporation/ Interest of corporation controlled by the substantial shareholder	— —	9.93% 2.49%	3.47% 0.87%
CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited note 7	44,285,500(L)	Beneficial owner	—	8.33%	2.91%
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd note 7	44,285,500(L)	Interest of controlled corporation	—	8.33%	2.91%
CRCC Corporation Limited note 7	44,285,500(L)	Interest of controlled corporation	—	8.33%	2.91%
CRCC Corporation Group Limited note 7	44,285,500(L)	Interest of controlled corporation	—	8.33%	2.91%
National Council for Social Security Fund	38,357,500(L)	Beneficial owner	—	7.21%	2.52%

Name of substantial shareholder	Number of shares held note 1	Capacity	Approximate percentage of domestic share capital	Approximate percentage of H share capital	Approximate percentage of issued share capital
State Street Corporation	37,202,500(P)	Custodian – corporation/ approved lending agent	—	6.99%	2.45%
Baring Asset Management Limited	32,157,500(L)	Investment manager	—	6.04%	2.11%
Fullerton Fund Management Company Ltd note 8	29,000,000(L)	Investment manager	—	5.45%	1.91%
FFMC Holdings Pte. Ltd. note 8	29,000,000(L)	Interest of controlled corporation	—	5.45%	1.91%
Temasek Holdings (Private) Limited note 8	29,000,000(L)	Interest of controlled corporation	—	5.45%	1.91%
Northern Trust Fiduciary Services (Ireland) Limited	27,986,500(L)	Trustee (other than a bare trustee)	—	5.26%	1.84%
Segantii Capital Management Limited	26,774,500(L)	Investment manager	—	5.03%	1.76%

Note 1: L — Long Position, S — Short Position, P — Shares Available for Lending.

Note 2: China Railway Construction Corporation Limited ("CRCC") (including its four wholly-owned subsidiaries, namely China Railway Construction Investment Group, CRCC International Group, China Civil Engineering Construction and CRCC China-Africa Company) directly or indirectly held the long position of 987,984,000 domestic shares of the Company.

Note 3: As at 31 December 2015, China Railway Construction Corporation directly held approximately 55.73% shares of CRCC, while CRCC directly or indirectly held 987,984,000 domestic shares of the Company. Therefore, China Railway Construction Corporation was deemed to be interested in these shares.

Note 4: CITIC Securities Company Limited held the long position of 159,570,000 H Shares of the Company through its controlled corporation.

Note 5: Morgan Stanley held the long position of 78,607,999 H Shares of the Company through its controlled certain corporations.

Note 6: UBS Group AG held the long position of 51,115,000 H Shares and short position of 1,943,500 H Shares of the Company through its controlled certain corporations.

Note 7: As at 31 December 2015, CSR Zhuzhou Institute Co., Ltd. held 100% equity of CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Ltd. and was wholly-owned subsidiary of CRRC Corporation Limited. Moreover, CRRC Group held 55.92% shares of CRRC Corporation Limited and CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Ltd. held 44,285,500 H Shares of the Company, thus CSR Zhuzhou Institute Co., Ltd., CRRC Corporation Limited and CRRC Group were deemed to be interested in these shares.

Note 8: Temasek Holdings (Private) Limited held the long position of 29,000,000 H Shares of the Company through its controlled corporation.

CONTINUING CONNECTED TRANSACTIONS

Transactions conducted between the Group and the following parties constitute continuing connected transactions of the Company under the Listing Rules. During the reporting period, details of the Group's continuing connected transactions were as follows:

Non-exempt continuing connected transactions

The following transactions constitute non-exempt continuing connected transactions of the Group and thus are subject to reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

Large Maintenance Machinery and Accessories Sales Framework Agreement with CRCC

On 23 November 2015, the Company entered into the Large Maintenance Machinery and Accessories Sales Framework Agreement with CRCC (the "Large Maintenance Machinery and Accessories Sales Framework Agreement"). Pursuant to such agreement, our Group agreed to: (i) sell various kinds of large railway track maintenance machines; (ii) provide other related or ancillary products and services, mainly including sales of parts and components and the provision of overhaul services and railway line maintenance services to CRCC and/or its associates. The term of the Large Maintenance Machinery and Accessories Sales Framework Agreement was from the Listing Date to 31 December 2017, subject to early termination by either party giving at least three months' prior written notice to the other party, and can be renewed by mutual agreement. For details, please refer to the Company's prospectus dated 3 December 2015.

The principal pricing policy of the Large Maintenance Machinery and Accessories Sales Framework Agreement was as follows:

(i) the price should generally be in line with the relevant market prices at which the same type of products and services provided by us to an independent third party on normal commercial terms;

(ii) in the absence of the relevant market prices, then the price shall be determined according to the price to be agreed between the parties; the agreed price will be calculated based on the actual costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance, incurred in providing such products and services plus reasonable profits; we will charge a mark-up rate, taking into consideration of the specific types of products and services, for the transactions on a cost-plus basis.

For the year ended 31 December 2015, CRCC held approximately 65% issued share capital of the Company and is a controlling shareholder of the Company, and therefore CRCC and its associate are connected persons of the Company. Transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement constitute continuing connected transactions of the Company.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in connection with the abovementioned continuing connected transactions.

For the year ended 31 December 2015, the amount of products and services provided by our Group to CRCC and/or its associates under the Large Maintenance Machinery and Accessories Sales Framework Agreement was RMB73.3 million, not exceeding the annual cap of RMB126.4 million for 2015 approved by the Stock Exchange.

Financial Services Framework Agreement with CRCC Finance Company Limited

On 23 November 2015, the Company entered into Financial Services Framework Agreement (hereinafter referred to as the "Financial Services Framework Agreement") with CRCC Finance Company Limited (subsidiary of CRCC), pursuant to which CRCC Finance Company Limited agreed to provide deposit services for the Group after Listing. The term of the Agreement was from the Listing Date to the earlier of: (a) the day which is one year after the Listing Date; and (b) the day on which the Company holds its next annual general meeting, subject to early termination by either party giving at least three months' prior written notice to the other party, and can be renewed by mutual agreement. For details, please refer to the Company's prospectus dated 3 December 2015.

The main pricing policy of the Financial Services Framework Agreement was as follow:

Pursuant to the Financial Services Framework Agreement, CRCC Finance Company Limited shall accept deposits from the Group at interest rates not lower, and thus no less favorable, than the prevailing rates offered by the major PRC commercial banks for deposits of similar nature.

The Group and CRCC Finance Company Limited will enter into specific agreement to set out specific terms with respect to the financial services contemplated under the Financial Services Framework Agreement in accordance with the aforementioned principle terms thereunder.

For the year ended 31 December 2015, CRCC Finance Company Limited is a connected person of our Company by virtue of being a subsidiary of CRCC. Therefore, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of our Company.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in connection with the abovementioned continuing connected transactions.

For the year ended 31 December 2015, the maximum daily balance of the deposits was RMB470.4 million placed by the Group on CRCC Finance Company Limited under the Financial Services Framework Agreement, not exceeding the cap of RMB500.0 million approved by the Stock Exchange.

Annual review for continuing connected transactions

Directors (including independent non-executive directors) reviewed and confirmed that the Company's continuing connected transactions complied with the agreed procedures and principles, all the above continuing connected transactions were entered into:

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

(2) on normal commercial terms or better or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board engaged the auditor of the Company to conduct certain procedures in relation to the continuing connected transactions of our Company. The auditor has issued a letter in relation to the continuing connected transactions pursuant to Rule 14A.56 of the Listing Rules. In the letter, the auditor of the Company confirmed that, in respect of these continuing connected transactions of the Company during the reporting period:

(1) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have exceeded the annual caps set by the Company.

Related party transactions

Details of the related party transactions undertaken by the Group during the reporting period are set out in note 31 to the financial statements.

The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions under the Listing Rules. Other related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/ continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Non-Competition Agreement

CRCC, CRCCG and our Company have entered into a Non-Competition Agreement dated 23 November 2015 (the "Non-Competition Agreement"), pursuant to which, save as exceptional circumstance specified in the Non-Competition Agreement, CRCC and CRCCG have unconditionally and irrevocably undertaken to our Company (for the interests of our Company itself and other members of our Group) that, during the term of the Non-Competition Agreement, CRCC and CRCCG shall not, and shall procure that their respective associates (other than our Group) will not, directly or indirectly, whether on their own or jointly with another person or company, own, interest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with any business of our Company (the "Restricted Business").

During the year ended of 31 December 2015, the Company's independent non-executive directors reviewed compliance with non-competition agreement as well as relevant information provided by CRCC and China Railway Construction Corporation. In the opinions of independent non-executive directors, CRCC and China Railway Construction Corporation complied with the relevant provisions under non-competition agreement in 2015; their respective operations were independent of the Group's business, without any mutual competition conduct with the Group. The Board was able to independently operate and manage the Company's business well on the premise of the overall interests of the Company and its directors.

SUFFICIENCY OF PUBLIC FLOAT

According to publicly available information and as far as the Directors were aware, as at the date of this report, there was a sufficient public float of the Company's issued shares as required under the Listing Rules.

EVENTS AFTER THE BALANCE SHEET DATE

As disclosed in note 10 to the financial statements, the Board proposed the payment of a final dividend of RMB0.04 per share (inclusive of tax) for the year ended 31 December 2015 on 30 March 2016. The proposed final dividend is subject to the approval of the Shareholders in 2015 annual general meeting.

TAXATION

According to regulations of the Circular on Relevant Issues of Withheld Corporate Income Tax of Chinese Resident Enterprises which Assign Dividends to Overseas H Share Non-Resident Enterprise Shareholders (GSH (2008) No. 897) promulgated by the State Administration of Taxation, while assigning the dividends of 2008 and subsequent years to H share non-resident enterprise shareholders, Chinese resident enterprises shall uniformly withhold corporate income tax as per 10%. Accordingly, the Company shall withhold corporate income tax at the rate of 10% before distributing final dividend to non-resident enterprise shareholders listed on H share register of the Company. Shares registered in the name of non-individual registered shareholders (including HKSCC Nominees Limited, other nominees, trustees or other organizations and institutions) will be treated as being held by non-resident enterprise shareholders, and the dividends receivable shall therefore withhold corporate income tax.

According to regulations of the Circular of State Administration of Taxation on the Collection and Management of Relevant Individual Income Tax after Abolishment of GSF (1993) No.045 Document, the dividend income obtained by overseas resident individual on stocks issued in Hong Kong by domestic non-foreign-invested, the individual income tax can be withheld as per 10%. However, for each individual shareholder in the capacity of offshore resident, the tax rate varied depending on his/her country on the residential identity and Chinese domestic relevant taxation agreement. In accordance with the above notices, while distributing final dividend to individual shareholder of H Shares listed on the Company's H Shares register, the Company withheld 10% of final dividend as individual income tax, except where relevant taxation regulation, taxation agreement or notice otherwise stipulated.

On 30 March 2016, the Board proposed to pay the dividend of RMB0.04 per share (inclusive of tax), totaling RMB60.8 million, for the year ended 31 December 2015.

The proposed dividend would be distributed until obtaining approval from shareholders in 2015 annual general meeting of shareholders convened in 2016.

AUDITOR

Financial statements for the year were audited by Ernst & Young. In February 2016, the Board decided to engage Ernst & Young as the overseas auditor and Ernst & Young Hua Ming LLP as the domestic auditor of the Company in 2015. The appointments shall be effective from the Listing Date and expire at the conclusion of the Company's 2015 annual general meeting and is subject to confirmation and approval at the Company's 2015 annual general meeting.

By order of the Board of Directors
Ren Yanjun
Chairman

Kunming, the PRC
30 March 2016

Supervisory Committee's Report

During the reporting period, pursuant to the PRC Company Law, the Articles, the Listing Rules and the terms of reference of the Supervisory Committee, members of the Supervisory Committee performed their duties prudently and effectively with respect to the supervision of the Company's operations and business activities in accordance with applicable rules and regulations in order to safeguard shareholders' and the Company's interests.

I. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the Company held two Supervisory Committee meetings, which approved the Rules of Meetings of the Supervisory Committee and elected the chairman of the Supervisory Committee of the Company. The notices, convening, holding and passing of resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles.

During the reporting period, members of the Supervisory Committee attended all general meetings and Board meetings of the Company in person or by ways of telecommunication.

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE

1. The Company carried on its operations lawfully

In 2015, in accordance with applicable laws and regulations, the Supervisory Committee reviewed the procedures adopted in the convening, passing of resolutions, decision-making procedures, results of voting of the Company's general meetings and the Board meetings, implementation of resolutions of general meetings by the Board, the performance of duties of senior management and the management system of the Company. The Supervisory Committee is of the opinion that the Directors and senior management of the Company had diligently performed their responsibilities and in compliance with the applicable laws and regulations. During the reporting period, no breaches of laws or regulations which were materially prejudicial to the Company or the interests of shareholders were discovered.

2. Financial reports give a true and accurate view

The Supervisory Committee seriously and thoroughly reviewed the Group's financial system and financial position. The Supervisory Committee considers that the Group's 2015 financial report is true and accurate and presents the financial position and operating results fairly, and that the audit opinion and other relevant comments made by Ernst & Young are also true and fair.

3. Connected transactions

The Supervisory Committee considers that the connected transactions between CRCC and its subsidiaries during the year were entered into in the ordinary and usual course of our business. The transactions were on the principles of openness, fairness and justness and were entered into in the interests of the Group and the shareholders as a whole. After its review, the Supervisory Committee considers that the Group's transactions in 2015 were in compliance with the relevant laws and regulations of the PRC and is not aware of any impairment to the Company's and shareholders' interest by means of connected transactions.

4. The implementation of Non-Competition Agreement

The Supervisory Committee is of the opinion that during the year, CRCC and CRCCG had complied with the terms of the Non-Competition Agreement, performed their undertakings, and had not entered into businesses in competition with the Group's businesses, save as disclosed in the paragraph headed "Non-Competition Agreement" in the Directors' Report.

5. The implementation of resolutions of the general meeting

During the reporting period, members of the Supervisory Committee attended six Board meetings and three general meetings. There were no objections to the various reports and resolutions submitted by the Board for consideration at the general meetings. The Board of Directors had seriously carried out resolutions of the general meeting.

Lyu Jianming (呂檢明)
Chairman of the Supervisory Committee

Kunming, the PRC
30 March 2016

Independent Auditors' Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the shareholders of CRCC High-Tech Equipment Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of CRCC High-Tech Equipment Corporation Limited (the "Company") and its subsidiaries set out on pages 56 to 139, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of 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 Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. 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.

To the shareholders of CRCC High-Tech Equipment Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their 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.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2016

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**3,973,132**	3,476,720
Cost of sales	6	**(3,019,607)**	(2,658,016)
Gross profit		**953,525**	818,704
Other income and gains	5	**41,223**	66,926
Selling and distribution expenses		**(64,272)**	(71,554)
Administrative expenses		**(395,500)**	(357,152)
Other expenses		**(3,172)**	(17,893)
Finance costs	7	**(6,292)**	(23,488)
PROFIT BEFORE TAX	6	**525,512**	415,543
Income tax expense	9	**(70,338)**	(53,507)
PROFIT FOR THE YEAR		**455,174**	362,036

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Changes in fair value		**13,027**	87,664
Income tax effect		**(1,954)**	(13,150)
		11,073	74,514
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement losses on defined benefit plan		**(200)**	(20)
Income tax effect		**31**	3
		(169)	(17)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**10,904**	74,497
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**466,078**	436,533
Profit attributable to:			
Owners of the parent	11	**456,235**	354,860
Non-controlling interests		**(1,061)**	7,176
		455,174	362,036
Total comprehensive income attributable to:			
Owners of the parent		**467,139**	429,357
Non-controlling interests		**(1,061)**	7,176
		466,078	436,533
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (expressed in RMB per share)	11	**0.45**	0.36

Consolidated Statement of Financial Position

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Available-for-sale investments	12	**240,422**	227,395
Property, plant and equipment	13	**947,269**	1,010,673
Prepaid land lease payments	14	**422,881**	278,009
Other intangible assets	15	**17,834**	3,099
Long-term prepayments	19	**20,623**	259,990
Deferred tax assets	16	**19,163**	23,002
Total non-current assets		**1,668,192**	1,802,168
CURRENT ASSETS			
Prepaid land lease payments	14	**10,464**	6,644
Inventories	17	**1,361,418**	1,325,702
Trade and bills receivables	18	**1,684,150**	552,221
Prepayments, deposits and other receivables	19	**41,161**	56,794
Pledged deposits	20	**299,684**	166,000
Cash and cash equivalents	20	**1,672,606**	320,902
Total current assets		**5,069,483**	2,428,263
CURRENT LIABILITIES			
Trade and bills payables	21	**1,323,796**	966,456
Other payables and accruals	22	**190,083**	279,284
Tax payable		**17,695**	28,694
Defined benefit obligations		**820**	1,130
Provisions	23	**9,670**	8,453
Government grants	24	**4,926**	4,926
Total current liabilities		**1,546,990**	1,288,943
NET CURRENT ASSETS		**3,522,493**	1,139,320
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,190,685**	2,941,488

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT LIABILITIES			
Defined benefit obligations		**1,350**	2,149
Government grants	24	**19,112**	24,038
Deferred tax liabilities	16	**28,118**	26,164
Total non-current liabilities		**48,580**	52,351
Net assets		**5,142,105**	2,889,137
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	**1,519,884**	987,984
Reserves	26	**3,622,221**	1,852,472
		5,142,105	2,840,456
Non-controlling interests		**—**	48,681
Total equity		**5,142,105**	2,889,137

Executive director
Ren Yanjun

Executive director
Yu Yuanlin

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent									
	Issued capital RMB'000	Capital reserve* RMB'000	Special reserve* RMB'000	Surplus reserve* RMB'000	Retained profits* RMB'000	Available-for-sale investment revaluation reserve* RMB'000	Defined benefit plan revaluation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2015	987,984	762,028	—	144,315	807,962	148,260	(10,093)	2,840,456	48,681	2,889,137
Profit/(loss) for the year	—	—	—	—	456,235	—	—	456,235	(1,061)	455,174
Other comprehensive income for the year:										
Changes in fair value of available–for–sale investment, net of tax	—	—	—	—	—	11,073	—	11,073	—	11,073
Re–measurement losses on defined benefit plan, net of tax	—	—	—	—	—	—	(169)	(169)	—	(169)
Total comprehensive income for the year	—	—	—	—	456,235	11,073	(169)	467,139	(1,061)	466,078
Dividends declared	—	—	—	—	(368,068)	—	—	(368,068)	(1,937)	(370,005)
Issue of shares	531,900	1,796,745	—	—	—	—	—	2,328,645	—	2,328,645
Share issue expenses	—	(83,839)	—	—	—	—	—	(83,839)	—	(83,839)
Acquisition of non–controlling interests	—	(42,228)	—	—	—	—	—	(42,228)	(45,683)	(87,911)
Capitalisation from reserve	—	797,192	—	(153,657)	(643,535)	—	—	—	—	—
Appropriation to statutory surplus reserve (note (ii))	—	—	—	56,410	(56,410)	—	—	—	—	—
Transfer to special reserve (note (i))	—	—	8,798	—	(8,798)	—	—	—	—	—
Utilisation of special reserve (note (i))	—	—	(8,798)	—	8,798	—	—	—	—	—
At 31 December 2015	1,519,884	3,229,898	—	47,068	196,184	159,333	(10,262)	5,142,105	—	5,142,105

	Attributable to owners of the parent									
	Issued capital RMB'000	Capital reserve* RMB'000	Special reserve* RMB'000	Surplus reserve* RMB'000	Retained profits* RMB'000	Available-for-sale investment revaluation reserve* RMB'000	Defined benefit plan revaluation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2014	987,984	762,028	—	116,535	550,889	73,746	(10,076)	2,481,106	49,658	2,530,764
Profit for the year	—	—	—	—	354,860	—	—	354,860	7,176	362,036
Other comprehensive income for the year:										
Changes in fair value of available–for–sale investment, net of tax	—	—	—	—	—	74,514	—	74,514	—	74,514
Re–measurement losses on defined benefit plan, net of tax	—	—	—	—	—	—	(17)	(17)	—	(17)
Total comprehensive income for the year	—	—	—	—	354,860	74,514	(17)	429,357	7,176	436,533
Dividends declared	—	—	—	—	(70,007)	—	—	(70,007)	(587)	(70,594)
Appropriation to statutory surplus reserve (note (ii))	—	—	—	27,780	(27,780)	—	—	—	—	—
Transfer to special reserve (note (i))	—	—	8,664	—	(8,664)	—	—	—	—	—
Utilisation of special reserve (note (i))	—	—	(8,664)	—	8,664	—	—	—	—	—
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(7,566)	(7,566)
At 31 December 2014	987,984	762,028	—	144,315	807,962	148,260	(10,093)	2,840,456	48,681	2,889,137

* These reserve accounts comprise the consolidated other reserves of RMB3,622,221,000 (31 December 2014: RMB1,852,472,000) in the consolidated statement of financial position as at 31 December 2015.

Notes:

(i) The Group has appropriated a certain amount of retained profits to a special reserve fund for safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to retained profits.

(ii) In accordance with the PRC Company Law and the articles of association of the Company, the Company is required to appropriate 10% of its net profit after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Company.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**525,512**	415,543
Adjustments for:			
Finance costs	7	**6,292**	23,488
Foreign exchange (gains)/losses, net	6	**(6,364)**	3,662
Interest income	5	**(3,046)**	(12,482)
Gain on disposal of a subsidiary	5	**—**	(2,895)
Dividend income from available-for-sale investments	5	**(3,920)**	(3,430)
Depreciation of items of property, plant and equipment	6	**69,795**	69,879
Amortisation of other intangible assets	6	**5,662**	861
Amortisation of prepaid land lease payments	6	**8,858**	6,692
Amortisation of long-term deferred expense	6	**182**	—
(Reversal of impairment)/impairment of trade receivables	6	**(2,715)**	3,592
(Reversal of impairment)/impairment of other receivables	6	**(32)**	1,389
(Reversal of write-down)/write-down of inventories to net realisable value	6	**(1,443)**	4,478
Gain on disposal of items of property, plant and equipment	6	**(298)**	(1,224)
		598,483	509,553
(Increase)/decrease in inventories		**(34,273)**	517,129
Increase in trade and bills receivables		**(1,129,214)**	(120,385)
Decrease in prepayments, deposits and other receivables		**14,012**	20,586
Increase in pledged deposits		**(133,684)**	(14,697)
Increase in trade and bills payables		**357,340**	59,266
Decrease in other payables and accruals		**(96,597)**	(1,183,351)
Decrease in defined benefit obligations		**(1,109)**	(1,829)
Increase in provisions		**1,217**	1,642
Decrease in government grants		**(4,926)**	(9,241)
Cash flows used in operations		**(428,751)**	(221,327)
Interest received		**3,046**	12,482
Income tax paid		**(77,469)**	(45,311)
Net cash flows used in operating activities		**(503,174)**	(254,156)

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of items of property, plant and equipment	**(15,588)**	(30,425)
Payments for acquisition of other intangible assets	**(18,421)**	(2,112)
Proceeds from disposal of items of property, plant and equipment	**631**	1,926
Proceeds from disposal of prepaid land lease payments	**—**	58,500
Proceeds from disposal of a subsidiary	**—**	7,511
Dividend income from available-for-sale investments	**3,920**	3,430
Net cash flows (used in)/from investing activities	**(29,458)**	38,830
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	**2,270,065**	—
Share issue expenses	**(17,733)**	—
New bank loans and other borrowings	**673,546**	390,000
Repayment of bank loans and other borrowings	**(673,546)**	(1,173,000)
Interest paid	**(6,292)**	(23,488)
Dividends paid	**(368,068)**	(70,007)
Dividends paid to non-controlling shareholders	**—**	(2)
Acquisition of non-controlling interests	**—**	(240,838)
Net cash flows from/(used in) financing activities	**1,877,972**	(1,117,335)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,345,340**	(1,332,661)
Cash and cash equivalents at beginning of year	**320,902**	1,657,225
Effect of exchange rate changes on cash and cash equivalents	**6,364**	(3,662)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,672,606**	320,902

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION

CRCC High-Tech Equipment Corporation Limited (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). On 24 June 2015, the Company was converted from a limited liability company into a joint stock limited company. In December 2015, the Company issued 531,900,000 H shares with a nominal value of RMB1.00 each through the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the H shares were listed on the Hong Kong Stock Exchange. The registered office of the Company is located at No. 384 Yangfangwang, Jinma Town, Kunming, Yunnan Province, the PRC.

During the year, the Group's principal activities were as follows:

- Manufacturing and sale of large railway track maintenance machinery
- Manufacturing and sale of parts and components
- Provision of overhaul services and railway line maintenance services

In the opinion of the directors of the Company (the "Directors"), the Company's holding company is China Railway Construction Corporation Limited ("CRCC"), a company established in the PRC. The Company's ultimate holding company is China Railway Construction Corporation ("CRCCG"), a company established in the PRC, which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council.

As at the date of this report, the Company has direct interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out below:

Company name	Place and date of registration and business	Registered capital	Percentage of equity interest attributable to the Company: Direct	Percentage of equity interest attributable to the Company: Indirect	Principal activities
Beijing Ruiweitong Engineering Machinery Co., Ltd. * ("北京瑞維通工程機械有限公司")	Beijing, China June 2009	RMB584,370,622	100%**	—	Provision of overhaul services and manufacturing and sale of parts and components

1. CORPORATE AND GROUP INFORMATION (continued)

Company name	Place and date of registration and business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Kunming Aotongda Railway Machinery Co., Ltd. * ("昆明奧通達鐵路機械有限公司")	Kunming, China June 2010	RMB50,000,000	100%	—	Provision of overhaul services and manufacturing and sale of parts and components
Beijing Kunweitong Railway Mechanisation Engineering Co., Ltd. * ("北京昆維通鐵路機械化工程有限公司")	Beijing, China May 2010	RMB60,000,000	100%	—	Provision of railway line maintenance services
Kunming China Railway Hengyuan Business Service Co., Ltd. * ("昆明中鐵恒源商務服務有限公司")	Kunming, China June 2012	RMB9,800,000	100%	—	Provision of catering, accommodation, security, conference, green cleaning and other services
Kunming Guangweitong Machinery Co., Ltd. * ("昆明廣維通機械設備有限公司")	Kunming, China December 2013	RMB30,000,000	100%	—	Manufacturing and sale of parts and components

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

** During the year, the Company acquired a 33% equity interest in its subsidiary, Beijing Ruiweitong Engineering Machinery Co., Ltd. ("Ruiweitong"). The acquisition was completed in August 2015 and Ruiweitong became a wholly-owned subsidiary of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

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

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Disclosure Initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6 No mandatory effective date yet determined but is available for early adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. No mandatory effective date is yet determined for the amendments but is available for early adoption. The amendments are not expected to have any impact on the Group.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Except for that the depreciation of certain items of machinery and equipment for research and development is calculated on the accelerated depreciation method, the depreciation of other property, plant and equipment is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories	Annual rates
Buildings and structures	2.71%
Machinery	9.50%
Production equipment	9.50%-19.00%
Measurement and experimental equipment	19.00%
Vehicles	19.00%
Other equipment	19.00%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Construction in progress represents property, plant and equipment or other intangible assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or other intangible assets when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Office software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of usually 2 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

— the rights to receive cash flows from the asset have expired; or

— the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, interest-bearing bank and other borrowings and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of machines, parts and components, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Generally, revenue from the sale of machines is recognised upon the acceptance certificates for installation and debugging are signed by the Group and the customers together;

(b) from the rendering of overhaul services, when the services are fully rendered and accepted by the customers;

(c) from the rendering of railway line maintenance services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Retirement benefits

1. *Social pension plans*

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

2. *Annuity plan*

The Group provides an annuity plan to the voluntary or eligible employees. Contributions are made based on a percentage of the voluntary or eligible employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the plan. Under the plan, the Group has no further obligations beyond the contributions made.

3. *Post-employment benefit plan*

The Group provides a benefit plan for long-term post-leaving personnel, which are considered as defined benefit plans. The Group does not put any funds in the plan. The obligation recognised in the consolidated statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligations at the end of the reporting period. The defined benefit obligation is calculated by an independent qualified actuarial firm, Towers Watson Consulting Company Limited which is engaged by CRCC, using the projected cumulative unit credit method annually, or when any material changes in the plans and key assumptions occur. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities of the currency and term consistent with the currency and term of the defined benefit plan. Re-measurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits (continued)

3. Post-employment benefit plan (continued)

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit obligation under “administrative expenses” in the consolidated statement of comprehensive income by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic and supplementary medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Apart from those described above, the Group does not have any other legal or constructive obligations over employee benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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, are described below.

Useful lives and residual values of items of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods. Further details are included in note 13 to the financial statements.

The Group revised the accounting estimates on the useful lives and depreciation method of property, plant and equipment. The change in accounting estimates was approved on 30 March 2016 by the board of directors, and adopted from 1 October 2015. The table below shows the details of estimated useful lives and depreciation method before and after 1 October 2015:

	Before 1 October 2015		After 1 October 2015	
Category of property, plant and equipment	Estimated useful lives	Annual rate	Estimated useful lives	Annual rate
Production equipment	10 years	9.50%	5–10 years	9.50%–19.00%
Other equipment	5 years	19.00%	3–5 years	19.00%–31.67%
	Depreciation method		Depreciation method	
Machinery and equipment used for research and development	Straight-line method		Accelerated depreciation method	

These changes in accounting estimates have reduced the Group's profit before tax for the year ended 31 December 2015 by approximately RMB1,168,000.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The Group assessed that indications of material impairment for non-financial assets did not exist during each reporting period.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 16 to the financial statements.

Impairment of trade receivables and other receivables

The policy for impairment of trade receivables and other receivables of the Group is based on the evaluation of collectability and the ageing analysis of trade receivables and other receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the estimation at the end of each reporting period. Further details are included in note 18 and note 19 to the financial statements.

Provision against obsolete inventories

Management reviews the condition of inventories of the Group at the end of each reporting period and makes provision against obsolete and slow-moving inventory items identified that are no longer suitable for use or sale. Management estimates the net realisable value for such inventories based primarily on the latest sales invoice prices and current market conditions. Management reassesses the estimation at the end of each reporting period. Further details are included in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provisions for warranties

Provisions for product warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. Further details are included in note 23 to the financial statements.

Development costs

The Group capitalises development costs for a project in accordance with the relevant accounting policy for research and development costs in note 2.4 to the financial statements. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. During the year, all development costs are expensed based on management's judgement.

Fair value of available-for-sale investments

Available-for-sale investments of the Group at the end of each reporting period are listed equity investments. The fair values are based on quoted market prices, after considering non-liquidity effect. This valuation requires the Group to make estimates about non-liquidity discount ratio and it is subject to uncertainty. Further details are included in note 12 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from the provision of products and services in the large railway track maintenance machinery industry, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource arrangement and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

	2015 **RMB'000**	2014 RMB'000
Mainland China	**3,938,047**	3,476,720
Other countries	**35,085**	—
	3,973,132	3,476,720

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	31 December 2015 **RMB'000**	31 December 2014 RMB'000
Mainland China	**1,408,607**	1,551,771

All the non-current assets are located in Mainland China. The non-current asset information above is based on the location of the assets and excludes deferred tax assets and financial instruments.

Information about a major customer

Information about revenue from a major customer which contributed 10% or more to the Group's revenue is shown in the following table:

	2015 **RMB'000**	2014 RMB'000
China Railway Corporation	**2,240,523**	353,742
Proportion of revenue	**56%**	10%

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents: (1) the net invoiced value of goods sold, after allowance for returns and trade discounts, and excludes sale taxes; and (2) the values of services rendered.

An analysis of the Group's revenue, other income and gains is as follows:

	2015 RMB'000	2014 RMB'000
Revenue:		
Sales of machines	**2,891,973**	2,791,491
Sales of parts and components	**607,450**	440,097
Overhaul services	**432,349**	215,018
Railway line maintenance services	**41,360**	30,114
	3,973,132	3,476,720
Other income and gains:		
Government grants	**12,048**	25,132
Training	**5,506**	4,636
Dividend income from available-for-sale investments	**3,920**	3,430
Interest income	**3,046**	12,482
Rental income	**2,173**	1,981
Sale of scrap materials	**1,405**	3,364
Gain on disposal of a subsidiary	**—**	2,895
Others	**13,125**	13,006
	41,223	66,926

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2015 RMB'000	2014 RMB'000
Cost of machines sold		**2,301,611**	2,261,534
Cost of parts and components sold		**391,767**	239,619
Cost of overhaul services		**306,383**	144,105
Cost of railway line maintenance services		**19,846**	12,758
Total cost of sales		**3,019,607**	2,658,016
Depreciation of items of property, plant and equipment	13, (a)	**69,795**	69,879
Amortisation of prepaid land lease payments	14	**8,858**	6,692
Amortisation of other intangible assets	15	**5,662**	861
Amortisation of long-term deferred expenses		**182**	—
Total depreciation and amortisation		**84,497**	77,432
(Reversal of impairment)/impairment of trade receivables	18	**(2,715)**	3,592
(Reversal of impairment)/impairment of deposits and other receivables	19	**(32)**	1,389
Total impairment losses, net		**(2,747)**	4,981
(Reversal of write-down)/write-down of inventories to net realisable value	17	**(1,443)**	4,478
Lease expense under operating leases of buildings and equipment		**930**	440
Auditors' remuneration		**3,592**	257
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration (note 8)):	(b)		
Wages, salaries and allowances		**213,686**	182,844
Defined contribution scheme expenses		**44,137**	42,220
Defined benefit scheme expenses		**90**	190
Welfare and other expenses		**148,223**	147,087
Total employee benefit expenses		**406,136**	372,341

6. PROFIT BEFORE TAX (continued)

	Notes	2015 RMB'000	2014 RMB'000
Research and development costs	(c)	**161,090**	166,962
Provisions for warranties, net	23	**11,020**	5,864
Interest income	5	**(3,046)**	(12,482)
Dividend income from available-for-sale investments	5	**(3,920)**	(3,430)
Gain on disposal of a subsidiary	5	**—**	(2,895)
Gain on disposal of items of property, plant and equipment		**(298)**	(1,224)
Foreign exchange (gain)/loss, net		**(6,364)**	3,662
Government grants	5, (d)	**(12,048)**	(25,132)

Notes:

(a) Depreciation of approximately RMB55,634,000 (2014: RMB52,218,000) is included in cost of sales in the consolidated statement of comprehensive income for the year ended 31 December 2015.

(b) Employee benefit expenses of approximately RMB250,559,000 (2014: RMB245,426,000) are included in the cost of sales in the consolidated statement of comprehensive income for the year ended 31 December 2015.

(c) Employee benefit expenses of approximately RMB45,288,000 (2014: RMB37,516,000) are included in research and development costs in the consolidated statement of comprehensive income for the year ended 31 December 2015.

(d) Most of the government grants are received by the Group as financial subsidies for the research activities. Government grants are recognised as income over the periods necessary to match the grant on a systematic basis to the costs and expenses that they are intended to compensate or over the weighted average of the expected useful life of the relevant property, machinery and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans and other loans	**6,292**	23,488

No interest was capitalised in 2015 (2014: Nil).

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors', supervisors' and chief executive's remuneration

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**—**	—
Other emoluments:		
— Salaries, allowances and benefits in kind	**2,421**	3,221
— Performance related bonuses	**3,128**	1,538
— Pension scheme contributions	**245**	320
	5,794	5,079

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors', supervisors' and chief executive's remuneration (continued)

The names of the Directors, supervisors and chief executive and their remuneration for the years ended 31 December 2015 and 2014 are as follows:

2015

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Ren Yanjun (Chief executive) (i)	—	423	752	40	1,215
Mr. Ma Yunkun (i)	—	415	756	23	1,194
Mr. Jiang He (i)	—	356	692	38	1,086
Mr. Yu Yuanlin (i)	—	171	591	17	779
Mr. Yang Chaokai (ii)	—	186	—	18	204
Mr. Chen Yongxiang (ii)	—	186	—	18	204
Non-executive directors					
Mr. Li Xuefu (i)	—	—	—	—	—
Mr. Wu Zhixu (i)	—	—	—	—	—
Independent non-executive directors					
Mr. Sun Linfu (iv)	—	—	—	—	—
Mr. Yu Jiahe (iv)	—	—	—	—	—
Mr. Wong Hin Wing (iv)	—	—	—	—	—
	—	1,737	2,791	154	4,682
Supervisors					
Mr. Hu Bin (iii)	—	197	—	18	215
Mr. Mo Bin (iii)	—	185	—	18	203
Mr. Guo Yun (iii)	—	187	—	18	205
Mr. Lyu Jianming (i)	—	115	337	37	489
Mr. Zhang Zhumin (i)	—	—	—	—	—
Mr. Wang Huaming (i)	—	—	—	—	—
	—	684	337	91	1,112
	—	2,421	3,128	245	5,794

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors', supervisors' and chief executive's remuneration (continued)

Notes:

(i) On 24 June 2015, the Company was converted from a limited liability company into a joint stock limited company and elected new directors and supervisors. Mr. Ma Yunkun, Mr. Jiang He and Mr. Yu Yuanlin were appointed as executive directors. Mr. Ren Yanjun was appointed as executive director and chief executive. Mr. Li Xuefu and Mr. Wu Zhixu were appointed as non-executive directors. Mr. Lyu Jianming, Mr. Zhang Zhumin and Mr. Wang Huaming were appointed as supervisors.

(ii) Mr. Yang Chaokai and Mr. Chen Yongxiang resigned as directors effective from 24 June 2015.

(iii) Mr. Hu Bin, Mr. Mo Bin and Mr. Guo Yun resigned as supervisors effective from 24 June 2015.

(iv) Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing were appointed as independent non-executive directors effective from 23 November 2015.

2014

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Directors					
Mr. Ren Yanjun (Chief executive)	—	449	266	43	758
Mr. Ma Yunkun	—	444	265	43	752
Mr. Jiang He	—	368	250	42	660
Mr. Yang Chaokai	—	367	196	40	603
Mr. Chen Yongxiang	—	367	198	40	605
	—	1,995	1,175	208	3,378
Supervisors					
Mr. Hu Bin	—	387	192	41	620
Mr. Mo Bin	—	366	171	39	576
Mr. Guo Yun	—	473	—	32	505
	—	1,226	363	112	1,701
	—	3,221	1,538	320	5,079

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
Chief executive	**1**	1
Directors	**2**	2
Non-director and non-supervisor employees	**2**	2
	5	5

Details of the directors' and chief executive's remuneration are set out above in part (a).

Details of the remuneration of the above non-director and non-supervisor highest paid employees are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, allowances and benefits in kind	**712**	735
Performance related bonuses	**1,274**	446
Pension scheme contributions	**75**	81
	2,061	1,262

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	2015	2014
Nil to HK$1,000,000	**—**	2
HK$1,000,001 to HK$1,500,000	**2**	—
	2	2

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees (continued)

During the years ended 31 December 2015 and 2014, no directors, supervisors, chief executive or any of the non-director and non-supervisor highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors, supervisors, chief executive or any of the non-director and non-supervisor highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Company and a subsidiary were entitled to a preferential income tax rate of 15% for the years ended 31 December 2015 and 2014, and they will continue to benefit from this preferential income tax policy until 31 December 2020 under "the tax incentives of western development". Another subsidiary was also entitled to a preferential income tax rate of 15% for the year ended 31 December 2014 under "the tax incentives of western development", but it would not meet the requirement of this preferential income tax policy from 2015. However, this subsidiary has obtained the certificate of "high and new technology enterprise" authorised by the Yunnan Provincial Science and Technology Department, and is entitled to the preferential tax rate of 15% during the years from 2015 to 2017.

Two other subsidiaries of the Company have been identified as "high and new technology enterprises" and were entitled to a preferential income tax rate of 15% for the three years ended 31 December 2014 in accordance with the PRC Corporate Income Tax Law. The preferential income tax incentive for the two subsidiaries expired by end of 2015. However, they have renewed the certificates of "high and new technology enterprise" for another three years of 2015, 2016 and 2017 with the relevant authorities and should be able to be entitled to the preferential tax rate of 15% during the years from 2015 to 2017.

Other entities within the Group in Mainland China were subject to corporate income tax at a statutory rate of 25%.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong for the years ended 31 December 2015 and 2014.

	2015 **RMB'000**	2014 RMB'000
Current income tax — Mainland China	**66,470**	61,730
Deferred income tax (note 16)	**3,868**	(8,223)
Tax charge for the year	**70,338**	53,507

9. INCOME TAX (continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the years ended 31 December 2015 and 2014 is as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	**525,512**	415,543
Income tax charge at the statutory income tax rate of 25%	**131,378**	103,886
Effect of preferential income tax rate for some entities	**(46,993)**	(34,267)
Research and development costs super-deduction	**(18,470)**	(18,533)
Expenses not deductible for tax purposes	**3,929**	2,760
Income not subject to tax	**(980)**	(858)
Others	**1,474**	519
Tax charge at the effective rate	**70,338**	53,507

10. DIVIDENDS

The dividends for the years ended 31 December 2015 and 2014 are set out below:

	Notes	**2015 RMB'000**	2014 RMB'000
Declared:			
Dividend declared to owners of the parent		**69,898**	70,007
Special dividends declared to owners of the parent	(i)	**298,170**	—
		368,068	70,007
Proposed:			
Final 2015 dividend — RMB0.04 per share	(ii)	**60,795**	

10. DIVIDENDS (continued)

Notes:

(i) Pursuant to a resolution passed by the shareholders of the Company on 24 June 2015, the promoters of the Company are entitled to a special dividend, which represents an amount equal to the retained profits of the Group attributable to the owners of the Company earned and accrued from 1 April 2015 to 30 June 2015. The final amount of the special dividend of RMB115.6 million was approved by the shareholders of the Company on 16 November 2015. Furthermore, another special dividend of RMB182.6 million was approved by the shareholders of the Company on 16 November 2015, which represents an amount equal to the retained profits of the Group attributable to the owners as at 31 March 2015.

(ii) The board of directors of the Company proposed, on 30 March 2016, the payment of a final dividend of RMB0.04 per share in respect of the year ended 31 December 2015. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,011,300,000 (2014: 987,984,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

	2015 **RMB'000**	2014 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**456,235**	354,860

	Numbers of shares	
	2015 **'000**	2014 '000
Shares:		
Weighted average number of ordinary shares in issue during the years used in the basic earnings per share calculation	**1,011,300**	987,984

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Listed equity investments, at fair value	**240,422**	227,395

The movements in the fair value of available-for-sale investments are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**227,395**	139,731
Recognised in other comprehensive income	**13,027**	87,664
At 31 December	**240,422**	227,395

As at 31 December 2015, there was no impairment recognised in respect of available-for-sale investments (2014: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery, production equipment, and measurement and experimental equipment RMB'000	Vehicles RMB'000	Structures and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
2015						
Cost:						
At 1 January 2015	759,412	455,029	33,710	143,510	19,723	1,411,384
Additions	70	11,628	2,325	1,565	10,644	26,232
Transfers from construction in progress	—	—	—	696	(696)	—
Transfers to other intangible assets (note 15)	—	—	—	—	(17,899)	(17,899)
Disposals	(102)	(3,902)	(2,457)	(2,415)	—	(8,876)
At 31 December 2015	759,380	462,755	33,578	143,356	11,772	1,410,841
Accumulated depreciation and impairment:						
At 1 January 2015	(95,834)	(236,280)	(25,002)	(43,595)	—	(400,711)
Depreciation charge for the year	(20,684)	(33,033)	(3,641)	(12,437)	—	(69,795)
Disposals	—	2,801	2,111	2,022	—	6,934
At 31 December 2015	(116,518)	(266,512)	(26,532)	(54,010)	—	(463,572)
Net carrying amount:						
At 31 December 2015	642,862	196,243	7,046	89,346	11,772	947,269
At 1 January 2015	663,578	218,749	8,708	99,915	19,723	1,010,673

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Machinery, production equipment, and measurement and experimental equipment RMB'000	Vehicles RMB'000	Structures and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
2014						
Cost:						
At 1 January 2014	759,729	448,726	34,369	135,568	28,528	1,406,920
Additions	—	11,442	199	199	13,714	25,554
Transfers from construction in progress	—	92	—	9,784	(9,876)	—
Transfers to other intangible assets (note 15)	—	—	—	—	(1,955)	(1,955)
Disposal of a subsidiary	—	(2,309)	(420)	(1,639)	(10,688)	(15,056)
Disposals	(317)	(2,922)	(438)	(402)	—	(4,079)
At 31 December 2014	759,412	455,029	33,710	143,510	19,723	1,411,384
Accumulated depreciation and impairment:						
At 1 January 2014	(75,902)	(205,832)	(20,784)	(32,242)	—	(334,760)
Depreciation charge for the year	(19,932)	(33,368)	(4,657)	(11,922)	—	(69,879)
Disposal of a subsidiary	—	180	147	226	—	553
Disposals	—	2,740	292	343	—	3,375
At 31 December 2014	(95,834)	(236,280)	(25,002)	(43,595)	—	(400,711)
Net carrying amount:						
At 31 December 2014	663,578	218,749	8,708	99,915	19,723	1,010,673
At 1 January 2014	683,827	242,894	13,585	103,326	28,528	1,072,160

13. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2015, the Group is in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB21,934,000 (31 December 2014: RMB22,636,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2015.

14. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**284,653**	300,395
Additions	**157,550**	—
Disposal of a subsidiary	**—**	(9,050)
Amortisation	**(8,858)**	(6,692)
Carrying amount at 31 December	**433,345**	284,653
Portion classified as current assets	**(10,464)**	(6,644)
Non-current portion	**422,881**	278,009

15. OTHER INTANGIBLE ASSETS

	Office software RMB'000	Others RMB'000	Total RMB'000
2015			
Cost:			
At 1 January 2015	**19,018**	**1,006**	**20,024**
Additions	**1,897**	**601**	**2,498**
Transfers from construction in progress (note 13)	**12,637**	**5,262**	**17,899**
At 31 December 2015	**33,552**	**6,869**	**40,421**
Accumulated amortisation:			
At 1 January 2015	**(16,641)**	**(284)**	**(16,925)**
Amortisation for the year	**(5,415)**	**(247)**	**(5,662)**
At 31 December 2015	**(22,056)**	**(531)**	**(22,587)**
Net carrying amount:			
At 31 December 2015	**11,496**	**6,338**	**17,834**
At 1 January 2015	**2,377**	**722**	**3,099**

15. OTHER INTANGIBLE ASSETS (continued)

	Office software RMB'000	Others RMB'000	Total RMB'000
2014			
Cost:			
At 1 January 2014	16,906	1,006	17,912
Additions	157	—	157
Transfers from construction in progress (note 13)	1,955	—	1,955
At 31 December 2014	19,018	1,006	20,024
Accumulated amortisation:			
At 1 January 2014	(15,880)	(184)	(16,064)
Amortisation for the year	(761)	(100)	(861)
At 31 December 2014	(16,641)	(284)	(16,925)
Net carrying amount:			
At 31 December 2014	2,377	722	3,099
At 1 January 2014	1,026	822	1,848

16. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax assets/liabilities during the years are as follows:

Deferred tax assets:	**2015** **RMB'000**	2014 RMB'000
At 1 January	**23,002**	14,776
Deferred tax (charged)/credited to profit or loss (note 9)	**(3,868)**	8,223
Deferred tax credited to other comprehensive income	**29**	3
At 31 December	**19,163**	23,002

Deferred tax liabilities:	**2015** **RMB'000**	2014 RMB'000
At 1 January	**26,164**	13,014
Deferred tax charged to other comprehensive income (note 12)	**1,954**	13,150
At 31 December	**28,118**	26,164

16. DEFERRED TAX ASSETS/LIABILITIES (continued)

The deferred tax assets/liabilities are attributed to the following items:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Deferred tax assets:		
Accruals and provisions	**3,382**	2,967
Provision for impairment of receivables	**4,448**	4,867
Impairment of inventories	**1,248**	1,465
Accrued but not paid salaries, wages and benefits	**326**	492
Government grants received not yet recognised as income	**568**	701
Unrealised gains arising from intra-group transactions	**8,240**	11,469
Others	**951**	1,041
	19,163	23,002
Deferred tax liabilities:		
Fair value movement on available-for-sale investments	**28,118**	26,164

As at 31 December 2015 and 2014, there were no unrecognised deferred tax assets in respect of deductible temporary differences and unused tax losses.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

17. INVENTORIES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Raw materials and parts and components	**603,541**	579,329
Materials in transit	**116,388**	61,326
Work in progress	**411,028**	307,715
Finished goods	**238,782**	387,096
	1,369,739	1,335,466
Provision for impairment	**(8,321)**	(9,764)
	1,361,418	1,325,702

Movements in the provision for impairment losses are as follows:

	2015 RMB'000	2014 RMB'000
Impairment:		
At 1 January	**9,764**	5,286
(Reversal of impairment)/impairment losses (note 6)	**(1,443)**	4,478
At 31 December	**8,321**	9,764

18. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has control to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by analysis by customer. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. They are stated net of provisions.

	31 December 2015 RMB'000	31 December 2014 RMB'000
Trade receivables	**1,675,706**	580,147
Provision for impairment	**(29,444)**	(32,159)
Trade receivables, net	**1,646,262**	547,988
Bills receivable	**37,888**	4,233
	1,684,150	552,221

The Group has pledged bills receivable of RMB11,300,000 to guarantee for bills payable (2014: Nil).

An aged analysis of trade and bills receivables, based on the billing date and net of provision for impairment of trade receivables, as at the end of the reporting period is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 6 months	**1,404,426**	382,610
6 months to 1 year	**131,597**	46,966
1 to 2 years	**69,165**	67,700
2 to 3 years	**66,301**	44,171
Over 3 years	**12,661**	10,774
	1,684,150	552,221

18. TRADE AND BILLS RECEIVABLES (continued)

Movements in the provision for impairment losses are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**32,159**	28,567
(Reversal of impairment)/impairment losses (note 6)	**(2,715)**	3,592
At 31 December	**29,444**	32,159

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB6,777,000 (2014: RMB11,609,000) with an aggregate carrying amount before provision of RMB188,370,000 (2014: RMB155,596,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or in principal payments and only a portion of the receivables are expected to be recovered.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Neither past due nor impaired	**1,179,030**	321,266
Past due but not impaired:		
Less than 6 months past due	**5,184**	582
Over 6 months past due	**152**	—
	1,184,366	321,848

18. TRADE AND BILLS RECEIVABLES (continued)

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Details of the outstanding balances with related parties included in trade and bills receivables are set out in note 31 to the financial statements.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Deposits and other receivables	**19,910**	10,265
Provision for impairment of deposits and other receivables	**(210)**	(282)
	19,700	9,983
Prepayments	**41,978**	306,431
Deductible input VAT	**106**	370
	61,784	316,784
Less: Long-term prepayments	**(20,623)**	(259,990)
Current portion	**41,161**	56,794

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of deposits and other receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**282**	5,448
(Reversal of impairment)/impairment losses (note 6)	**(32)**	1,389
Written off	**(40)**	(6,555)
At 31 December	**210**	282

No provision for individually impaired deposits and other receivables is included in the above provision as at 31 December 2015 (2014: Nil).

An aged analysis of the deposits and other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Neither past due nor impaired	**15,513**	5,945
Past due but not impaired:		
Less than 6 months past due	**—**	89
Over 6 months past due	**2,928**	3,767
	18,441	9,801

None of the balances except for the deposits and other receivables above is either past due or impaired, as they relate to balances for whom there was no recent history of default.

Details of the outstanding balances with related parties included in prepayments, deposits and other receivables are set out in note 31 to the financial statements.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash	**4**	1
Bank balances	**1,672,602**	320,901
Pledged deposits	**299,684**	166,000
	1,972,290	486,902
Less: Pledged deposits for guarantees of bills payable	**(299,684)**	(166,000)
Cash and cash equivalents in the consolidated statements of financial position and cash flows	**1,672,606**	320,902

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to RMB1,972,120,000 (2014: RMB486,219,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods mainly depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Details of the outstanding balances with related parties included in cash and cash equivalents and pledged deposits are set out in note 31 to the financial statements.

21. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 1 year	**1,281,036**	960,875
1 to 2 years	**41,004**	2,044
2 to 3 years	**676**	561
Over 3 years	**1,080**	2,976
	1,323,796	966,456

Trade payables are non-interest-bearing and are normally settled within the agreed periods.

Details of the outstanding balances with related parties included in trade and bills payables are set out in note 31 to the financial statements.

22. OTHER PAYABLES AND ACCRUALS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Advances from customers	**64,684**	147,181
Accrued salaries, wages and benefits	**14,153**	18,715
Dividend payable to non-controlling shareholders	**587**	587
Other tax payables	**56,995**	54,838
Other payables	**53,664**	57,963
	190,083	279,284

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

Details of the outstanding balances with related parties included in other payables and accruals are set out in note 31 to the financial statements.

23. PROVISIONS

	2015 RMB'000	2014 RMB'000
Product warranties:		
At 1 January	**8,453**	6,811
Additional provision, net (note 6)	**11,020**	5,864
Amounts utilised during the year	**(9,803)**	(4,222)
At 31 December	**9,670**	8,453

The Group provides one year warranties to its customers on certain products, under which faulty products will be repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

24. GOVERNMENT GRANTS

	2015 RMB'000	2014 RMB'000
At 1 January	**28,964**	38,205
Recognised as income	**(4,926)**	(9,241)
At 31 December	**24,038**	28,964
Portion classified as current liabilities	**(4,926)**	(4,926)
Non-current portion	**19,112**	24,038

25. ISSUED CAPITAL

	31 December 2015 RMB'000	31 December 2014 RMB'000
Issued and fully paid:		
1,519,884,000 (2014: 987,984,000) ordinary shares	**1,519,884**	987,984

25. ISSUED CAPITAL (continued)

The amounts of the Group's issued capital and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Company was listed on the main board of the Hong Kong Stock Exchange on 16 December 2015, and offered 531,900,000 H shares to the public, with a par value of RMB1.00 each.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity.

27. CONTINGENT LIABILITIES

At 31 December 2015, the Group did not have any contingent liabilities not provided for in the financial statements (2014: Nil).

28. PLEDGE OF ASSETS

Details of the Group's assets pledged for guarantees of bills payable are disclosed in note 18 and note 20 to the financial statements.

29. OPERATING LEASE ARRANGEMENTS

As lessor

At the end of the reporting period, the Group had the following total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within one year	**1,965**	1,965
In the second to third years, inclusive	**2,947**	3,930
After three years	**—**	982
	4,912	6,877

29. OPERATING LEASE ARRANGEMENTS (continued)

As lessee (continued)

At the end of the reporting period, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within one year	**817**	763
In the second to third years, inclusive	**275**	1,024
	1,092	1,787

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments as at the end of the reporting period:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**13,485**	2,520
Other intangible assets	**857**	1,388
	14,342	3,908

31. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2015 and 2014:

	2015 RMB'000	2014 RMB'000
Sales of machines*:		
Fellow subsidiaries	**52,363**	59,031
Sales of parts and components*:		
CRCC	**—**	172
Fellow subsidiaries	**2,872**	1,888
	2,872	2,060
Overhaul services provided to*:		
Fellow subsidiaries	**—**	218
Railway line maintenance services provided to*:		
Fellow subsidiaries	**18,102**	16,698
Rental expenses paid to*:		
A subsidiary of CRCCG	**126**	126
Finance costs paid to*:		
A fellow subsidiary	**—**	23,334
Interest income received from*:		
A fellow subsidiary	**1,947**	8,911

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

* These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

31. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash and cash equivalents:		
Deposits in a fellow subsidiary	**468,937**	173,864
Pledged deposits:		
Deposits in a fellow subsidiary (note i)	**170,000**	—
Trade and bills receivables:		
Due from fellow subsidiaries	**109,021**	80,877
Prepayments, deposits and other receivables:		
Due from fellow subsidiaries	**2,928**	2,928
Long-term prepayments to a fellow subsidiary (note ii)	**—**	240,838
	2,928	243,766
Trade and bills payables:		
Due to fellow subsidiaries	**652**	1,010
Other payables and accruals:		
Due to fellow subsidiaries	**2,440**	—
Due to CRCC	**4**	11,764
Dividends payable to a fellow subsidiary	**587**	587
	3,031	12,351

31. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

Notes:

(i) As at 31 December 2015, the Group had pledged deposits of RMB170,000,000 in a fellow subsidiary to guarantee for bills payable (2014: Nil).

(ii) On 4 November 2014, the Company entered into an agreement with Beijing China Railway Fangshan Bridge which is a second-level subsidiary of CRCC. Pursuant to the agreement, the Company would further acquire a 33% equity interest in its subsidiary, Beijing Ruiweitong Engineering Machinery Co., Ltd. ("Ruiweitong"), at a cash consideration of RMB240,838,000, and Ruiweitong became a wholly-owned subsidiary of the Company. The Company made a prepayment of RMB240,838,000 for the acquisition in November 2014. The acquisition has been completed in August 2015.

(c) Compensation of key management personnel of the Group

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**11,908**	7,049
Pension scheme contributions	**505**	477
	12,413	7,526

Further details of directors', supervisors' and chief executive's remuneration are included in note 8 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Available-for-sale financial investments:		
Available-for-sale investments	**240,422**	227,395
Loans and receivables:		
Trade and bills receivables	**1,684,150**	552,221
Financial assets included in prepayments, deposits and other receivables	**19,700**	9,983
Pledged deposits	**299,684**	166,000
Cash and cash equivalents	**1,672,606**	320,902
	3,916,562	1,276,501

Financial liabilities	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Financial liabilities at amortised cost:		
Trade and bills payables	**1,323,796**	966,456
Financial liabilities included in other payables and accruals	**54,251**	58,550
	1,378,047	1,025,006

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follow:

	Carrying amounts		Fair values	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Financial assets				
Available-for-sale investments	**240,422**	227,395	**240,422**	227,395

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Available-for-sale investments of the Group measured at fair value as at the end of the reporting period are listed equity investments categorised within level 2 of the fair value hierarchy and the fair values of which are based on quoted market prices, after considering non-liquidity discount effect.

During the year, there were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 for both financial assets and financial liabilities (2014: Nil).

34. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

At 31 December 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers with a carrying amount in aggregate of RMB39,670,000 (2014: RMB50,000,000) in order to settle the trade payables due to such suppliers. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2015, the Group has not recognised any gains or losses on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of Directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

As at 31 December 2015 and 2014, no borrowings were kept by the Group. A general increase/decrease in the market interest rates thus would have no effect on the Group's consolidated pre-tax profit and the consolidated equity. Management would adjust the proportion of floating rate borrowings based on changes in the market interest rates to reduce the significant impact of the interest rate risk.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's business transacted in RMB, the aforesaid currency is defined as the Group's functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 95% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

Details of the Group's cash and cash equivalents and pledged deposits at the end of the reporting period are disclosed in note 20 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

The following tables indicate the changes in the Group's net profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure. The sensitivity analysis is on bank deposits in United States dollars and Hong Kong dollars.

Effects on net profit

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in net profit 2015 RMB'000	2014 RMB'000
If USD strengthens against RMB	10%	—	58
If USD weakens against RMB	(10%)	—	(58)
If HKD strengthens against RMB	10%	14	—
If HKD weakens against RMB	(10%)	(14)	—

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and has applied the exposure to foreign currency risk to bank deposits denominated in United States dollars and Hong Kong dollars in existence at that date.

(c) Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents and pledged deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

As disclosed in note 4 to the financial statements, the Group generates substantial proportion of revenue from a small number of customers. As a result, it faces concentration of credit risk. The Group manages this risk by maintaining a strict control over its outstanding receivables and senior management regularly reviews the overdue balances. In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate. As the Group's major customers are either PRC government agencies at the national, provincial and local levels or other state-owned entities, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 18 and 19 to the financial statements.

(d) Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

31 December 2015

	Within 1 year RMB'000
Trade and bills payables	**1,323,796**
Financial liabilities included in other payables and accruals	**54,251**
	1,378,047

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

31 December 2014

	Within 1 year RMB'000
Trade and bills payables	966,456
Financial liabilities included in other payables and accruals	58,550
	1,025,006

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 12) as at 31 December 2015. The Group's listed investment is listed on the Hong Kong Stock Exchange and is valued based on quoted market prices after considering non-liquidity discount effect at the end of each reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of each reporting period, and their respective highest and lowest points during the reporting period were as follows:

	31 December 2015	High/low	31 December 2014	High/low
Hong Kong — Hang Seng Index	21,914	28,589/ 20,368	23,605	25,363/ 21,138

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Equity price risk (continued)

The following table demonstrates the sensitivity to every 10% change in the fair value of the equity investments, with all other variables held constant, based on their carrying amounts at the end of each reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact profit or loss.

	Increase/ (decrease) in carrying amount of equity investments	Increase/(decrease) in equity 2015 RMB'000	2014 RMB'000
Investments listed in:			
Hong Kong			
Available-for-sale	10%	20,436	19,329
	(10%)	(20,436)	(19,329)

(f) Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services and good products commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals, less cash and cash equivalents and pledged deposits. Capital includes the equity attributable to owners of the parent stated in the consolidated statement of financial position.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Capital management (continued)

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Trade and bills payables (note 21)	**1,323,796**	966,456
Financial liabilities included in other payables and accruals	**54,251**	58,550
Cash and cash equivalents (note 20)	**(1,672,606)**	(320,902)
Pledged deposits (note 20)	**(299,684)**	(166,000)
Net debt	**(594,243)**	538,104
Equity attributable to owners of the parent	**5,142,105**	2,840,456
Net debt and equity attributable to owners of the parent	**4,547,862**	3,378,560
Gearing ratio	**(13%)**	16%

36. EVENTS AFTER THE REPORTING PERIOD

As disclosed in note 10 to the financial statements, the board of directors of the Company proposed the payment of a final dividend of RMB0.04 per share in respect of the year ended 31 December 2015 on 30 March 2016. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**471,676**	230,838
Available-for sale investments	**240,422**	227,395
Property, plant and equipment	**821,780**	882,973
Prepaid land lease payments	**241,806**	247,722
Other intangible assets	**11,089**	2,377
Long-term prepayments	**19,152**	259,990
Deferred tax assets	**8,438**	8,770
Total non-current assets	**1,814,363**	1,860,065
CURRENT ASSETS		
Prepaid land lease payments	**5,916**	5,916
Inventories	**967,748**	942,476
Trade and bills receivables	**1,613,401**	490,654
Prepayments, deposits and other receivables	**62,119**	39,483
Pledged deposits	**290,000**	166,000
Cash and cash equivalents	**1,647,875**	280,741
Total current assets	**4,587,059**	1,925,270
CURRENT LIABILITIES		
Trade and bills payables	**1,084,211**	838,569
Other payables and accruals	**131,943**	205,307
Tax payable	**9,614**	13,673
Defined benefit obligations	**820**	1,130
Provisions	**5,106**	4,945
Government grants	**4,871**	4,871
Total current liabilities	**1,236,565**	1,068,495
NET CURRENT ASSETS	**3,350,494**	856,775
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,164,857**	2,716,840

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT LIABILITIES		
Defined benefit obligations	**1,350**	2,149
Government grants	**17,313**	22,184
Deferred tax liabilities	**28,118**	26,164
Total non-current liabilities	**46,781**	50,497
Net assets	**5,118,076**	2,666,343
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**1,519,884**	987,984
Reserves (note)	**3,598,192**	1,678,359
Total equity	**5,118,076**	2,666,343

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Special reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Available-for-sale investment revaluation reserve RMB'000	Defined benefit plan revaluation reserve RMB'000	Total RMB'000
As at 1 January 2014	766,518	—	116,535	449,343	73,746	(10,076)	1,396,066
Profit for the year	—	—	—	277,803	—	—	277,803
Other comprehensive income for the year:							
Changes in fair value of available-for-sale investment, net of tax	—	—	—	—	74,514	—	74,514
Re-measurement losses on defined benefit plan, net of tax	—	—	—	—	—	(17)	(17)
Total comprehensive income for the year	—	—	—	277,803	74,514	(17)	352,300
Dividends declared	—	—	—	(70,007)	—	—	(70,007)
Appropriation to statutory surplus reserve	—	—	27,780	(27,780)	—	—	—
Transfer to special reserve	—	5,395	—	(5,395)	—	—	—
Utilisation of special reserve	—	(5,395)	—	5,395	—	—	—
At 31 December 2014 and 1 January 2015	766,518	—	144,315	629,359	148,260	(10,093)	1,678,359
Profit for the year	—	—	—	564,091	—	—	564,091
Other comprehensive income for the year:							
Changes in fair value of available-for-sale investment, net of tax	—	—	—	—	11,073	—	11,073
Re-measurement losses on defined benefit plan, net of tax	—	—	—	—	—	(169)	(169)
Total comprehensive income for the year	—	—	—	564,091	11,073	(169)	574,995
Dividends declared	—	—	—	(368,068)	—	—	(368,068)
Issue of shares	1,796,745	—	—	—	—	—	1,796,745
Share issue expenses	(83,839)	—	—	—	—	—	(83,839)
Capitalisation from reserve	797,192	—	(153,657)	(643,535)	—	—	—
Appropriation to statutory surplus reserve	—	—	56,410	(56,410)	—	—	—
Transfer to special reserve	—	5,750	—	(5,750)	—	—	—
Utilisation of special reserve	—	(5,750)	—	5,750	—	—	—
At 31 December 2015	3,276,616	—	47,068	125,437	159,333	(10,262)	3,598,192

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2016.

Basic Corporate Information

1	Name in Chinese	中國鐵建高新裝備股份有限公司
	Name in English	CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED
2	Authorised representatives	Yu Yuanlin (余園林) Law Chun Biu (羅振飆)
3	Joint company secretaries	Ma Changhua (馬昌華) Law Chun Biu (羅振飆)
	Registered office	No. 384, Yangfangwang Jinma Town, Kunming Yunnan Province, China
	Telephone	+86 871 63831988
	Fax	+86 871 63831000
	Website	www.crcce.com.cn
	Principal place of business in Hong Kong	23/F, Railway Plaza 39 Chatham Road South Tsim Sha Tsui Kowloon Hong Kong
4	Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code:1786 Stock Short Name: CRCCE
5	H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong

6	Legal advisers	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Central Hong Kong
		Jia Yuan Law Offices F408, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing, China
7	Auditor	Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
8	Compliance Adviser	Alliance Capital Partners Limited Room 318, Shui On Centre 6–8 Harbour Road Wan Chai, Hong Kong

Glossary Definitions

"Aotongda Company"	Kunming Aotongda Railway Machinery Co., Ltd. (昆明奧通達鐵路機械有限公司), a wholly-owned subsidiary of our Company
"Articles"	the Articles of Association of the Company
"Beijing Subway Company"	Beijing Subway Construction Management Co., Ltd. (北京地鐵建設管理有限公司)
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Company"	CRCC High-Tech Equipment Corporation Limited, a joint stock company incorporated in the PRC
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on 28 December 2013 to take effective on 1 March 2014
"CRCC"	China Railway Construction Corporation Limited (中國鐵建股份有限公司), controlling shareholder of our Company
"CRCCG"	China Railway Construction Corporation (中國鐵道建築總公司), indirect controlling shareholder of our Company
"Director(s)"	the director(s) of the Company
"Ernst & Young"	Ernst & Young (安永會計師事務所)
"Ernst & Young Hua Ming LLP"	Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥))
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group"	our Company and its subsidiaries

"Guangweitong Company"	Kunming Guangweitong Machinery Co., Ltd. (昆明廣維通機械設備有限公司), a wholly-owned subsidiary of our Company
"H Share(s)"	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
"Hengyuan Business Company"	Kunming China Railway Hengyuan Business Service Co., Ltd. (昆明中鐵恒源商務服務有限公司), a wholly-owned subsidiary of our Company
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Kunming Subway Company"	Kunming Subway Traffic Group Co., Ltd. (昆明軌道交通集團有限公司)
"Kunweitong Company"	Beijing Kunweitong Railway Mechanization Engineering Co., Ltd. (北京昆維通鐵路機械化工程有限公司), a wholly-owned subsidiary of our Company
"Listing"	Listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	16 December 2015, on which the H Shares were listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"One Belt and One Road"	"Silk Road Economic Belt" and "21st Century Maritime Silk Road"
"PRC"	The People's Republic of China

Glossary Definitions

"Ruiweitong Company"	Beijing Ruiweitong Engineering Machinery Co., Ltd., (北京瑞維通工程機械有限公司), a wholly-owned subsidiary of our Company
"Shanghai Subway Company"	Shanghai Shentong Metro Group Co., Ltd. (上海申通地鐵集團有限公司)
"Shareholder(s)"	holder(s) of shares of the Company
"Supervisory Committee"	the supervisory committee of the Company

中國鐵建高新裝備股份有限公司

CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED