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

2017 Annual Report

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Financial Highlights

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME HIGHLIGHTS

	Year Ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)			
Revenue	**1,818,308**	3,676,460	3,973,132	3,476,720	3,169,030
Gross profit	**489,451**	1,003,545	953,525	818,704	802,418
Profit before tax	**64,430**	551,822	525,512	415,543	318,438
Profit for the year	**55,087**	465,178	455,174	362,036	287,944
Profit attributable to:					
Owners of the parent	**55,087**	465,178	456,235	354,860	286,885
Non-controlling interests	**–**	–	-1,061	7,176	1,059
Basic earnings per share					
(RMB/share)	**0.04**	0.31	0.45	0.36	0.49

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)			
Total assets	**6,839,934**	7,103,008	6,737,675	4,230,431	5,795,131
Total liabilities	**1,461,619**	1,569,740	1,595,570	1,341,294	3,264,367
Net assets	**5,378,315**	5,533,268	5,142,105	2,889,137	2,530,764
Equity attributable to:					
Owners of the parent	**5,378,315**	5,533,268	5,142,105	2,840,456	2,481,106

Chairman’s Statement

Dear Shareholders,

In 2017, China’s economy had been transitioning from a phase of rapid growth to a stage of high-quality development. The trends of railway reform in China continued to surge forward and competition in the large railway track maintenance machinery market became increasingly fierce. After undergoing a fundamental reform, CRCCE is now well set to start a new chapter.

In this year, we underwent the hardest time in the path of our business development. However, we strived to keep a firm hold on the initiative in our work in times of adversity. Seizing opportunities brought by integration and reorganization, the Company introduced CRCHI’s successful model, put in place a radical reform of our strategy, management and talent mechanism as well as reshaped our development philosophy. CRCCE’s strategic directions has become as clear as never before, transformation and upgrades as solid as never before and operation and management as sophisticated as never before.

In the year 2018, after undergoing a cyclically low level in the market and reconstruction of management approaches, CRCCE will return to square one in which we began an endeavor to start up business so as to grasp a historic opportunity of reorganisation and consolidation. Development of the high-tech industrial park regarding national large railway track maintenance machinery and the southwest industrial park regarding CRCC’s underground engineering facilities will also enable the Company to achieve its target of becoming a “word class, domestic leading” enterprise, proactively create an innovative and service-oriented business model, adhere to professionalism, digitalisation and global ambition along the path, focus on product innovation, diligently enhance overall competitive edge, effectively transform reform achievements into economic benefit, thereby facilitating CRCCE’s “second venture”!

Winter does not last forever, and spring is around the corner. We hold on to profound belief that the large railway track maintenance machinery industry will still flourish and the underground engineering facilities industry will demonstrate a rosy prospect in the year to come. All in all, we will certainly overcome one after another obstacle in the course of reform and, by the end of stage, demonstrate a brand new CRCCE to the whole world!

Last but not least, I would like to take this opportunity to express my sincere gratitude to all Shareholders, the general public, extensive customers and all employees for your continual care and support to our development.

Liu Feixiang
Chairman

Kunming, Yunnan Province, the PRC
28 February 2018

General Manager's Statement

Dear Directors,

I am pleased to present the consolidated results report of the Company for the year ended 31 December 2017, and I would like to express my most sincere gratitude to all Directors for your continual care and support to the Company.

In 2017, the Company clung to its vision of being responsible to the society, the Shareholders and the employees. Under the correct leadership of the Board of Directors, the Company underwent a significant reform and introduced advanced management models to thoroughly innovate the management mechanisms of the Company and promote corporate transformation and upgrading. Meanwhile, the Company pushed forward with various work such as marketing, technology and production in an orderly manner and overcame many unfavourable conditions with an aim to spare no efforts to fulfil its responsibilities and tasks.

The Company strived to fulfil its economic responsibility and, under stagnant market conditions, recorded an operating revenue of RMB1,818.3 million in 2017 (2016: RMB3,676.5 million (restated)), representing a decrease of 50.54% year-on-year. Profit for the year amounted to RMB55.1 million (2016: RMB465.2 million (restated)), representing a decrease of 88.16% year-on-year.

The Company drove forward a management reform with great efforts and implemented a comprehensive adjustment on its corporate structure, which created effective support for the new management system and promoted the risk prevention initiatives of corporate operations. In addition, the Company carried out a reform on human resources management system, as well as position analysis, mechanism of position titles, skill-based performance assessment and other related measures.

The Company endeavored to complete its scientific research tasks by activating research and development of major projects, implementing management mechanism for scientific research projects comprehensively, and enhancing its scientific and technological innovation capabilities effectively. In 2017, the Company advanced the research and development tasks of 38 new products (projects) as scheduled, owned 7 major projects, applied for 36 patents and obtained 40 patents. In respect of the establishment of the scientific and technological innovation platform, after on-site inspection and acceptance by the expert team from the Ministry of Science and Technology, the "National Large Railway Track Maintenance Machinery Engineering Research Center" of the Company officially became the sole national engineering research centre in the large railway track maintenance machinery industry of the PRC, thus providing engineering protection measures for the innovative application of its products.

General Manager's Statement

The Company actively fulfilled its environmental and social responsibility through setting up an environmental management system, strengthening its staff training, and strictly implementing environmental management objectives, which effectively reduced pollution and emissions and protected the environment. In 2017, the Company donated books, clothing, stationery and other materials to impoverished mountain areas and hope primary schools, with a view to fulfil its social responsibility in a better way.

In 2018, confronted with tremendous internal and external stress while embracing compelling opportunities, the Company will set out its journey from a brand new starting point. The Company will target 2018 as "the year of management enhancement" as expected by the Directors. Driven by the management innovation, the Company will thoroughly enhance its management and capabilities in an attempt to attain healthy and stable development.

At last, on behalf of the management of the Company, I hereby express my most sincere gratitude to all Directors, the Board of Directors and the Supervisory Committee for their continual care, help and support and to all staff of the Company for their efforts and contributions.

Tong Pujiang
General Manager

Kunming, Yunnan Province, the PRC
28 February 2018

REVENUE

	2017 RMB million	2016 RMB million (Restated)
Sales of machines	**968.2**	2,336.7
Overhaul services	**486.6**	459.4
Sales of parts and components	**256.8**	757.1
Railway line maintenance services	**26.0**	64.2
Rail vehicles engineering and technical services	**80.7**	59.1
Total revenue	**1,818.3**	3,676.5

The Group's revenue from core business decreased by RMB1,858.2 million or 50.54% from RMB3,676.5 million (restated) for the year ended 31 December 2016 to RMB1,818.3 million for the year ended 31 December 2017.

In 2017, with the exception of the overhaul services, which recorded an increase in revenue, all the remaining businesses of the Group's original business sectors experienced various degrees of decrease, in which the greatest decrease came from the sales of machines, with a decrease of RMB1,368.5 million or 58.57% as compared with the same period last year. This was mainly due to the decrease of sales of large track maintenance machines delivered resulted from the provisional slowdown of the large railway track maintenance machines procurement plan of China Railway Corporation for the 13th Five-Year Development Plan. The business with the second greatest decrease was the sales of parts and components, of which the revenue decreased by RMB500.3 million or 66.08% as compared with the same period last year, which was mainly attributable to the decrease in market demand on spare parts of large railway track maintenance machines. The business with the third greatest decrease was the railway line maintenance services, representing a revenue decrease of RMB38.2 million or 59.53% as compared with the same period last year, and the main reason for such decrease was the decrease in engineering works of railway line maintenance services. The overhaul services recorded a slight increase in revenue with an increase of RMB27.2 million or 5.93% as compared with the same period last year, and the main reason for such increase was the increase of quantity of railway track maintenance machines for engineering works and the machines delivered. The revenue from the new-added rail vehicles engineering and technical services was mainly caused by the acquisition of a railway equipment design company based in German whose operating revenue from external customers constituted the Company's new business sector.

COST OF SALES

The Group's cost of sales decreased by RMB1,344.0 million from RMB2,672.9 million (restated) for the year ended 31 December 2016 to RMB1,328.9 million for the year ended 31 December 2017. The decrease was mainly due to the decline in the operating revenue of the sales and manufacture of machines and sales of parts and components businesses of the Group, which was partially offset by the increase in cost of sales from overhaul services and rail vehicles engineering and technical services.

GROSS PROFIT

The Group's gross profit decreased by RMB514.0 million from RMB1,003.5 million (restated) for the year ended 31 December 2016 to RMB489.5 million for the year ended 31 December 2017. The Group's gross profit margin decreased from 27.30% for the year ended 31 December 2016 to 26.92% for the year ended 31 December 2017. The change in gross profit margin was mainly due to the change of gross profit structure of each business sector.

OTHER INCOME AND GAINS

The Group's other income and gains increased by RMB3.7 million from RMB64.0 million (restated) for the year ended 31 December 2016 to RMB67.7 million for the year ended 31 December 2017. The increase of other income and gains was mainly due to the increase in income from government grants.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses decreased by RMB8.5 million from RMB67.8 million (restated) for the year ended 31 December 2016 to RMB59.3 million for the year ended 31 December 2017, primarily due to the decrease in selling and services expenses.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by RMB56.5 million from RMB431.5 million (restated) for the year ended 31 December 2016 to RMB375.0 million for the year ended 31 December 2017. The decrease was mainly attributable to the decrease in executive's salaries expenses and research and development expenditure.

OTHER EXPENSES

The Group's other expenses increased by RMB6.3 million from RMB16.1 million (restated) for the year ended 31 December 2016 to RMB22.4 million for the year ended 31 December 2017, primarily due to the increase in provision for bad debt of receivables during the year.

FINANCE COSTS

The Group's finance costs increased by RMB35.8 million from RMB0.2 million for the year ended 31 December 2016 to RMB36.0 million for the year ended 31 December 2017. The increase was mainly due to the increase in interest on discounted long-term trade receivables.

PROFIT BEFORE TAX

The Group's profit before tax decreased by RMB487.4 million from RMB551.8 million (restated) for the year ended 31 December 2016 to RMB64.4 million for the year ended 31 December 2017. The decrease in profit before tax was mainly due to the decrease in gross profit as a result of decline in operating revenue and increase in finance costs.

INCOME TAX EXPENSE

The Group's income tax expense decreased by RMB77.3 million from RMB86.6 million (restated) for the year ended 31 December 2016 to RMB9.3 million for the year ended 31 December 2017. The decrease in income tax expense was mainly due to the decrease in the profit before tax of current period.

In 2015, 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 entitled to the preferential corporate income tax rate of 15%.

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Profit attributable to owners of the Company decreased by RMB410.1 million from RMB465.2 million (restated) for the year ended 31 December 2016 to RMB55.1 million for the year ended 31 December 2017. The decrease in the net profit attributable to owners of the parent was mainly due to the decrease in gross profit as a result of decline in operating revenue and increase in finance costs.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests was nil for the year ended 31 December 2017, which was unchanged as compared with the same period of last year.

BASIC EARNINGS PER SHARE

Basic earnings per share decreased from RMB0.31 (restated) for the year ended 31 December 2016 to RMB0.04 for the year ended 31 December 2017, which was mainly due to the decrease in the Group's net profit.

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. For the year ended 31 December 2017, the closing balance of the Group's cash and cash equivalents amounted to RMB1,556.4 million and the net increase in cash and cash equivalents was RMB332.4 million.

Net cash inflow from operating activities

The Group's net cash inflow from operating activities increased from negative RMB298.6 million (restated) for the year ended 31 December 2016 to RMB796.6 million for the year ended 31 December 2017, which was mainly due to the increase in sales collections.

Net cash outflow from investing activities

For the year ended 31 December 2017, the Group's net cash outflow from investing activities was RMB107.1 million. The cash outflow from investing activities were mainly due to the acquisition and construction of fixed assets and intangible assets.

Net cash outflow from financing activities

For the year ended 31 December 2017, the Group's net cash outflow from financing activities was RMB354.1 million. The cash outflow items in financing activities were mainly the distribution of cash dividend in 2016, the acquisition of CRCC Yukun Limited under the common control and repayment of an interest-free borrowing.

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:

Capital commitments:

	31 December 2017	31 December 2016
	RMB million	*RMB million*
Contracted but not provided for	**47.4**	97.3

INDEBTEDNESS

The Group has no indebtedness as at 31 December 2017.

PLEDGE

Details of the Group's assets pledged for guarantees of sales contracts are disclosed in note 21 to the financial statements.

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-free 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 1% (restated) as at 31 December 2016 and -6% as at 31 December 2017.

CONTINGENT LIABILITIES

The Group has no material contingent liability as of 31 December 2017.

MARKET RISKS

The Group is subject to various market risks, including foreign exchange risk and inflation risk in the course of daily business operation.

FOREIGN EXCHANGE RISKS

The majority of the Group's businesses are located in China and most of the transactions are settled in RMB, with certain sales and procurement settled in foreign currencies including Euro and USD. The fluctuation in exchange rates of these foreign currencies against RMB will affect the operating results of the Group.

POLICY RISKS

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

1. **Liu Feixiang (劉飛香)**, aged 54, was appointed as the chairman and an executive Director of CRCC High-Tech Equipment Corporation Limited on 15 September 2017 and as the secretary of the communist party committee, chairman, professor level senior engineer of China Railway Construction Heavy Industry Co., Ltd. in January 2015. Mr. Liu has 34 years of experience in research, development and manufacturing of high-end equipment in China. From August 1983 to February 1996, he worked as a trainee, assistant engineer and engineer of Zhuzhou Bridge Factory (株洲橋樑廠) under the Ministry of Railways. From February 1996 to May 1997, he served as deputy general manager of Zhuzhou Bridge Factory Nanjian Corporation* (株洲橋樑廠南箭總公司) and manager and engineer of Rail Welding Engineering Company* (軌道焊接工程公司) at the same time. From May 1997 to July 2000, he served as deputy factory manager, engineer and senior engineer of Zhuzhou Bridge Factory under the Ministry of Railways. From July 2000 to November 2001, he served as factory manager, deputy secretary of the communist party committee, senior engineer of Zhuzhou Bridge Factory of China Railway Construction Corporation Factory Bureau. From November 2001 to March 2003, he served as factory manager, deputy secretary of the communist party committee and senior engineer of Zhuzhou Bridge Factory of China Railway 11th Bureau Group Co., Ltd. From March 2003 to April 2005, he served as chairman, general manager, deputy secretary of the communist party committee, equity representative and senior engineer of China Railway Zhuzhou Bridge Company* (中鐵株洲橋樑公司) under China Railway 11th Bureau Group Co., Ltd. From April 2005 to May 2007, he served as deputy general manager and professor level senior engineer of China Railway 11th Bureau Group Co., Ltd. From May 2007 to July 2011, he was appointed as director, chairman, general manager, deputy secretary of the communist party committee and professor level senior engineer of China Railway Track System Group Co., Ltd. From July 2011 to January 2015, he served as chairman, general manager, deputy secretary of the party committee and professor level senior engineer of China Railway Construction Heavy Industry Co., Ltd. He graduated from the department of mechanics of Southwest Jiaotong University with a bachelor's degree of engineering in August 1983, majoring in engineering machinery.

2. **Zhao Hui (趙暉)**, aged 45, was appointed as executive Director, the secretary of the communist party committee and senior engineer of CRCC High-Tech Equipment Corporation Limited on 15 September 2017, and is also deputy secretary of the communist party committee, executive director and executive general manager of China Railway Construction Heavy Industry Co., Ltd.. Mr. Zhao has 22 years of experience in research, development and manufacturing of high-end equipment in China. From July 1995 to November 2000, he worked in Zhuzhou Bridge Factory under the Ministry of Railways as a trainee, assistant engineer, and assistant member of league committee and league officer. From November 2000 to May 2002, he served as assistant engineer, engineer and salesman of sales office of Zhuzhou Bridge Factory of China Railway Construction Corporation Factory Bureau. From May 2002 to September 2005, he served as salesman of sales office, director of sales office, head of general marketing department (deputy level), deputy chief of marketing department, head of marketing department, and engineer of Zhuzhou Bridge Factory of China Railway 11th Bureau Group Co., Ltd. From September 2005 to June 2007, he served as assistant to general manager and deputy general manager and senior engineer of China Railway Zhuzhou Bridge Company under China Railway 11th Bureau Group Co., Ltd. From June 2007 to January 2008, he served as head of marketing department and senior engineer of China Railway Track System Group Co., Ltd. From January 2008 to July 2011, he served as assistant to general manager, head of marketing department and senior engineer of China Railway Track System Group Co., Ltd. From July 2011 to April 2013, he served as assistant to general manager of China Railway Construction Heavy Industry Co., Ltd., general manager and senior engineer of the turnout company. From April 2013 to January 2015, he served as director of marketing and senior engineer of China Railway Construction Heavy Industry Co., Ltd. From January 2015 to June 2017, he served as deputy general manager, member of the communist party committee and senior engineer of China Railway Construction Heavy Industry Co., Ltd. From June 2017 to July 2017, he served as deputy secretary of the communist party committee, director, deputy general manager and senior engineer of China Railway Construction Heavy Industry Co., Ltd. He graduated from the department of environmental engineering in Lanzhou Railway University with a bachelor's degree of engineering in July 1995, majoring in water supply and drainage engineering.

3. **Tong Pujiang (童普江)**, aged 40, was appointed as the general manager of CRCC High-Tech Equipment Corporation Limited in July 2017, and an executive Director of CRCC High-Tech Equipment Corporation Limited in September 2017. Mr. Tong has 19 years of experience in manufacturing and repair of railway track maintenance machinery. From August 2005 to February 2011, he worked in Kunming China Railway Large Maintenance Machinery Group Co., Ltd. as secretary, deputy director, director of the office and engineer. From February 2011 to January 2013, he served as assistant to general manager, head of human resource department and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2013 to January 2015, he served as assistant to general manager, factory manager of manufacturing general factory and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He worked as deputy general manager of CRCC High-Tech Equipment Corporation Limited from June 2015 to July 2017. In June 2014, he graduated from the Central Party School, and obtained a master's degree in economic management.

4. **Chen Yongxiang (陳永祥)**, aged 51, was appointed as a vice general manager of CRCC High-Tech Equipment Corporation Limited in June 2015, and an executive Director of CRCC High-Tech Equipment Corporation Limited in June 2017. Mr. Chen has 29 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 under the engineering headquarters of the Ministry of Railway. From December 2004 to May 2005, he worked as the manager and engineer at the metal materials processing company of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From May 2005 to January 2010, he worked as the manager and engineer at the machining company of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2010 to June 2015, he served as a vice general manager and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He obtained a master's degree in international economic and trade relations jointly set up by Nankai University and Flinders University, Australia in June 2013.

5. **Li Xuefu (李學甫)**, aged 52, was appointed as a non-executive Director of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Li has 26 years of experience in modern enterprise management and business management. From January 1991 to November 1998, he served as an engineer at the education and training department in CRCCG. From November 1998 to August 2002, he served as the vice head and senior engineer of the education and health department in CRCCG. From August 2002 to December 2005, he served as vice head of the education and health department, assistant director of Beijing training center and senior engineer in CRCCG. From December 2005 to July 2008, he served as an office director under the board of directors and senior engineer of CRCCG. From July 2008 to October 2014, he served as a director of the secretariat of the board of directors and senior engineer of China Railway Construction Corporation. From October 2014 to January 2018, he has served as a supervisor, the deputy chief economist and a senior engineer of China Railway Construction Corporation. He was appointed as deputy chief economist, senior engineer and executive director of CRCC Jinli Asset Management Company Limited* (中鐵建錦鯉資產管理有限公司) in January 2018. He obtained a master's degree from North Jiaotong University in August 2000, majoring in business management.

6. **Wu Zhixu (伍志旭)**, aged 48, was appointed as a non-executive Director of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Wu has 25 years of experience in legal service areas, such as reorganisation and listing of enterprise, standardised daily operation of company and foreign investment. From 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 as a chief lawyer of Yunnan Qianhe Law Firm. Since April 2014, he has served as the chief lawyer of Beijing Deheng (Kunming) Law Firm. From May 2008 to May 2011, he served as an independent director of Yunnan Xiyi Industrial Co., Ltd. (stock code: 002265). From February 2011 to February 2014, he served as an independent director of Yunnan Lincang Xinyuan Germanium Industrial Co., Ltd. (stock code: 002428). From June 2011 to June 2016, 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.

7. **Sun Linfu (孫林夫)**, aged 54, was appointed as an independent non-executive Director of CRCC High-Tech Equipment Corporation Limited in November 2015. Mr. Sun has nearly 25 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. 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.

8. **Yu Jiahe (于家和)**, aged 63, was appointed as an independent non-executive Director of CRCC High-Tech Equipment Corporation Limited in November 2015. Mr. Yu has 38 years of experience in design and selection of railway maintenance machinery. From June 1980 to October 1999, he successively served as intern, assistant engineer, engineer, station head and senior engineer in the Design Institute of Railway. From October 1999 to May 2014, he assisted the foundation department of the transport bureau of the former MOR. He obtained an academic certificate for university from Southwest Jiaotong University in February 1980, majoring in machinery manufacturing technique and equipment.

9. **Wong Hin Wing (黃顯榮)**, aged 55, holds a Master's degree in Executive Business Administration. 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. He is also an independent non-executive director of each of Dongjiang Environmental Company Limited (a company whose A shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and whose H shares are listed on the Main Board of the Hong Kong Stock Exchange), AEON Credit Service (Asia) Company Limited (a company listed on the Main Board of the Hong Kong Stock Exchange), China Agri-Products Exchange Limited (a company listed on the Main Board of the Hong Kong Stock Exchange), Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (a company whose A shares and H shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively), Inner Mongolia Yitai Coal Co., Ltd. (a company whose B shares and H shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively) and Wine's Link International Holdings Limited (a company listed on the Hong Kong Stock Exchange). He is also a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a member of the Nursing Council of Hong Kong, a member of the Securities and Futures Appeals Tribunal and a member of Construction Industry Council. He has been the responsible officer and the managing director of China Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation under the SFO, since 1997. Prior to this, Mr. Wong had worked with an international audit firm for four years and then worked in a listed company as the chief financial officer for seven years. He has 34 years of experience in accounting, finance, investment management and advisory.

10. **Lyu Jianming (呂檢明)**, aged 55, was appointed as the chairman of the Supervisory Committee and employee supervisor of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Lyu has 17 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 Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From February 2006 to April 2010, he served as the head of the production department of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From April 2010 to December 2011, he served as a vice chief engineer and the head of technology management department of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From December 2011 to February 2013, he served as the assistant to the general manager and the head of technology management department of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From February 2013 to January 2014, he served as the assistant to the general manager and the head of the international department of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He obtained a bachelor's degree in engineering from Harbin Institute of Technology in July 1984, majoring in precision machine manufacturing process.

11. **Wang Shuchuan (王淑川)**, aged 46, was appointed as a representative supervisor of Shareholders of CRCC High-Tech Equipment Corporation Limited on 15 September 2017, and is currently the general manager of China Railway Special Equipment Engineering Co., Ltd.* (中鐵建特種裝備工程有限公司), the deputy director of project reporting platform of China Railway Construction Heavy Industry Group Co., Ltd., and a senior economist. Mr. Wang has 23 years of experience in accounting and financial management. From July 1995 to August 2001, he worked as a trainee and assistant economist of Zhuzhou Bridge Factory under the Ministry of Railways. From August 2001 to March 2003, he was the economist of finance department of Zhuzhou Bridge Factory of China Railway Construction 11th Bureau Group. From March 2003 to July 2005, he served as the head of risk management department of Zhuzhou Jinqiao Small-to-medium Enterprise Guarantee Co., Ltd.* (株洲金橋中小企業擔保有限公司) and was an economist. From July 2005 to January 2006, he was the head of finance department of Zhuzhou Tianhua Real Estate Co., Ltd. (株洲天華房地產有限公司) and was an economist. From January 2006 to October 2006, he was the deputy head of finance department of China Railway Zhuzhou Bridge Co., Ltd.* (中鐵株洲橋樑有限公司) and was an economist. From October 2006 to December 2007, he worked in turnout construction team of China Railway Construction 11th Bureau Group and was an economist. From December 2007 to January 2013, he served as the deputy head of financial asset department of China Railway Track System Group Co., Ltd., the vice chief accountant and head of finance department of branch office of Express Turnout Company* (高速道岔分公司), the chief accountant of China Railway Zhuzhou Bridge Co., Ltd. and the chief accountant of turnout company and was an economist. From January 2013 to June 2015, he served as the head of finance department of China Railway Construction Heavy Industry Group Co., Ltd. and was an economist and senior economist. From June 2015 to March 2016, he served as the chief financial officer of research, development and marketing service center and head of finance department of China Railway Construction Heavy Industry Group Co., Ltd. and was a senior economist. From March 2016 to January 2017, he was the head of finance department and deputy director of project reporting platform of China Railway Construction Heavy Industry Group Co., Ltd. and was a senior economist. From January 2017 to July 2017, he served as the general manager of China Railway Special Equipment Engineering Co., Ltd., the deputy director of project reporting platform of China Railway Construction Heavy Industry Group Co., Ltd. and was a senior economist. Mr. Wang graduated from Business and Administration Department of Hunan University of Finance and Economics (professional in enterprise management) and obtained a bachelor's degree in economics in July 1995.

12. **Wang Huaming (王華明)**, aged 48, was appointed as our representative supervisor of Shareholders in June 2015. Mr. Wang has 24 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. 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.

13. **Huang Zhaoxiang (黃兆祥)**, aged 54, was appointed as a vice general manager of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Huang has 32 years of experience in manufacturing and repair of railway track maintenance machinery. 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 under the engineering headquarters of Ministry of Railway. From October 1998 to March 2003, he served as the deputy factory manager, engineer and senior engineer of Kunming Machinery Factory. From March 2003 to June 2015, he served as vice general manager and senior engineer at Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He obtained a bachelor's degree in engineering from Southwest Jiaotong University in July 1986, majoring in mechanical engineering.

14. **Zhang Zhong (張忠)**, aged 54, was appointed as a vice general manager of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Zhang has 32 years of experience in manufacturing and repair of railway track maintenance machinery. From August 1989 to August 1990, he worked as the head 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 division of Kunming Machinery Factory. From February 1995 to December 2004, he worked as the head at the foreign affairs office and engineer of Kunming Machinery Factory under the engineering headquarters of Ministry of Railway. From December 2004 to April 2010, he served as a vice general economist, the manager of Material Company under Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From April 2010 to February 2011, he served as vice general manager in Kunming China Railway Large Maintenance Machinery Group Co., Ltd. and the general manager and engineer of Beijing marketing company branch. From February 2011 to June 2015, he worked as vice general manager and engineer at Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He obtained a bachelor's degree in engineering from Changsha Railway College in July 1984, majoring in railway trains.

15. **Tang Xiang (唐翔)**, aged 41, was appointed as the chief financial officer of CRCC High-Tech Equipment Corporation Limited in July 2017. He has 20 years of experience in accounting and financial management. From December 1997 to February 2007, he worked as cashier, bookkeeper, general accountant, assistant accountant and accountant at treasury management department of Xiangtan Electric Manufacturing Group Co., Ltd. From February 2007 to August 2010, he served as chief of finance section, accountant, senior accountant of Xiangtan Electric Transformer Company Ltd.* (湘潭電機特變電工有限公司) under Xiangtan Electric Manufacturing Group Co., Ltd. From August 2010 to April 2014, he served as chief financial officer and senior accountant of Xiangtan Electric New Energy Co., Ltd.* (湘電新能源有限公司) under Xiangtan Electric Manufacturing Group Co., Ltd. From April 2014 to December 2014, he was a senior accountant in finance department of China Railway Construction Heavy Industry Co., Ltd. From December 2014 to July 2017, he served as deputy director of finance department, director of finance department and senior accountant of China Railway Construction Heavy Industry Co., Ltd. In July 1997, he graduated from professional class of Hunan Radio and Television University with majoring in accounting computerization, and then graduated from Hunan University in September 2004, and obtained a bachelor's degree in business administration.

16. **Ma Changhua (馬昌華)**, aged 44, is the secretary of the Board of CRCC High-Tech Equipment Corporation Limited in June 2015. Mr. Ma has 22 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 Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From February 2011 to July 2011, he served as our office director and the head of information management department and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From July 2011 to August 2012, he served as office director and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From August 2012 to January 2014, he served as the office director, the assistant to the general manager and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2014 to February 2015, he served as the assistant to general manager of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. 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 and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He obtained a master's degree in international economic and trade relations jointly set up by Nankai University and Flinders University, Australia in June 2014.

Corporate Governance Report

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

I. CORPORATE GOVERNANCE PRACTICES

The Company puts strong emphasis on the superiority, steadiness and rationality of corporate governance.

For the year ended 31 December 2017, the Company has fully complied with all the code provisions of the CG Code.

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, to ensure the relevant policies to be in compliance with the general regulations and standards required by the Shareholders.

In accordance with the relevant laws and regulations, the Company has set up a management structure with general meetings, the Board, specialized 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, specialized 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 in practice.

II. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("**Model Code**") as the code of conduct for governing the securities transactions by the Directors and the supervisors of the Company.

The Company has issued a specific enquiry regarding whether the securities transactions by Directors and supervisors comply with the Model Code, and the Company confirmed that all Directors and supervisors have complied with the securities transactions standards governing Directors and supervisors specified by the Model Code during the reporting period.

III. BOARD OF DIRECTORS

1. Composition of the Board

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

As at the date of this report, the Board consisted of nine Directors, of which Mr. Chen Yongxiang was supplemented as an executive Director of CRCCE upon the nomination by the Nomination Committee, and the consideration and approval at the eleventh meeting of the first session of the Board and 2016 annual general meeting of the Company. As Mr. Ren Yanjun, the former chairman, Mr. Jiang He, the former executive Director and Mr. Yu Yuanlin, the former executive Director resigned on 31 July 2017, according to the Company Law, the Articles and other relevant laws, regulations and company rules, Mr. Liu Feixiang, Mr. Zhao Hui and Mr. Tong Pujiang were appointed as the executive Directors of the first session of the Board, upon the nomination by the controlling Shareholder, and the consideration and approval at the seventeenth meeting of the first session of the Board and the first extraordinary general meeting in 2017 of the Company. Mr. Liu Feixiang was appointed as the chairman of the first session of the Board, upon the nomination by the controlling Shareholder and the consideration and approval at the nineteenth meeting of the first session of the Board.

In addition, the two non-executive Directors of the Company 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 Directors have entered into a service contract with the Company for a term commencing from the date of appointment as approved at the general meeting and ending on the expiration of the term of the first session of the Board. 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, integrity, and diligently performed their responsibilities. The quantities and composition of the Board conformed to the requirements of relevant laws and regulations. There was no non-working relationship among the members of the Board, including financial, business, family 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 Directors gave sufficient time and attention to the Company's affairs. The Board believed that the ratio of the number of executive Directors 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.

2. Meetings of the Board and Directors attendance record

During the reporting period, the Company convened a total of seven Board meetings and two general meetings.

The following sets forth the Directors' attendance of the Board meetings and the general meetings during the reporting period.

Name	Title	Board meetings	General meeting
Liu Feixiang	Chairman and executive Director	2/2	0/0
Zhao Hui	Executive Director	2/2	0/0
Tong Pujiang	Executive Director	2/2	0/0
Chen Yongxiang	Executive Director	4/7	1/2
Li Xuefu	Non-executive Director	7/7	2/2
Wu Zhixu	Non-executive Director	6/7	1/2
Sun Linfu	Independent non-executive Director	7/7	2/2
Yu Jiahe	Independent non-executive Director	6/7	1/2
Wong Hin Wing	Independent non-executive Director	7/7	2/2
Ren Yanjun	Chairman and executive Director	5/5	1/2
Jiang He	Executive Director	5/5	1/2
Yu Yuanlin	Executive Director	4/5	1/2

Note: Mr. Yu Yuanlin delegated Mr. Ren Yanjun to attend the seventeenth meeting of the first session of the Board; Mr. Yu Jiahe delegated Mr. Sun Linfu and Mr. Wu Zhixu delegated Mr. Li Xuefu to attend the nineteenth meeting of the first session of the Board and the first extraordinary general meeting in 2017.

3. Continuous training and development schemes for Directors

According to the CG Code, all Directors should participate in continuous professional development schemes to develop and refresh their knowledge and skills, to ensure that their contribution to the Board remains informed and relevant.

All Directors regularly accepted the briefs and updates about the business, operations, risk management and corporate governance of the Company, and were provided with new key laws and regulations and changes to the forgoing appropriately applicable to the Company. According to the CG Code, all Directors have to provide their respective training records to the Company.

During the reporting period, the Company provided the appropriate continuous training and professional development courses for the Directors, including engaging the Company's counsel to carry out the training about "compliance matters about the listed companies in Hong Kong", "shareholding of employees of state-owned enterprises and innovation in its systems and mechanisms", "practice of the trading of state-owned enterprises equity", "standardized operation of the procedure for decision-making and the transfer of domestic shares", etc. All Directors have attended the related training, and were made aware of and carefully read the relevant documents. Moreover, the Company have received the letters of confirmation for attending the continuous professional training from each Director.

4. Operation of the Board

The Board of Directors is responsible to the general meetings for leadership and control of the Company, 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 delegates the management to be responsible for the daily management, administration and operation of the Company, and it also reviews those delegated functions on 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 finalisation, the Board minutes will be signed by all Directors who have attended the meeting and the minutes recording person. These documents are permanently kept as important records of the Company at the Company's domicile.

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

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

(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 financial 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 matters of the Company such as external investment, purchase and sales of assets, pledge of assets, external guarantee, entrusted finance and connected transactions within the scope of authorisation of general meetings;

(IX) to decide the setting of internal administrative organizations 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 meetings the appointment or change of the accounting firm that provides the Company with the audit service of 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 specialized committees of the Board of Directors;

(XVII) to consider and approve change in use of proceeds raised;

(XVIII) 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 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 its own 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.

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

5. Specialized committees of the Board

The Company has established strategy and investment committee, audit and risk management committee, nomination committee, remuneration and evaluation committee. The functions of each specialized committee are 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. As the change of the composition of the Board, Mr. Liu Feixiang was appointed as the chairman of the strategy and investment committee upon the consideration and approval at the nineteenth meeting of the first session of the Board. The other members of the strategy and investment committee are Mr. Sun Linfu and Mr. Yu Jiahe. 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;
- to review the significant capital operations, asset management projects, significant investments, financing and guarantee projects which should be approved by the Board.

In 2017, the strategy and investment committee held five meetings, to mainly consider the following issues:

Name of the strategy and investment committee's meetings	Date	Major matters considered
The first meeting in 2017	28 February 2017	(I) To consider the Resolution on Production and Operating Plan of 2017 of the Company; (II) To consider the Resolution on Annual Investment Plans of 2017 of the Company; (III) To consider the Resolution on 13th Five-Year Plan of the Company; (IV) To consider the Resolution on Rolling Plan for Three Years (2017-2019) of the Company; (V) To consider the Resolution on Deregistration of Hengyuan Company.
The second meeting in 2017	5 April 2017	(I) To consider the Resolution on Deregistration of Xinruitong Company; (II) To consider the Resolution on Establishment of Tender Center; (III) To consider the Resolution on Acquisition of 100% Equity Interest of CRCC Yukun Limited.
The third meeting in 2017	5 May 2017	To consider the Resolution on 2017 Bank Credit Facilities of the Company
The fourth meeting in 2017	30 August 2017	To consider the Resolution on Adjustment of Organizational Structure and Functions Positioning of the Company
The fifth meeting in 2017	10 November 2017	To consider the Resolution on Provision of Guarantee to an Offshore (Germany) Wholly-owned Subsidiary of the Company

Attendances of each member at the meetings are as follows:

No.	Name	Position	Attendances/ Meetings
1	Liu Feixiang	Chairman of the committee	1/1
2	Sun Linfu	Member	5/5
3	Yu Jiahe	Member	5/5
4	Ren Yanjun	Chairman of the committee *(resigned in July 2017)*	3/3

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 independent non-executive Directors. The members of the audit and risk management committee are Mr. Yu Jiahe, Mr. Sun Linfu and Mr. Wong Hin Wing, of which Mr. Yu Jiahe is the chairman.

The audit and risk management committee is primarily responsible for supervising the Company's 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, to examine and supervise the work of external audit agencies, and the relationships between the Company and the external audit agencies, to formulate and implement policies on the non-audit services provided by the external audit agencies, to examine the Letters of Explanation of Review Matters submitted to the management by the external audit agencies and give timely feedback on the matters raised by the external audit agencies in its Letters of Explanation of Review Matters;

- to supervise internal audit system and its implementation, to review the Company's financial and accounting policies and practices;

- to ensure communication and coordination between internal audit and external audit agencies;

- to supervise the Company's financial information and its disclosure, and to review the major opinions on financial reporting as set out in the statements and reports;

- to review the Company's financial control, risk management and internal control system, to review major connected transactions, and to discuss the risk management and internal control system with the management to ensure that the management has discharged its duty to establish an effective internal control system;

- to ensure the Company's arrangements for staff of the Company, in confidence, to report or raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters;

- to submit the annual report on overall risk management to the Board, to consider the Company's risk management strategies and the solutions for major risk management, to consider the establishment of the risk management organisations, and proposals of their responsibilities, and to consider the comprehensive report on the supervision, assessment and audit of risk management submitted by the internal audit department.

The Company has established an audit and risk control department with relatively independent functions on internal audit, internal control and risk management. The audit and risk control 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.

During the reporting period, the audit and risk management committee reviewed risk management and internal control and expressed their reasonable opinion.

The decisions of the Board did not deviate or violate any recommendations about selection, appointment or dismissal of external auditors made by the audit and risk management committee.

During the reporting period, the audit and risk management committee reviewed 2016 results announcement and annual report, 2017 interim results announcement and interim report, auditing planning of external auditor, auditor's report and interim review report prepared by Ernst & Young.

In 2017, the audit and risk management committee held three meetings, to mainly consider the following issues:

Name of the audit and risk management committee's meetings	Date	Major matters considered
The first meeting in 2017	27 February 2017	(I) To consider the Proposal of the 2016 Annual Report and Results Announcement;
		(II) To consider the Proposal of the Company's Final Financial Report for 2016;
		(III) To consider the Proposal of the Company's Annual Profit Distribution Plan for 2016;
		(IV) To consider the Proposal of 2016 Auditing Fee Payment and Appointing Audit Agencies of 2017;
		(V) To consider the Proposal of 2016 Report of Internal Risk Control;
		(VI) To consider the Proposal of the Performance Report of Audit and Risk Management Committee of the Board of Directors of the Company for 2016;
		(VII) To consider the Proposal of Summary for Work of 2016 Internal Audit, Risk Control and Planning of 2017 Internal Audit and Risk Control;
		(VIII) To consider the Proposal of 2017 Implementing Plan of Measures of Material and Key Risk Management and Control;
		(IX) To consider the Proposal of Rectifying Plan After Identifying the 2016 Annual Internal Control Evaluation Defects.

Name of the audit and risk management committee's meetings	Date	Major matters considered
The second meeting in 2017	5 May 2017	To consider the Proposal of Entering into the Continuing Connected Transactions in Relation to the Machinery Equipment and Accessories Sales Framework Agreement
The third meeting in 2017	28 July 2017	To consider the Proposal of 2017 Interim Results Announcement and Interim Report

Attendances of each member at the meetings are as follows:

No.	Name	Position	Attendances/ Meetings
1	Yu Jiahe	Chairman of the committee	3/3
2	Sun Linfu	Member	2/3
3	Wong Hin Wing	Member	3/3

Note: Mr. Sun Linfu delegated Mr. Yu Jiahe to attend the first meeting of the audit and risk management committee of 2017.

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. As the change of the composition of the Board, Mr. Liu Feixiang was appointed as the chairman of the nomination committee upon the consideration and approval at the nineteenth meeting of the first session of the Board. The other members of the nomination committee are Mr. Sun Linfu and Mr. Yu Jiahe.

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

- to examine the structure, number of members and composition (including skill, knowledge and experience of related aspects) of the Board at least once a year;

- 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;
- 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.

In 2017, the nomination committee held one meeting, to mainly consider the following issues:

Name of the nomination committee's meetings	Date	Major matters considered
The first meeting in 2017	28 July 2017	(I) To consider the Proposal of Nomination of the Executive Director of the Company;
		(II) To consider the Proposal of Adjustment to the General Manager of the Company;
		(III) To consider the Proposal of Adjustment to the Certain Senior Management Members of the Company.

Attendances of each member at the meeting are as follows:

No.	Name	Position	Attendances/ Meetings
1	Liu Feixiang	Chairman of the committee	0/0
2	Sun Linfu	Member	1/1
3	Yu Jiahe	Member	1/1
4	Ren Yanjun	Chairman of the committee *(resigned in July 2017)*	1/1

d. ***Remuneration and evaluation committee***

The Company's remuneration and evaluation committee was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. As the change of the composition of the Board, Mr. Liu Feixiang was appointed as the member of the remuneration and evaluation committee upon the consideration and approval at the nineteenth meeting of the first session of the Board. The other members of the committee are Mr. Yu Jiahe (chairman) and Mr. Sun Linfu.

The remuneration and evaluation committee is primarily responsible for formulating and reviewing the remuneration 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;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment, to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
- to develop formal, fair, reasonable and transparent remuneration system, and to supervise the effective implementation of the Company's remuneration system, to consider the Company's share incentive plan(s) and provide recommendations thereon.

Under the Provision B.1.2(c)(ii) of the CG Code, the remuneration and evaluation committee has made recommendations to the Board on the remuneration of Directors and senior management.

In 2017, the remuneration and evaluation committee held one meeting, to mainly consider the following issues:

Name of the remuneration and evaluation committee's meeting	Date	Major matters considered
The first meeting in 2017	27 February 2017	(I) To consider the Proposal of the Remuneration for the Directors and Supervisors of the Company in 2016; (II) To consider the Proposal of the Remuneration for the Senior Management of the Company in 2016.

Attendances of each member at the meeting are as follows:

No.	Name	Position	Attendances/ Meeting
1	Yu Jiahe	Chairman of the committee	1/1
2	Liu Feixiang	Member	0/0
3	Sun Linfu	Member	0/1
4	Ren Yanjun	Member *(resigned in July 2017)*	1/1

Note: Mr. Sun Linfu delegated Mr. Yu Jiahe to attend the first meeting of the remuneration and evaluation committee in 2017.

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 continuous professional development 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 (if any) 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.

IV. CHAIRMAN AND GENERAL MANAGER

The offices of the chairman and the general manager of the Company are held by different persons. Mr. Liu Feixiang is the chairman and Mr. Tong Pujiang is 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 daily operations.

According to the Articles, the chairman is primarily responsible for the following functions and powers:

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

(2) to supervise and check the implementation of general meeting resolutions and 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 functions and 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 organise 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 war, extraordinary natural disasters, to exercise special discretion and power of disposition 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 reports of the general manager, other senior management and persons in charge of the invested enterprises of the Company;

(9) other functions and powers granted by the Board.

The general manager of the Company is responsible to the Board. The general manager and the management team under his/her leadership have the following functions and powers:

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

(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 management members 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 functions and powers granted by the Board.

V. INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the Articles, independent non-executive Directors are elected at the general meeting for a term of three years. Upon expiry of the term, they are eligible for re-election and re-appointment, but no more than six years, except otherwise expressly provided by relevant laws, regulations and listing rules of the stock exchange on which the Company's shares are 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/her independence. The Company considers all of the independent non-executive Directors to be independent.

VI. 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 term 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 term 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.

During the reporting period, the nomination committee has considered the Board diversity policy and also reviewed the educational level, skills, experiences and diversities of the Board to determine if they were sufficient to enhance the efficiency of the Board and maintain the high standard of corporate governance. After full consideration, the nomination committee believed that the current composition of the Board is balanced and diversified, which is suitable for the business development of the Company. Thus, the Board diversity policy was fulfilled during the reporting period.

VII. NOMINATION OF DIRECTORS

Directors are elected at general meetings in accordance with the Articles. Written notices 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.

VIII. REMUNERATION OF SENIOR MANAGEMENT

According to Provision B.1.5 of the CG Code, the range of annual remuneration in 2017 of the members of the senior management whose particulars are contained in the section headed "Directors, Supervisors and Senior Management" in this report is set out below:

For the year ended 31 December 2017

Remuneration band (RMB)	Number of individuals
RMB1 million or above	0
RMB0.9 million (including) to RMB1 million	0
Less than RMB0.9 million	6
Total	6

Note: Two senior management members resigned on 31 July 2017 and therefore, the remuneration above only included the remuneration of those senior management members during the period from 1 January 2017 to 31 July 2017. One senior management member was appointed in July 2017 and therefore, the remuneration above only included the remuneration of this senior management member from 1 September 2017 to 31 December 2017.

IX. REMUNERATION OF THE AUDITOR

Ernst & Young is the overseas auditor of the Company in 2017, and Ernst & Young Hua Ming LLP is the domestic auditor of the Company in 2017. For the year ended 31 December 2017, the services provided and the remuneration received by Ernst & Young and Ernst & Young Hua Ming LLP are as follows:

2017 financial statement audit	RMB1.55 million
2017 interim review	RMB0.4 million
Total	RMB1.95 million

X. DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of financial statements for the financial year ended 31 December 2017, and to give a true and fair report of the Company's financial position and financial performance.

XI. 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 44, 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 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".

XII. CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, no amendments was made to the constitutional documents of the Company.

XIII. RISK MANAGEMENT AND INTERNAL CONTROL

According to regulating documents such as CG Code, Guidelines on Comprehensive Risk Management of Enterprises controlled by Central Government, Normal Regulations on Internal Control of Enterprises and its auxiliary guidelines, the Company established Measures on Internal Control and Comprehensive Risk Management of CRCC High-Tech Equipment Corporation Limited, setting a comprehensive and throughout risk management and internal control system which will be participated by all employees.

The Company closely adhered to its development strategy. We collected initial information of risk management, organised regular risk identification analysis and assessment, established risk management strategy, offered and implemented risk management resolutions, and supervised and improved the dead loop workflow of the risk management, to prevent the Company from suffering from major and material risk incidents.

The Company has a sound organisation system of internal control. The Board is responsible for the establishment, improvement and effective implementation of the risk management and internal control systems. An annual year-end review of the effectiveness of the Company's and its subsidiaries' risk managements and internal control systems during the year has been conducted. Guided by the Board and the audit and risk management committee, the audit and risk control 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.

The objectives of internal control of the Company include ensuring a legal and compliance management, asset safety, accuracy and completeness of financial reports and related information in a reasonable manner, enhancing its operating efficiency and results, and promoting the implementation of strategy development. Due to the intrinsic limitations of internal control system, only reasonable guarantees can be provided for the abovementioned objectives. In addition, the effectiveness of its internal control is subject to change according to the changes of internal and external environment and operations. Inspection and supervision system is established for the Company. In case of shortcomings found, the Company will adopt rectification measures immediately.

Through the audit and risk management committee and the audit and risk control department, the Board arranged an assessment to the risk management and internal control system of the Company and considered that the risk management and internal control system of the Company was effectively operated and sufficient in 2017. The system could maintain and improve the internal control activities of the Company and ensure that the Company was able to resist changes in internal business and external environment in terms of finance, operation and risk management, to safeguard the safety of the asset of the Company and the interest of the Shareholders.

The Company has prepared "Insider of Inside Information Management Regulation of CRCC High-Tech Equipment Corporation Limited" according to provisions relating to disclosure of inside information of the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong, to identify inside information, and to protect and supervise the timely management and publish of inside information, so as to safeguard the legal interests of investors.

XIV. SHAREHOLDERS' RIGHTS

1. Convening extraordinary general meetings

Shareholders holding more than 10% of shares of the Company (individually or together with others) shall be entitled to request the Board to convene 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 request, 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 receipt of the request. 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 presiding over 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 preside over the meeting by themselves.

2. 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 Hong Kong 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 inquires 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.

3. Putting proposals at general meetings

Any Shareholder solely holding, or Shareholders aggregately holding, more than 3% of shares of 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 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.

XV. INVESTOR RELATIONSHIP

The Company places great emphasis on communication with investors and has established a securities 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 of the Company.

The Company strictly complied with the governing provisions of the Listing Rules regarding information disclosure and disclosed any information affecting investors immediately and accurately and completely in accordance with preparation rules and procedures of information disclosure, to ensure all investors receiving information of the Company fairly and sufficiently.

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 2017.

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, railway line maintenance services as well as engineering and technical services within the field of track vehicle.

There was no material change in the nature of the Company'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 delegates part of its responsibilities to each of the function departments.

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

REGULATORY RISKS

The majority of the Company's core businesses are subject to the regulatory requirements of the following laws, regulations and departmental rules:

- 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 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 on 3 April 2014.

In 2017, 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 departmental rules.

POLICY RISKS

Our business and financial performance may be 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 materially affect 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 customers groups or changes in their orders or the terms of the contract may have a material adverse impact on the Company's business. The market uncertainties caused by the reform of China Railway Corporation, being the major customer of the Company, may have an material impact on the business of the Company.

The largest supplier of the Company is Zhuzhou Times Electronics Technology Co., Ltd., the purchase from whom is attributable to approximately 15.63% of the Company's total purchase, and the purchase attributable to our five largest suppliers amounted to approximately 43.21% of our total purchase. Significant changes in the relationship between the Company and our 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 37 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 minimise 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 and regulations 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 standardise 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 optimise 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 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, railway line maintenance services as well as engineering and technical services within the field of track vehicle are the major sources of income of the Company. The key strategies of the Company are:

Development of the industrial park regarding national large railway track maintenance machinery high-tech industry and the southwest industrial park regarding CRCC's underground engineering facilities will enable the Company to achieve its target of becoming a "word class, domestic leading" enterprise, proactively create a modern and service-oriented business model, adhere to professionalism, digitalisation and globalisation along the path. The Company will also attempt to cultivate and strengthen its capabilities in nine aspects, including developing and strengthening its capabilities of market exploitation and prompt reaction, providing comprehensive and throughout service, pioneering innovation, efficient resource allocation, integration and management, enterprise management and innovation, leading, promoting and regulating of "mechanism +", transforming and upgrading "digitalisation +", dynamic realising of "the Party building +", and improving "executive force +" and "training force +". Based on these capabilities, we will focus on product innovation, diligently enhance overall competitiveness, and effectively transform reform results into economic benefit.

RESULTS AND DIVIDENDS

For results of the Company for the year ended 31 December 2017 prepared in accordance with the IFRSs, please refer to the audited financial statement of this report. The annual results for the year ended 31 December 2017 of the Company have been reviewed by the audit and risk management committee of the Company.

As at 31 December 2017, the Group's retained profits (before distribution of the final dividend) amounted to RMB375.16 million in total, and the Board proposed the distribution of dividend of RMB0.01 per Share (including applicable taxes) for the year in cash. The distribution of the proposed dividends is subject to the Shareholders' approval at the 2017 annual general meeting to be held in 2018. After being considered and approved, the final dividend for the year ended 31 December 2017 is expected to be paid on or around 21 August 2018. Further details in relation to the closure of register of member for H Shares will be announced by the Company after the arrangement of such general meeting.

FINANCIAL HIGHLIGHTS

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the financial statements.

Short-term borrowings

The Group has no short-term borrowings as at 31 December 2017.

Long-term borrowings

The Group has no long-term borrowings as at 31 December 2017.

Share capital

As at 31 December 2017, the share capital of the Company was 1,519,884,000 shares, of which 531,900,000 shares are H Shares.

USE OF PROCEEDS OF THE COMPANY

After deducting the underwriting commissions and expenses in connection with the global offering, the net proceeds of the global offering were approximately RMB2.27 billion. According to the Proposal to Change the Usage of Part of the Proceeds, which was considered and approved at the 13th meeting of the first session of the Board, we planned to apply the net proceeds from the global offering for the following purposes:

- construction of our "International Technology Cooperation Center" Project: approximately 40% of the net proceeds from the global offering would be used for the construction of our "International Technology Cooperation Center" Project, including acquisition of land, construction of infrastructure and purchase of equipment;

- development of regional business network platform: approximately 10% of the net proceeds from the global offering would 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;

- general domestic and overseas mergers and acquisitions: approximately 20% of the net proceeds from the global offering would be used for general domestic and overseas acquisitions relate to the large railway track maintenance machinery industry, and will enable us to strengthen and complement our core value chain;

- working capital: no more than approximately 30% of the net proceeds from the global offering would be used to supplement working capital.

Save for the aforesaid, there is no other change to the usage of net proceeds from the global offering.

The following table sets forth the actual use of proceeds of the Company as at 31 December 2017:

Planned use	Budgeted usage amount *RMB billion*	Actual usage amount *RMB billion*
Construction of our "International Technology Cooperation Center" Project	0.91	0.53
Development of regional business network platform	0.23	0.04
General domestic and overseas mergers and acquisitions	0.45	0.12
Working capital	0.68	0.68
Total	2.27	1.37

As at 31 December 2017, the balance of the proceeds from H Shares issuance of the Company was approximately RMB909 million (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 reporting period, 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 is set out in the consolidated statement of changes in equity of this report.

RETAINED PROFITS

As at 31 December 2017, the Group's retained profits calculated in accordance with relevant regulations amounted to approximately RMB375.16 million, of which RMB15.2 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, the revenue from the sales of goods and provision of services in aggregate attributable to CRC was approximately 33.4% of the Group's total operating revenue while the revenue from the sales of goods and provision of services in aggregate attributable to our five largest customers was approximately 64.3% of the Group's total revenue. All our five largest customers were 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.

Zhuzhou Times Electronics Technology Co., Ltd. is the largest supplier of the Company, and the percentage of the Company's purchase attributable to purchase from it was approximately 15.63% of the Company's total purchases. The purchases attributable to our five largest suppliers amounted to approximately 43.21% 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 Company's five largest suppliers during the year.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company during the year till the date of this report are:

Executive Directors

Liu Feixiang	–	*Chairman of the Board* (Effect from 15 September 2017)
Ren Yanjun	–	*Chairman of the Board* (Resigned as an executive Director of the Company's first session of the Board and the chairman of the Board in July 2017)
Zhao Hui	–	*Secretary of the party committee* (Effect from 15 September 2017)
Tong Pujiang	–	*General manager* (Effect from July 2017)
Jiang He	–	*General manager* (Resigned as an executive Director of the Company's first session of the Board and the general manager in July 2017)
Chen Yongxiang	–	*Vice general manager* (Effect from 22 June 2017)
Yu Yuanlin	–	*Vice general manager, chief financial officer, chief counsel* (Resigned as an executive Director of the Company's first session of the Board, vice general manager, chief financial officer and chief counsel in July 2017)

Non-executive Directors

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*
Wang Shuchuan	–	*Representative supervisor of Shareholders*
Wang Huaming	–	*Representative supervisor of Shareholders*
Zhang Zhumin	–	*Representative supervisor of Shareholders* (Resigned as the representative supervisor of Shareholders of the Company's first session of the Supervisory Committee on 15 September 2017)

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 an 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 and Mr. Wang Huaming is the representative supervisor of Shareholders. The former representative supervisor of Shareholders, Mr. Zhang Zhumin, resigned on 15 September 2017. Upon the nomination by the controlling Shareholders, and the consideration and approval at the eighth meeting of the first session of the Supervisory Committee and the first extraordinary general meeting in 2017 of the Company, Mr. Wang Shuchuan was appointed as the first session of the representative supervisor 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 the section headed "Directors, Supervisors and Senior Management" 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 entered into a service contract with the Company which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the year and as at 31 December 2017, none of the Directors nor supervisors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries was a party.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and as at 31 December 2017, 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 year and as at 31 December 2017, none of the Directors, supervisors and the general manager 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 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 2017, the Company has purchased liabilities insurance for the Directors and supervisors, which provides appropriate insurance for the Group's directors and supervisors.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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 old, 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 of the Company to acquire such rights in any other body corporate.

EMPLOYEES AND REMUNERATION POLICY

The Company's remuneration policy for its employees takes into account the individuals' post value, work performance and competence. The Company places great emphasis on the provision of on-the-job-training and development of its employees. Each staff member is required to participate in training organised by the Company 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 organise staff training. The management and other employees are required to undertake training for enhancing work ability as specified by the Company. 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 2017, the Company had 1,967 full-time employees, and the total amount of remuneration (including salaries and allowances) for employees in 2017 was approximately RMB414.0 million.

The remuneration of Directors and supervisors is proposed by the Board and subject to approval by the Company at the general meeting, taking into consideration their respective experience, level of responsibilities within the Company, 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 management contract entered into in relation to engaging anybody or any entities to perform 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 2017 was as follows:

		As at 31 December 2017	
Shareholder	Type	Number of shares	% 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%
China Railway Construction International Group Co., Ltd.	Domestic share	4,939,920	0.325%
China Civil Engineering Construction Corporation	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 SFO

To the knowledge of the Directors of the Company, as of 31 December 2017, except for the Directors, supervisors or chief executives of the Company, the interests and short positions of any person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO are set out as follows:

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%
GIC Private Limited	53,501,000(L)	Investment manager	–	10.06%	3.52%
CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited note 4	44,285,500(L)	Beneficial owner	–	8.33%	2.91%
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. note 4	44,285,500(L)	Interest of controlled corporation	–	8.33%	2.91%
CRRC Corporation Limited note 4	44,285,500(L)	Interest of controlled corporation	–	8.33%	2.91%
CRRC Group Co., Ltd. note 4	44,285,500(L)	Interest of controlled corporation	–	8.33%	2.91%
Baring Asset Management Limited	38,132,500(L)	Investment manager	–	7.16%	2.51%

Note 1: L – Long Position, S – Short Position.

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

Note 3: As at 31 December 2017, 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: As at 31 December 2017, CSR Zhuzhou Institute Co., Ltd. held 100% equity of CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Ltd. and was a 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 Co., Ltd. were deemed to be interested in these shares.

CONTINUING CONNECTED TRANSACTIONS

Transactions conducted between the Group and the following parties constitute continuing connected transactions 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 (the "**Large Maintenance Machinery and Accessories Sales Framework Agreement**") with CRCC. Pursuant to such agreement, our Group agreed to provide the following to CRCC and/or its associates:

(i) to sell various kinds of large railway track maintenance machines;

(ii) to 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.

For details of such agreement, please refer to the Company's prospectus dated 3 December 2015 and the Shareholder's circular dated 25 May 2016.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. The Company convened its 2015 annual general meeting on 21 June 2016, on which it considered and approved the resolution on the revision to the annual caps for the continuing connected transactions under the Large Maintenance Machinery and Accessories Sales Framework Agreement, to RMB1,000 million and RMB1,100 million for the year of 2016 and 2017, respectively.

The Company convened its 2016 annual general meeting on 22 June 2017, on which it considered and approved the Machinery Equipment and Accessories Sales Framework Agreement between the Company and CRCC dated 5 May 2017 and relevant annual caps, to replace the original Large Maintenance Machinery and Accessories Sales Framework Agreement which was terminated accordingly.

The Machinery Equipment and Accessories Sales Framework Agreement with CRCC

The Company entered into the Machinery Equipment and Accessories Sales Framework Agreement with CRCC on 5 May 2017, pursuant to which, the Company agreed to provide the following to CRCC and/or its associates:

(i) to sell various kinds of large railway track maintenance machines;

(ii) to sell machinery, equipment and material;

(iii) to provide other related or ancillary products and services.

The term of the agreement was commencing upon the conclusion of the 2016 annual general meeting and ending on 31 December 2019, subject to early termination by either party giving at least three months' prior written notice to the other party. For details, please refer to the Company's shareholder's circular dated 31 May 2017.

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

where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices at which the same type of products and services provided by the Group to an independent third party customer on normal commercial terms;

where there are no market prices for the relevant products which are applicable to new types of large railway track maintenance machines to be tailor-made for the specifications required by the CRCC Group for its specific business needs, 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 plus reasonable profits; the Group will charge a mark-up rate, taking into consideration of the specific types of products, for the transactions on a cost-plus basis. Such mark-up rate charged to the CRCC Group is not lower than 15% for all cases, which is the same mark-up rate charged to an independent third party customer. The Board is of the view that such mark-up rate is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

As of 31 December 2017, CRCC held approximately 65% issued share capital of the Company and is a controlling Shareholder of the Company, and therefore CRCC and its associates are connected persons of the Company. Transactions under the Machinery Equipment and Accessories Sales Framework Agreement constitute continuing connected transactions of the Company.

The Company convened its 2016 annual general meeting on 22 June 2017, on which it considered and approved the resolution on the revision to the annual caps for the continuing connected transactions under the Machinery Equipment and Accessories Sales Framework Agreement, to RMB1,100 million, RMB1,100 million and RMB1,100 million for the year of 2017, 2018 and 2019, respectively.

For the year ended 31 December 2017, the amount of products and services provided by the Group to CRCC and/or its associates under the Machinery Equipment and Accessories Sales Framework Agreement was RMB179.52 million, not exceeding the annual cap of RMB1,100 million for the year of 2017 approved by the general meeting.

Financial Services Framework Agreement with CRCC Finance Company Limited

On 30 March 2016, the Company renewed the financial services framework agreement (the "**Financial Services Framework Agreement**") with CRCC Finance Company Limited (a subsidiary of CRCC) to provide deposit services to the Group for the term ending on 31 December 2018. For details, please refer to the Company's shareholder's circular dated 25 May 2016.

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 favourable to the Group, 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 2017, CRCC Finance Company Limited is a connected person of the Company by virtue of being a subsidiary of CRCC. Therefore, the transactions contemplated under the Financial Services Framework Agreement constituted continuing connected transactions of our Company.

The Company convened its 2015 annual general meeting on 21 June 2016, on which it considered and approved the resolution on the renewal of the Financial Services Framework Agreement and the revision to the annual caps for the connected transactions, and agreed on the renewal of the Financial Services Framework Agreement between the Company and CRCC Finance Company Limited and on the proposed maximum daily balance of deposits (including accrued interest) under the agreement to be placed by the Group with CRCC Finance Company Limited for two years ending 31 December 2018 both being RMB1,200 million.

During the year ended 31 December 2017, the maximum daily balance of deposits (including accrued interest) placed by the Group with CRCC Finance Company Limited under the Financial Services Framework Agreement was RMB973.88 million, not exceeding the cap of RMB1,200 million approved by the general meeting.

ANNUAL REVIEW FOR CONTINUING CONNECTED TRANSACTIONS

Directors (including independent non-executive Directors) reviewed the Company's continuing connected transactions and confirmed that the Company's continuing connected transactions complied with the agreed procedures and principles, and that 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;

(3) in accordance with the terms of relevant agreements governing the transactions whose terms are fair and reasonable and in the interests of the Company and its Shareholders 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.

ONE-OFF CONNECTED TRANSACTION

Acquisition of 100% equity interest in CRCC Yukun

On 6 April 2017, the Company entered into an equity transfer agreement with China Railway Construction Asset Management (HK) Limited ("**CRCC Asset Management**"). Pursuant to such agreement, CRCC Asset Management agreed to sell, and the Company agreed to acquire 100% equity interest in CRCC Yukun (the "**Acquisition**") at a consideration of RMB110,564,200. The Acquisition was completed during the reporting period and CRCC Yukun has become a wholly-owned subsidiary of the Company.

CRCC Asset Management is a wholly-owned subsidiary of CRCC, the controlling Shareholder of the Company, and thus is a connected person of the Company in accordance with Chapter 14A of the Listing Rules. According to Chapter 14A of the Listing Rules, the transactions contemplated under the equity transfer agreement constitute a connected transaction of the Company.

For details of the Acquisition, please refer to the announcement of the Company dated 6 April 2017.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Company during the reporting period are set out in note 33 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. Other related party transactions neither constituted connected transactions/continuing connected transactions under the Listing Rules nor constituted connected transactions/continuing connected transactions under the Listing Rules but were exempted from all disclosure and independent Shareholders' approval requirements under the Listing Rules.

NON-COMPETITION AGREEMENT

CRCC, CRCCG and the 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 the Company (for the interests of the Company itself and other members of the Group) that, during the term of the Non-Competition Agreement, CRCC and CRCCG shall not, and shall procure that their respective associates (other than the 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 31 December 2017, the Company's independent non-executive Directors reviewed compliance with the Non-Competition Agreement as well as relevant information provided by CRCC and CRCCG. In the opinions of independent non-executive Directors, CRCC and CRCCG complied with the relevant provisions under the Non-Competition Agreement in 2017; 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 Shareholders.

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 of the Company proposed, on 28 February 2018, a final dividend of RMB0.01 (inclusive of tax) per share in respect of the year ended 31 December 2017. The proposed final dividend is subject to the approval of the Company's Shareholders at the forthcoming annual general meeting.

TAXATION

According to regulations of the Circular on Relevant Issues of Withholding Corporate Income Tax of Chinese Resident Enterprises which Distribute Dividends to Overseas H Share Non-Resident Enterprise Shareholders (Guo Shui Han No. (2008) 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the State Administration of Taxation, while distributing the dividends of 2008 and subsequent years to overseas H share non-resident enterprise shareholders, Chinese resident enterprises shall uniformly withhold corporate income tax at the rate of 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 register of members of H Share of the Company. Shares registered in the name of non-individual registered shareholders (including HKSCC Nominees Limited, other nominees, trustees or other organisations and institutions) will be treated as being held by non-resident enterprise shareholders, and the dividends receivable shall therefore withhold corporate income tax.

Pursuant to the requirements of Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi No. [1994] 020) (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)), foreign individuals are exempted from individual income tax on dividends and bonus received from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, thus the individual shareholders who hold the H Shares of the Company and whose names appear in the register of members of the H Shares of the Company are not required to pay the individual income tax of the PRC.

On 28 February 2018, the Board proposed to pay a final dividend of RMB0.01 per share (inclusive of tax), totaling RMB15.2 million, for the year ended 31 December 2017.

The proposed dividend would be distributed until obtaining approval from the Shareholders at the 2017 annual general meeting to be convened in 2018.

AUDITOR

Financial statements for the year were audited by Ernst & Young. The resolution in relation to the appointment of the auditor of the Company for 2017 was considered and approved at the 2016 annual general meeting convened on 22 June 2017, which decided to re-engage Ernst & Young as the overseas auditor and Ernst & Young Hua Ming LLP as the domestic auditor of the Company in 2017.

By order of the Board of Directors
Liu Feixiang
Chairman

Kunming, Yunnan, the PRC
28 February 2018

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 the Company's and its Shareholders' interests.

I. MEETINGS OF THE SUPERVISORY COMMITTEE OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, the Company held three Supervisory Committee meetings, which considered and approved the announcement of annual results for 2016, announcement of interim results for 2017 and elected shareholder representative supervisor. 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 the 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 2017, in accordance with relevant laws and regulations of the PRC, the Supervisory Committee of the Company 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 diligently performed their responsibilities and were in compliance with the PRC laws and regulations. During the reporting period, no breaches of laws or regulations which were materially prejudicial to the interests of the Company and its 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, and considers that the Group's 2017 financial report is true and accurate and presents the financial position and operation performance fairly, and that the audit opinion issued by Ernst & Young is also true and fair.

3. **Connected transactions**

The Supervisory Committee considers that the connected transactions between the Group and 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 procedures of connected transactions in 2017 were in compliance with the relevant laws and regulations of the PRC and is not aware of any impairment to the Company and its Shareholders' interests by means of connected transactions.

4. **The implementation of Non-Competition Agreement**

The Supervisory Committee is of the opinion that during the year, CRCCG and CRCC 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 year, members of the Supervisory Committee attended seven Board meetings and two general meetings. There were no objections to the various reports and resolutions submitted by the Board for consideration at the general meeting. The Board of Directors seriously carried out resolutions of the general meeting.

Lyu Jianming (呂檢明)
Chairman of the Supervisory Committee

Kunming, Yunnan, the PRC
28 February 2018

Environmental, Social and Governance Report

We are pleased to present this Environmental, Social and Governance (ESG) Report, which demonstrates the updates on sustainable development of CRCC High-Tech Equipment Corporation Limited and its subsidiaries from 1 January 2017 to 31 December 2017 (the "**Reporting Period**"). This section has been prepared based on the ESG Reporting Guide issued by the Hong Kong Stock Exchange, with a purpose of reporting on employment and labour practice, operating practice, community and environment and so on.

PART I CORPORATE SOCIAL RESPONSIBILITY GOVERNANCE

The Board of Directors of the Company takes the responsibility of the environmental, social and governance strategies and reporting matters of the Company, and is responsible for the sustainable development matters relating to or affecting the Company's businesses or operations, Shareholders and other persons related to main businesses and supervises the position and practice of the Company. The corporate social responsibility working group of the Company is responsible for implementing the environmental, social and governance strategies, policies and measures determined by the Board of Directors and monitoring their performance and providing guidance and reporting to the Board of Directors on relevant issues.

The Company has set up a comprehensive management system, including three levels of management system, namely GB/T 19001-2016 idt ISO 9001: 2015 quality management system, ISO 14001: 2015 environmental management system and GB/T 28001-2011 occupational health and safety management system. Through the comprehensive management system and providing trainings to employees, the various internal business units within the Company are guided to integrate corporate social responsibility into their operations and activities.

The Company is committed to complying with laws and regulations relating to environmental and social responsibility which have a material impact on the Company. We will continuously devote more resources to strengthen our corporate social responsibility governance, strive to promote the sustainable development of the Company, and jointly create and share sustainable values with stakeholders in the economic, social and environmental fields.

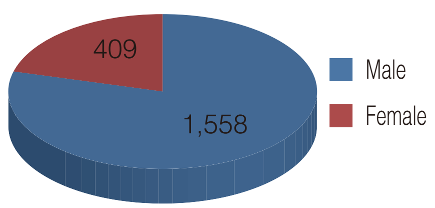
PART II EMPLOYMENT AND LABOUR PRACTICE

I. Our Staff

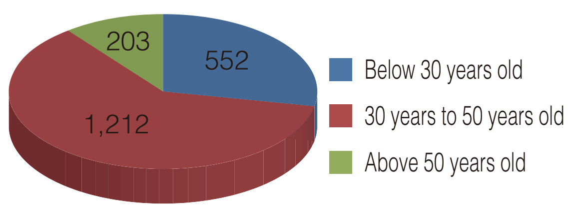
1. Current condition of staff

We believe that talent is an integrated part for our future development. The Company constantly strengthens the optimisation and management of human resources and strives to create a scientific and reasonable talent team with high quality, high academic qualifications and young age, as well as a staff team with initiative and creativity. As at 31 December 2017, the Company had a total of 1,967 employees.

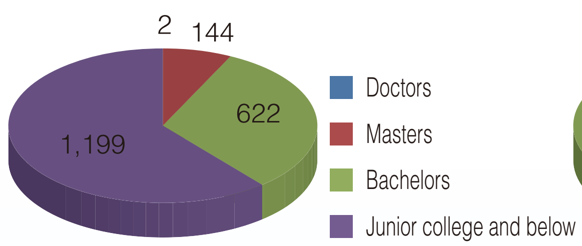
Gender Composition



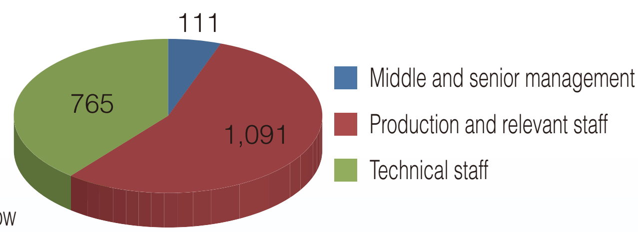
Age Composition



Breakdown of Education Level



Breakdown of Employment Type



2. Staff recruitment

The Company maintains a sound staff recruitment system and complies with the requirements under the Labour Law, the Labour Contract Law, the Law on the Protection of Minors, the Law on the Protection of Rights and Interests of Women and other relevant laws and regulations strictly. Discrimination against language, wealth, social origin, social status, age, gender, race, disability, pregnancy, religion, political ideology, members of the community or marital status is forbidden. The Company neither employ child labour nor use forced labour. With its main business as guidelines, the Company absorbs talent based on principles of openness, transparency, fairness and merit.

During the Reporting Period, the Company absorbed talent in following ways:

(i) Internal recruitment: select suitable employees from the human resources reserve of the Company through internal promotion, job designation, job rotation, orientation training, etc., to engage in vacant or urgently needed jobs.

(ii) External recruitment: absorb high-caliber management talent, professional and technical talent and craftsmen required for the business through recruitment from campus and society, mass media, recruitment by headhunters, introduction of high-caliber talents, etc.

3. *Remuneration and benefits*

The Company follows the principle of "distribution according to performance and equal pay for equal job", establishes and improves the remuneration and performance appraisal system covering middle and above management and ordinary employees, and provides competitive remuneration in the industry according to job requirements and the employees' achievements and contributions. At the same time, the Company takes the result of appraisal and evaluation as an important basis for employees' post adjustment, dismissal, etc., so as to continue to optimise the team of human resources.

The Company guarantees that all employees are entitled to the holidays and festivals and weekends as required by the state and paid leave such as annual leave, family leave, leave for marriage or funeral and family planning leave, and other leave agreed in labour contracts and collective contracts. The Company organises health examination for all employees every year, with an examination coverage rate of 100%. According to the requirements of local government, the Company also provides a well-established benefit package for its employees every year, including pension insurance, work-injury insurance, medical insurance, unemployment insurance, housing provident fund and other social insurance and legal welfare, with a coverage rate of 100% of each insurance. The Company also provides staff with various voluntary corporate welfare, including corporate annuities, supplemental medical insurance, subsidised canteen, labour protective equipment, and transportation and communication subsidies.

We also seek to implement higher standards of health, safety and well-being within the employees' businesses in all our business practices and to provide fair and equal opportunities in recruitment, training, promotion, designation, working leave, remuneration, benefits, termination of contracts and other issues. Such rights are not affected by factors such as age, gender, physical health or mental status, marriage status, family positions, race, skin color, nationality, religion, political connection and sexual orientation.

II. Employee Occupational Health and Safety

1. *Occupational health and safety management system*

In light of our business characteristics, the occupational health and safety of employees is considered to be an important social responsibility. The Company passed the GB/T28001-2011 certification of Occupational Health and Safety Management System in 2013 and has been improving and perfecting the system. The Company passed the audit of external certification authority in 2017 once again, and maintained the Occupational Health and Safety Management System Certificate for GB/T28001-2011 standard. The Company has developed a number of occupational health and safety management regulations which passed domestic certification and complied with international standards, implemented manuals and internal policies on safety control processes and standards, and required all employees to comply with relevant regulations.

Occupational Health and Safety Management System Certificate for GB/T28001-2011 Standard


格式：MI1102R03

中国船级社质量认证公司
CHINA CLASSIFICATION SOCIETY CERTIFICATION COMPANY

职业健康安全管理体系认证证书
OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATE

编号：No.00516S22700R3L

兹证明

中国铁建高新装备股份有限公司
（注册/生产地址：云南省昆明市金马镇羊方旺384号 邮编：650215）

This is to certify that the Occupational Health and Safety Management System (OHSMS) of

CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED
(Registered/Production Add: No.384 YANGFANGWANG, JINMA TOWN, KUNMING CITY, YUNNAN PROVINCE, 650215, P.R.CHINA)

建立的职业健康安全管理体系符合标准：GB/T 28001-2011/OHSAS18001: 2007。
has been found to conform to standard: GB/T 28001-2011/OHSAS18001: 2007.

本证书对下述范围的职业健康安全管理体系有效：*铁路养路机械及其配件的设计、制造和修理*。
This certificate is valid to the following scope for OHSMS: *DESIGN, MANUFACTURE AND REPAIR OF RAILWAY MAINTENANCE MACHINERY AND ITS PARTS*.

上一认证周期截止时间：2016年12月11日/Last cycle Deadline: 11 December 2016
再认证审核时间：2016年11月14日-2016年11月18日/Recertification audit time: 14 November 2016- 18 November 2016

本证书有效期至：2019年12月11日。
This certificate is valid until: 11 December 2019.

证书专用章 Seal for Certificate CCQS

发证日期：2016年12月16日。
Issued on: 16 December 2016.

总经理：
General Manager Huang Shiyuan

CNAS 中国认可 管理体系 MANAGEMENT SYSTEM CNAS C005-M

OHSMS

2. *Safety production management*

To protect the occupational health and safety of employees, the Company strictly complies with the policies, laws, administrative regulations, local regulations, rules and standards relating to safety production and occupational health which safeguard safety production and employee health, such as the Opinions of the Central Committee of CPC and the State Council on Promoting the Reform and Development in the Field of Safety Production, the Circular of the State Council on Further Strengthening Enterprise Safety Production, the Production Safety Law and the Law on Prevention and Control of Occupational Disease and adheres to the principal of "joint responsibility between party and government, one position bearing two kinds of responsibility, and joint control and management among various departments". The Company has established a production safety (including occupational health) responsibility system, specifying the safety production and occupational health responsibility of all levels and all posts. The leading and management groups of safety production (including occupational health) were set up with full-time safety production and occupational health management personnel. The Company has also developed systems, procedures and processes relating to safety production and occupational health management such as the Regulations on the Administration of Labour Protective Equipment, the Procedures for Controlling Information Exchange and Communication, the Procedures for Monitoring and Controlling the Performance of Environmental and Occupational Health and Safety, and the Approval Process for the Demand Plans for Labour Protective Equipment. The Company guarantees to devote resources to safety production (including occupational health) in strict compliance with applicable laws and regulations and the Company's systems and rules, and provides employees with labour protective equipment that meets national standards and the actual requirements of their posts in sufficient quantities on time. Our employees were also urged to wear the labour protective equipment correctly, to prevent safety accidents and occupational disease hazards from happening effectively.

In 2017, the Company set up a special fund of RMB2.81 million for labour protective equipment, which was used to provide necessary protective equipment and medical insurance in all its business or business which may cause harm to employees. The Company has also established a safety education and training system, and conducted regular safety reviews, making sure that all employees are aware of hazards and conducts prevention and treatment. We also supported the development of occupational health and safety in the industry.

The Company achieved the following key safety indicators from 2014 to 2017: 1. the Company did not have any employee whose death was due to work; 2. there was no hazardous event such as fire disaster, explosion and special equipment accident; 3. all new employees received three-level safety education, all special operation staff held qualification certificates and all potential safety hazards were rectified; 4. no applicable laws or regulations relating to safe work environment and the avoidance of occupational disease hazards were violated.

3. *Occupational health and safety assessment*

To ensure the implementation of occupational health and safety measures, the Company adopts the following inspections and assessments in four aspects: 1. through certifying the occupational health and safety management system, the Company organises regular internal review and audit each year, and invites external certification body to review and audit its occupational health and safety management. Issues identified are rectified in a timely manner to ensure that the system runs effectively and the occupational health and safety management and its performance meet standards; 2. the Company conducts safety production inspection by ways of comprehensive inspection, professional inspection and self-inspection at different levels and grades to eliminate potential safety hazards in a timely manner, thus effectively preventing accidents from happening and avoiding personal injury and health damage; 3. the Company monitors occupational health in workplace regularly, and conducts regular medical examinations on employees exposed to occupational hazards before, during and after work. Issues identified are rectified in a timely manner, thus effectively preventing the occurrence of occupational diseases; 4. the Company assesses safety management on a monthly and annual basis, and awards and punishes each unit and its leader according to the performance of safety production and occupational disease prevention, with a view to promoting the careful fulfillment of occupational health and safety responsibilities by the management at all levels and the effective implementation of occupational health and safety work and its continuous improvement.

III. Caring for Staff

1. *Development and training*

We believe that the knowledge and skills of our employees are crucial to our operation and business growth and we are committed to improving our employees' current performance, selecting and cultivating leading talent, continuously enhancing our strengths of research and development, sales and skilled workforce to provide human resources support for our business needs and future development.

Employee training is our primary mean for human resource development. In view of this, the Company collects the training requirements for its subordinate units and its employees every year and proposes and implements training plans accordingly. The categories of training plans include qualification training and adaptive training while the programs include enterprise management, sales, software operation, safety knowledge, property management, key job skills and other aspects. As at 31 December 2017, the Company completed 117 internal and external training programs with 1,050 actual trainees and employee training expenses of RMB709,007.

We also encouraged employees to enroll in training courses outside of the Company and the parent, and to enrich themselves and develop their careers through diversified skill training or skill identification.

During the Reporting Period, the employees training activities organised by the Company included:

(i) Corporate culture training and three-level safety education and training for new employees

(ii) Intellectual property training for middle-level and above management and technology research and development staff of the Company

(iii) Disciplinary inspection and supervision business training

(iv) Internal control and risk management training for auditing staff

(v) Serial training for middle-level management

(vi) Continuing education for safety management staff

(vii) Qualification training for hazardous chemical management staff

(viii) Energy-saving management training

(ix) Material management training

(x) Knorr-Bremse braking system training

(xi) Training for the operators of large railway track maintenance machinery

(xii) Occupational skill appraisal of senior technicians

(xiii) Software asset management training

(xiv) Training for the online promoters of our “CRCC Power Group (鐵建動力群)” and our official WeChat and Weibo

2. *Colorful leisure activities*

During the Reporting Period, the leisure activities organised by the Company included:

(i) The 2017 new year celebrating party named "Following your heart to the future (初心向未來)" and the 2016 advanced model award ceremony of CRCCE.

(ii) The eighth session of "Dianfeng Cup (滇峰盃)" basketball game.

(iii) A Zongzi-making competition named "Our Festival-Dragon Boat Festival" for celebrating this traditional festival.

(iv) A speech contest themed "Stay true to our original intention and keep in mind our mission (不忘初心牢記使命)".

IV. Labour Standard

We consider compliance as our minimum responsibility. At the beginning of 2017, the Company collected and conducted risk assessment on a total of 46 laws and regulations applicable to human resource systems, including national laws, administrative regulations, national and industrial standards and normative requirements, conducted compliance assessment in relation to these laws and regulation, and transformed them into specific rules and regulations and clear working procedures of the Company. During the Reporting Period, the Company has complied with all laws and regulations relating to employment and labour that may have a material effect on the Company.

We adopt a zero-tolerance policy on the employment of child labour and forced labour, and our strict internal systems such as the "Regulations on Employment Management" demonstrate our prohibition of using child labour and forced labour in strict compliance with the international standards and relevant domestic regulations. Child labour or forced labour is forbidden throughout the operation of the Company, any supplier or subcontractor.

There are specific requirements for the ages of the candidates in the "Administration Measures on Employee Recruitment" of the Company, and the identity information of the candidates is reviewed and the recruitment of child labour is strictly forbidden. The Company creates a safe and healthy working environment for its employees, provides labour protection, pays reasonable remuneration and provides various benefits, and prohibits forced labour. The union organisation of the Company plays an active role in safeguarding the interests of employees.

The "Administration Measures on the Labour Contract for Employees" of the Company specifies that we establish and terminate contractual labour relationships with our employees in accordance with national laws and regulations. The Company guarantees that all employees are entitled to the holidays and festivals and weekends as required by the state and paid leave such as annual leave, family leave, leave for marriage or funeral and family planning leave, and other leave agreed in labour contracts and collective contracts. The Company adopts a working system of 8 hours a day, 40 hours a week. However, due to production or other special circumstances, we ensure that, without violating the national regulations, we insist on arranging our employees to extend their working hours on a voluntary basis according to the overtime procedure without prejudice to their health.

PART III OPERATION PRACTICE

I. Supply Chain Management

1. Supplier management

We have established a series of strict supplier assessment mechanisms and practice policies. We select and re-assess appropriate, capable and responsible suppliers with reference to their prices, safety management, environmental protection capabilities, inspection capabilities, infringement histories, production capacities, delivery cycles, after-sales services, and assurance abilities. The management of suppliers during their whole life circles has been substantially achieved, covering the development, identification, risk, performance, termination and document management of suppliers.

We supported and opened door to suppliers who offered green products and services, employee benefits and welfare, and advocated their compliance with laws and regulations, as well as contractual obligations. For instance, the Company has added a supplier selection process which gives preference to suppliers who had been accredited by ISO 14001:2015 Environmental Management System under same conditions. During the annual random on-site review of suppliers, the Company attached great importance to suppliers' environmental protection practices. The Company established an effective anti-corruption supervision system and a management supervision mechanism, for the purpose of identifying and preventing any bribery, fraud or misconduct in the course of procurement and tendering. Incorporating the concept of sustainable development into supply chain, the Company proposed green procurement and production and called on suppliers to act in concert to fulfill corporate social responsibilities, hoping to improve the overall performance of the industry. Should any supplier fail to meet environmental or social policies set by the Company or contractual requirements, the Company would terminate subsequent cooperation, until improvement has been made by the supplier.

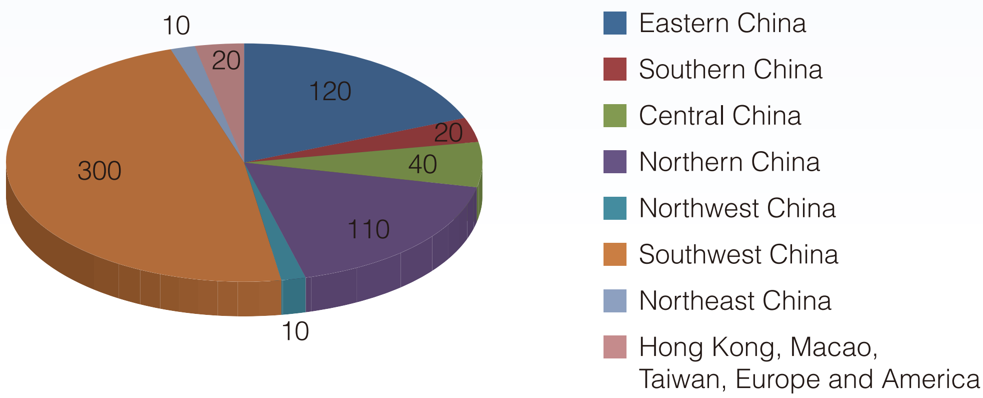
2. *Supplier selection and engagement*

On-site sourcing appropriate suppliers	Source appropriate suppliers on site and carry out field trips to investigate the capacities of suppliers.
↓ Application process for potential suppliers	Conduct initial investigation and assessment on suppliers and review their relevant qualifications.
↓ Identification of suppliers	Identify suppliers through price negotiation and competitive negotiation and other ways.
↓ Application process for approved suppliers	Upon approval, suppliers will be classified as temporary suppliers (grade IV, the lowest grade of qualified suppliers), good suppliers (grade III), excellent suppliers (grade II) and strategic suppliers (grade I). Certification management at different levels has been applied to examine and appraise suppliers step by step during the application process.

We conduct performance evaluation on all suppliers on an annual basis, or on a semi-annual basis or irregularly based on specific circumstances. In order to form a positive cycle, the admission and exit channels of suppliers are established based on the results of performance evaluation. This improves the quality of the Company's qualified suppliers and guarantees that the materials, projects and services purchased by the Company meet the requirements of quality, technology, service, delivery, cost, environment and occupational health. We gradually improve the self-management capability of our suppliers through establishing specific systems, thus promoting mutual development.

3. *Geographical distribution of suppliers*

Number of suppliers by regions



Our supply chain consists of over 630 suppliers covering more than 30 provinces in China, Hong Kong, Macao and Taiwan regions, European countries and America. Our suppliers provide us with products and services, such as raw materials, tools, factory equipment, logistics and transportation and packaging.

II. Product Liability

As a leader in the market of large railway track maintenance machinery, we are committed to providing high-quality products and services and complying with business ethics and ethical rules, and we are devoted to responsible conducts during the sales and provision of products and services.

1. *Quality certification*

The Company has passed the ISO 9001: 2015 Quality Management System certification. With reference to quality inspection procedures of products, the Company sets out rigorous work flows, and initiated several long-term campaigns including "Quality and Effectiveness Improvement", "On-site Safety and Quality Management". All of these demonstrate the Company's determination in quality control on product manufacturing process. In the meantime, we take quality assessment results as important reference for employee remuneration review.

Quality Management System Certificate for ISO 9001:2015 Standard

中国船级社质量认证公司
CHINA CLASSIFICATION SOCIETY CERTIFICATION COMPANY

质量管理体系认证证书
QUALITY MANAGEMENT SYSTEM CERTIFICATE

编号：No. CCSC16Q32697R6L

兹证明

中国铁建高新装备股份有限公司

This is to certify that the Quality Management System (QMS) of

CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

(Registered/Production Add: No.384 YANGFANGWANG, JINMA TOWN, KUNMING CITY, YUNNAN PROVINCE, 650215, P.R.CHINA; Organizational Code: 21658661-0)

建立的质量管理体系符合标准：ISO9001:2015。
has been found to conform to standard: ISO9001:2015.

本证书对下述范围的质量管理体系有效："铁路养路机械及其配件的设计、制造和修理"。
This certificate is valid to the following scope for QMS: "DESIGN, MANUFACTURE AND REPAIR OF RAILWAY MAINTENANCE MACHINERY AND ITS PARTS".

本证书有效期至：2019年12月11日。
This certificate is valid until: 11 December 2019.

发证日期：2016年12月16日。
Issued on: 16 December 2016.

总经理：
General Manager Huang Shiyuan

QMS

2. *Quality assurance and service system*

The Company insists on the quality principle of "seeking increasing perfection to make the best machinery; striving for excellence to build a first-class brand". Innovation was made on quality management mode in strict compliance with the ISO9001:2015 standard and based on the actual conditions of the Company, and was promoted and implemented. The Company has established a quality management system integrating quality and group management and control and developed over 100 documents relating to management and control system, such as management and control manual, process management standards and relevant quality management system. The Company also improved and perfected the quality management department, established a management mechanism for quality targets, organised the signing of quality assurance and responsibility letters, and assigned the targets level by level and then conducted performance appraisal on each level. The Company carried out standardised management of the processes involving the Company's products which include marketing, material and component purchase, production organisation and control, quality testing and acceptance, complete machine acceptance, product delivery and service in strict compliance with the requirements of the system, and conducted quality control during the whole processes, making sure that the products manufactured by the Company can meet quality requirements and the requirements of users. The Company has established a quality safety risk management system based on the standard of Guidelines on Comprehensive Risk Management of Enterprises Controlled by Central Government and developed an operation and management mechanism for quality safety risks covering the processes such as product design, supply chain management, manufacturing, after-sales services, quality monitoring and assessment. The control of quality risk point in respect of key working procedures, special processes and the "eight prevention" of products (e.g. the prevention of crack, the prevention of separation, the prevention of burning/hot bearing, the prevention of breakage, the prevention of explosion, the prevention of fire, the prevention of split and the prevention of runaway train) were strengthened. Guidance on operation process was followed strictly, and spot check and control was required for critical quality monitoring. The Company improved exception reporting of process quality and the emergency management mechanism of railway traffic accidents and comprehensively promoted quality safety risk management and control, ensuring the quality safety of complete machines and the safety of railway transportation, as well as the consistent fulfilment of its mission of "providing solid support to railway".

The Company collected market information from various sources through an improved marketing service management system and standardised operation of marketing services, paid close attention to market development and the diversified expansion of marketing, and grasped the demands and expectations of customers constantly, ensuring that clients' demands were met with the Company's best efforts. The Company adhered to the service concept of "leaving no regret to customers" as well as the principle of "responding quickly and taking immediate action". A 4S store service mode was introduced for large railway track maintenance machinery, which provided customers with an after-sales service system covering the full life circle of the machinery, and a lifelong accountability system for material design defects was implemented. Professional teams and expert group for after-sales services were formed to provide users with services during or after the warranty period, on-site technology training service, maintenance and repair service, leasing service and other services. A 24-hours after-sales service hotline was also set up promptly to handle the complaints, issues and information filed by users, and all of which were required to be handled in 24 hours through telephone or onsite within 72 hours. The Company made full use of information-based means such as remote diagnosis to monitor products and provide service in real time. In order to constantly improve the product quality and service of the Company and increase customer satisfaction, we conducted customer satisfaction survey and visited customers regularly, collected opinions broadly and suggestions from customers, conducted analysis on these opinions and suggestions and implemented rectification measures.

3. *Management method*

In order to improve corporate operation and management capability and promote health and sustainable corporate development, the Company highly values management innovation and development. Based on the actual conditions, the Company has established and implemented a quality spot check and management mode, comprehensively implemented the process quality control of key points and quality risk control, which effectively improved the production and operation efficiency of the Company. Standardised and efficient operation was achieved by establishing and implementing multiple professional systems and a management and control system featuring integrated group management and control. The Company manufactured quality large railway track maintenance machinery from four dimensions, e.g. "design, purchase, production, service" and built a comprehensive product quality management and control system featuring "high standards, high performance and high quality". Supported by key technologies from technology platforms such as postdoctoral workstation for large railway track maintenance machinery, high-tech industrialisation bases for large railway track maintenance machinery applied in national railways, international technology cooperation demonstration bases and the National Railway Large Railway Track Maintenance Machinery Engineering and Technology Research Center, and making full use of the skill innovation and the leading of craftsmen of cross-functional organisations including Kunming Craftsmen Workroom and Yunling Chief Technician Workroom, the Company manufactured quality large railway track maintenance machinery for the international market, with a view to strengthening the competitiveness of railway engineering machinery manufacturing and service in the international market, and improving the management level of the Company in a comprehensive way.

During the Reporting Period, the Company has complied with laws and regulations relating to product liability which would have a material effect on the Company. In addition, there was no non-compliance incident in relation to health and safety, advertisement, labeling and confidentiality matters associated with products and services.

PART IV ANTI-CORRUPTION

In a bid to help employees to cope with conflicts of interests and to resist temptations of illegitimate benefits, the Company worked out the "Administrative Measures on Anti-fraud", the "Administrative Measures on Complaint Letters and Whistle-blowing", the "Measures on Investigating the Dereliction of Duty of Management" and other corporate regulations. In the meantime, the Company propagated anti-corruption policies and relevant measures via various means, and made efforts to nurture a corporate culture that values honesty and diligence. The Company arranges training sessions on laws and regulations, integrity and ethical conduct on an annual basis, requiring all employees to comply with state laws and regulations, industry code of conduct, corporate ethics and regulations.

During the Reporting Period, efforts made by the Company to combat bribery, blackmail, fraud and money laundering were as follows:

(i) Launching Anti-corruption Awareness Month activities, and watching "Always on the Road", an anti-corruption documentary shot by the propaganda department of the Central Commission for Discipline Inspection and "Warnings from Central Enterprise Leaders in Violation of Law and Discipline", an educational film shot by the discipline group dispatched by the Central Commission for Discipline Inspection to SASAC;

(ii) Taking advantage of new media and disseminating anti-corruption content via OA system, WeChat and short message service;

(iii) Setting up special column for discipline inspection and anti-corruption on the Company's WeChat public platform "鐵建裝備心世界";

(iv) Sending anti-corruption notices for four times to management (of middle level and above) when important festivals and holidays were around the corner, which involved a total of 424 management members.

With a commitment to perfect operation and management regime continuously, we are dedicated to closely combining production and operation with clear anti-corruption policy. We also intensify supervision on investment management, tendering, procurement, marketing and sales, confidentiality, asset accounting and other matters. In case of any bribery, blackmail, fraud, money laundering and other malpractices, employees can report to appropriate personnel via hot line, letter or email. Employees who have violated relevant laws, if deemed as criminal, will be transferred to judicial authorities for punishment.

PART V COMMUNITY

The objective of community investment was to create true and sustainable benefits for communities where the Company operated its businesses. In addition to charity activities, we established partnership with communities and encouraged employees to participate in volunteer activities, thus building up long-term community investment pattern.

We took part in community construction mainly in the following four ways:

(i) Offering support to employees and encouraging and arranging them to participate in volunteer activities, such as visiting nursing homes and senior apartments regularly, organising blood donation, and etc.;

(ii) Making donations in the form of money, goods and materials or services to directly support and fund various public welfare projects. While making donations by ourselves, we also called on related parties for donations;

(iii) Sharing responsibilities in community construction, promoting interaction with community members by offering shuttle bus services and establishing entertainment centers for the elderly;

(iv) Setting up supplementary medical insurance system for the benefit of employees and aid fund that aims to relief every employee from poverty, support every child of employees for schooling and share every employees' burden in medical care; adhering to the tenet of caring campaign and visit policy to support employees in medical care, schooling and daily life.

During the Reporting Period, the Company organised the following public welfare activities (partial):

(i) Voluntary blood donation of "Donating Blood, Sharing Love (一滴熱血、一份關愛)"

On 24 February 2017 and 4 March 2017, 30 volunteers of the Company donated blood voluntarily at blood donation stations in Nanping Street (南屏街) and Guandu Square (官渡廣場) respectively to help save lives of others, extending the spirit of Lei Feng. It's the fourth consecutive year that the Company has arranged voluntary blood donations, and many of the volunteers were not first-time participants.

(ii) Clothing donation programme of "Great Love in Clothing (一家衣等於愛)"

Starting from 24 February 2017, the Company partnered with Communist Youth League of Kunming (昆明團市委) to launch clothing donation programme of "Great Love in Clothing (一家衣等於愛)" in communities, providing containers in the Company for collecting donated clothing and establishing a team of volunteers to propagate clothing recycling campaign in the residential area for the employees.

(iii) Caring the elderly through voluntary services

In March 2017, various parties including the general manufacturing factory, serving units and machining branch factories arranged volunteers for four times to visit Xifule Elderly Homes (喜福樂老年公寓), Kunming Yangguang Elderly Homes (昆明陽光老年公寓), Nursing Center in Qingyu Community, Panlong District (盤龍區青裕社區助老中心) and Chongyang Geriatrics Hospital in Kunming (昆明重陽老年病醫院) respectively, delivering our warm greetings to the elderly.

(iv) Volunteering campaign of "Dedicate Your Youth to Lighten up Lives (讓青春在奉獻中閃光)"

In the afternoon on 22 March 2017, the Communist Youth League of the general manufacturing factory organised a series of activities of "Dedicate Your Youth to Lighten up Lives (讓青春在奉獻中閃光)", with more than 20 members participated. Words on the culture walls and culture stones set up by the Company for the purpose of propagating corporate culture turned blurred after years of sun and rain. Picking up brushes and brush pens, youth members re-colored and painted the faded words carefully.

(v) Caring healthy growth of children of ethnic minority in mountain area

On 27 May 2017, eight employee representatives from the Party branch committee of the operation and planning department of the Company paid a visit to the primary school in Yusheng Village, Changhu Town, Shilin County (石林縣長湖鎮雨勝村小學). In the visit, a batch of school supplies was donated to students in impoverished mountain areas and the representatives had an early celebration of Children's Day with the students, bringing them joy and greetings, with an attempt to grow with the children together with our love and care and to create a bright future with them together.

In October 2017, in light of the broad campaign of "Warm Winter Action (暖冬行動)" initiated jointly by Communist Youth League of Kunming (昆明團市委) and Kunming Youth Development Foundation, Youth League of the Company advocated to its youth members donation of brand-new winter clothing to children in the mountain area by way of paring up with those children in the form of "one-for-one" or "many-for-one". On 21 December 2017, four volunteer representatives of the Company visited Ruiying Primary School (瑞熒小學) and Dezhe Primary School (德著小學) in Anyang, Jinyuan Township, Tangdian (倘甸金源鄉安秧), granting donated goods and materials to targeted children.

PART VI ENVIRONMENTAL PROTECTION

I. Environmental Management

1. Environmental management system certification

The Company established its environmental management system certification according to the GB/T24001:2004 environmental management system standard and passed the certification in 2013. The Company updated the system according to the ISO14001:2015 version and passed the certification in 2016.

Environmental Management System Certificate for ISO14001:2015 Standard

格式：MI1102R02

中国船级社质量认证公司
CHINA CLASSIFICATION SOCIETY CERTIFICATION COMPANY

环境管理体系认证证书
ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATE

编号：No. CCSC16E32699R1L

兹证明

中国铁建高新装备股份有限公司
（注册/生产地址：云南省昆明市金马镇羊方旺384号 邮编：650215）

This is to certify that the Environmental Management System (EMS) of

CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED
(Registered/Production Add: No.384 YANGFANGWANG, JINMA TOWN, KUNMING CITY, YUNNAN PROVINCE, 650215, P.R.CHINA)

建立的环境管理体系符合标准：ISO 14001:2015。
has been found to conform to standard: ISO 14001:2015.

本证书对下述范围的环境管理体系有效：“铁路养路机械及其配件的设计、制造和修理”。
This certificate is valid to the following scope for EMS: "DESIGN, MANUFACTURE AND REPAIR OF RAILWAY MAINTENANCE MACHINERY AND ITS PARTS".

上一认证周期截止时间：2016年12月11日/Last cycle Deadline: 11 December 2016
再认证审核时间：2016年11月14日-2016年11月18日/Recertification audit time: 14 November 2016- 18 November 2016

本证书有效期至：2019年12月11日。
This certificate is valid until: 11 December 2019.

证书专用章 Seal for Certificate CCSC

发证日期：2016年12月16日。
Issued on: 16 December 2016.

总经理：
General Manager Huang Shiyuan

EMS

2. Establishing environmental management system

The Company collects, identifies and obeys the requirements of national laws, regulations and standards, and incorporates applicable provisions into its own management system. The Company also implements ISO environmental management system and establishes relevant management system, pursuant to which compliance assessment is conducted annually. The Company has established various systems in respect of wastewater, waste gas and waste discharge, such as "Management and Control Procedures of Pollutant Emission", "Management System on Waste Goods and Materials", "Monitoring & Measuring Control Procedures of Environmental and Occupational Health and Safety Performance", "Control Procedures of Environmental Resources" and so on. The Company complies with "Integrated Emission Standard of Air Pollutants", "Integrated Wastewater Discharge Standard" and "Emission Standard for Industrial Enterprises Noise at Boundary" respectively in respect of the emission of waste gas, wastewater and noise at boundary. Companies with monitoring qualification were commissioned to monitor the discharge of pollutants, and found all discharges were complied with relevant standards. No unexpected environmental incident and environmental pollution accident occurred.

3. *Measures on environmental management*

During the Reporting Period, main measures taken by the Company regarding environmental protection include:

(i) Establishing an environmental management system, conducting regular internal inspection and audit on an annual basis and engaging external certification institution to inspect and audit the environmental management of the Company. Ensuring the effectiveness of the system. The Company passed the supervision and audit on the environmental management system by China Classification Society Quality Assurance Center in 2017;

(ii) Implementing acceptance of qualified enterprise for clean production and obtaining the certificate of qualified enterprise for clean production of Yunnan Province in 2017;

(iii) Establishing an emergency plan for unexpected environmental incidents and conducting drills according to the drill plan each year;

(iv) Highlighting the monitoring of hazardous waste and establishing a management system, under which hazardous waste should be stored in the designated place, handled by dedicated personnel and with clear accounts. In 2017, the Company passed the assessment of standardised management of hazardous waste conducted by Kunming Environmental Protection Bureau.

II. Emission Management

Regarding reducing emission of pollutants and wastes as our own responsibility, we have therefore been in strict compliance with the international rules and domestic regulations relating to air pollution. Besides, the Company has also formulated various working rules to strictly manage placement and disposal of discarded coating materials, obsolete package and flotsam leftover from production, and continued to improve environment management related methods and measures, expecting to reduce generation of wastes and increase recycle utilisation.

1. *Strictly complying with national laws and regulations*

Strictly complying with national laws, regulations and standards, the Company established various systems in respect of wastewater, waste gas and waste discharge. Compliance assessment is conducted annually, the results of which are in compliance with laws and regulations. No violations occurred between 2014 and 2017. Three wastes discharge met with relevant standards, with emissions (concentration) falling within the scope of the pollutant discharge permit as approved.

The main pollutants of the Company's exhaust emissions are benzene, toluene and xylene. The main pollutants of wastewater discharged are chemical oxygen demand (COD), ammonia nitrogen and total phosphorus. In 2017, the Company treated 275,900 tons of wastewater, of which 217,888 tons were recycled, and discharged 4,012 tons of wastewater, 0.1032 ton of COD, 0.2019 ton of ammonia nitrogen, 0.0679 ton of benzene, 0.14024 tons of toluene and 0.0104 ton of xylene.

Statistics of total greenhouse gas generated from the consumption of gasoline and diesel oil during the Company's production process in 2017 are summarized as follows:

Type	Active data	Type of greenhouse gas	Emission (tCO_2e)	Remarks
Diesel oil	301 tons	CO_2	951.31	*Note 1*
		CH_4	1.26	*Note 1*
		N_2O	14.93	*Note 1*
Gasoline	60 tons	CO_2	179.09	*Note 1*
		CH_4	1.61	*Note 1*
		N_2O	6.16	*Note 1*
Electricity	10,550,000 kwh	CO_2	8,827.19 tons	*Note 2*

Note 1: calculated on the basis of the greenhouse gas released by the complete combustion of diesel and gasoline;

Note 2: calculated according to the greenhouse gas generated from thermal power.

Statistics of various kinds of waste goods and materials during the Company's production process in 2017 are summarized as follows:

General waste goods and materials (innocuous)

Category	Weight
Steel scrap	1,093.81 tons
Iron scurf	162.52 tons
Aluminium scrap	3.71 tons
Waste wire	2.027 tons
Copper scale	1.326 tons
Oxidising slag	98.34 tons
Waste wooden boards	94.7 tons
Waste oil barrels	760

Hazardous waste (harmful)

Category	Weight (ton)
Waste spongy filter	10.67
Emulsion	12.02
Waste paints	3.32
Waste paint pot	3.95
Mineral oils	2

Pursuant to the requirements under its pollutant discharge permit, the Company organises environmental monitoring annually, and the results of each emission and the total amount of emission met relevant standards. The Company conducts maintenance and repair to its power supply units annually, and expects to use photovoltaic electricity starting from 2018 so as to substantially reduce the emission of greenhouse gas. The Company complied with first class A standard of the "Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant" for the emission of pH, SS, COD, BOD, NH_3-N, PO_4^{3-}-P, LAS of wastewater and gasoline, the second class standard of "Integrated Emission Standard of Air Pollutants" for the emission of dust and benzene series of waste gas, and type II standard of "Emission Standard for Industrial Enterprises Noise at Boundary" for noise at boundary.

2. *Measures and technology of pollutants prevention and treatment*

We require and encourage all the staff to conduct responsible behaviors, and to promote environmental protection concept throughout our supply chain and relevant markets. We adopt advanced exhaust emission processing equipment for our large railway track maintenance machines, making sure that each function of our products and system could meet the high standards in relation to environmental protection and comply with relevant operation standards as well. Moreover, we will continue to keep an eye on research and development of environmental protection equipment and technology. We understand and monitor the influence on environment of our normal operation through continuous review and announcement of the organised exhaust emissions by the Company. The Company has introduced large ventilation and dust-removing system, welding fume purifier, sewage treatment and water reclaiming system to reduce smoke dust emission and minimise land pollution, through which, we carry out 6S management in our operation sites and enhance placement and management on materials or wastes.

During the Reporting Period, The Company mainly conducted the following with respect to emission:

(i) Wastewater treatment

The Company has a sewage treatment station which treats wastewater with A/O2 method with daily treatment capacity of 800 cubic meters. Reclaimed water will be discharged upon reaching first class level A standard of "Wastewater Discharge Standard", and most of it will be reused in the Company's greening, dust reduction, car washing and so on, and the rest will be discharged to East Baisha River after meeting relevant standard.

(ii) Waste gas treatment

General dust is discharged into high-altitude air through centrifugal air compressor after filtered by dust extractor of the equipment, and more than 90% of the dust will be reduced. Welding fume is generally treated by layered air-supplying method, of which the treatment system is comprised of air treatment system (dust extracting), secondary air stream supplying system and controlling system. With a filter core made of durable polyester which is of low absorbability for viscous materials, the dust extractor reaches efficiency of 99.9%.

As for spray painting, the Company adopts integrated equipment with functions of spray painting, drying and purification, through which painting mist is filtered, absorbed and purified through an organic waste gas purification device with segmented two-stage dry filter cotton + activated carbon fiber during the process of air purification, and then discharged upon meeting with relevant standards.

(iii) Noise at boundary treatment

The Company applies anti-vibration devices to equipment which generates great noise, such as using flexible joints for draught fans and inlet and outlet pipes of pump, installing silencers to draught fans and air compress tubes of compressors, erecting closed solid walls in workshops equipped with equipment generating great noise, and planting plants with great noise reduction effect outside the walls to form planting strip in order to reduce the grade of noise.

During the Reporting Period, the Company monitored the emission of wastewater, waste gas and noise at boundary, with results thereof reaching the relevant standards. All the hazardous wastes such as emulsion and paint residue are treated by Yunnan Dadi Fengyuan Environment Protection Co., Ltd.* (雲南省大地豐源環保有限公司) which is qualified. As for those innocuous wastes such as steel scrap and iron scurf, they are disposed of through external bidding-for-sale procedure. During the Reporting Period, there is no occurrence of environment emergency for which the Company shall be liable.

III. Management on Energy Use

1. *Energy-saving and consumption-reducing*

Adhering to the aim of constructing a resource-saving and eco-friendly enterprise, the Company actively made efforts towards energy saving and emissions reduction, with focus on limiting production of high energy consumption and high pollutant while developing energy-saving and eco-friendly industries as well as promoting uses of energy-saving products. The Company vigorously developed new high-tech and high value-added products of high-end underground equipment series to facilitate continuous reduction in energy consumption per unit of output value and energy consumption per unit product of the enterprise. In compliance with national and industrial requirements, the Company rolled out reasonable adjustment to corporate structure, product structure and energy consumption structure, eliminated backward production capacity and reduced pollutant discharge in order to become a green corporation.

We advocate adopting the systems of "lower cost and higher efficiency" and "energy conservation and emission reduction" among our employees, and formulated documents such as "Administration Measures on Energy Conservation and Emission Reduction", "Administration Measures on Use of Energy of the Company", "Administration Measures on Waste Disposal" and etc., to supervise the use of energy of the Company. We strive to enhance our energy utilisation efficiency, reduce operation cost and prevent environment pollution.

Statistics of total energy consumption during the production process of the Company in 2017 is summarised as follows:

Type	Total consumption
Electricity	10,550,000 kwh
Gasoline	60 tons
Diesel oil	301 tons
Lubricating oil	139 tons
Water	40,055.6 tons

Statistics of total usage of packaging materials during the production process of the Company in 2017 are summarised as follows:

Type	Total usage (ton)
Wire	0.6
Tape	0.007
Rubber	1.6
Wire rope	1.3
Buckle	0.3
Wood log	0.09
Bronze lock	0.08

2. *Integrated control and management*

In 2017, with the support of the Company's leaders, the Company strictly followed requirements stipulated in relevant documents of CRCC and the local governments to implement two "Subdivision" regarding energy management. Firstly, as to refining energy management, the Company enhanced control and management of indicators of energy consumption with increased institutional and managerial efforts, through which the Company is able to find out the key reason and make response in time in case of abnormal movement of energy consumption data. Secondly, the Company subdivided the indicators of energy saving. In October 2016, the Company revised and circulated the "Administration Measures on Energy Management of the Company" and "Assessment and Administration Measures on Indicators of Energy Consumption of the Company", aiming to regulate energy consumption and assessment of the energy consuming production departments. The office of energy management of the Company requires all energy consuming production departments to file a statement of energy consumption each month, thus conducting real-time control of energy consumption. Since the circulation and implementation of the above two measures, the Company has conducted assessments twice to indicators of energy consumption of each energy consuming production departments, imposed severe punishment to departments that exceeded the standard limits of energy consumption and that had weaker performance in terms of energy saving, and circulated the results through the intranet of the Company. Through implementing this policy stringently, the Company has further improved its energy management, and tended to carry out work actively instead of passively. With shifts in thinking, employees proactively cooperated with the Company to carry out energy saving in good order. All of the above have laid a solid foundation for the Company to achieve target of energy saving for the national "13th Five-Year" plan in the next step.

3. *Efficiency of control and management*

In 2016, as a result of the increased production tasks of the Company, particularly the frequent use of pneumatic grinders, the gas output of the two compressors of 203BLT-150A mode of the Company failed to meet its production demand. To ensure enough gas output (air pressure) for production, the Company acquired one 40^3 Atlas Copcos-G250 rotary crew compressor of industrial frequency. The new compressor was able to meet the demand for gas of the Company's production basically, but it also resulted in frequent downtime due to the high temperature, frequent tripping of circuit breaker of the switchroom and high maintenance and repair cost, which caused considerate impact on the normal operation and logistics work of the Company. Therefore, the Company installed a control with variable frequency and constant voltage on the compressor to save energy, which was installed, tested and put into use in January 2017. It will enable the Company to reduce electricity consumption by 20% to 30%, saving 135,660 kwh and RMB159,600 of electricity fee, and reduce greenhouse gas emission of 113.5 tons in one year.

According to the requirements under the document of "Notice of Commission of Industry and Information Technology of Yunnan Province on Forwarding the Document of Ministry of Industry and Information Technology regarding Carrying out Supervision and Inspection for 2012 on the Implementation of Standard Limits of Energy Consumption of Unit Product and High Energy-Consumption Outdated Electrical and Mechanical Equipment (Products) Catalog", members of the Company's energy management office conduct check on electric machines equipped on mechanical equipment for production twice a year, during which electric machines equipped on mechanical equipment which are found to be listed on the catalog will be arranged stocktaking at the end of year and included on the list of equipment for condemnation and then eliminated. In 2017, the Company invested RMB3,230,000 to purchase production equipment, with 101 sets of advanced equipment, which were mainly high energy-consumption electrical and mechanical equipment. When studying and selecting equipment, relevant personnel from the Company's energy management office takes equipment that are certified by the country as their first choice, striving to further enhance the energy management of the Company and all relevant energy consuming departments, increase efficiency of energy utilisation, propel technical improvement and optimise industrial structure.

The Company keeps reinforcing energy management and continues to improve the management system of water use. As approved by leader, in 2017, the Company signed the Technical Service Contract for Water Balance Testing with Yunnan Institute of Metrology and Measurement with a contract value of RMB210,000, pursuant to which the third party institution will carry out improvement to water balance of areas including production area. Laid in 1980s, the water pipe network in part of the production area of the Company is lack of consistent management due to its old age, causing difficulties in repair. In addition, neither construction drawings nor pipeline drawings of it can be found, bringing much difficulties to the drawing institution to draw the schematic floor plan of water supply pipe network, drawings of water supply and discharge system, equipping of the measuring instrument of water and measuring and metering collecting points network plan. As of September 2017, technical service for water balance testing has been substantially completed, and the schematic floor plan of water supply pipe network and drawings of water supply and discharge system have been appraised by the expert group of the Company, with results reaching the acceptance criteria. The missing and damaged secondary water meters were substantially replaced and no water leakage problems were found in water using facility. The Company has reached the national standard of tap water use, thus laying a solid foundation for the energy management of the Company in the next stage.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of CRCC High-Tech Equipment Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 99 to 188, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board ("**IAASB**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "**Code**") issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Fair value measurement of available-for-sale investment on the H-share listed company	
As at 31 December 2017, the available-for-sale investments were significant to the consolidated financial statements. As disclosed in note 3 to the consolidated financial statements, the available-for-sale investments are measured at fair value on the basis of quoted market prices and non-liquidity effect. This assessment of fair value involves significant management estimates in determining the non-liquidity discount ratio. Further details are included in notes 3, 12 and 35 to the consolidated financial statements.	We executed the audit procedures below for the valuation of available-for-sale investments, including: 1. We obtained the management's calculation sheet of the fair value of the available-for-sale investments and verified the accuracy by re-calculation and referring to the market share prices at the end of reporting period. 2. We involved our valuation specialists to assist us in evaluating the methodologies and assumptions used by management for determination of the non-liquidity discount ratio, such as the risk-free interest rate and the restricted period input for the Black-Scholes option-pricing model and Finnerty model.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As the accounting policies presented in note 2.4 to the consolidated financial statements, the impairment of trade receivables is made based on the assessment of the recoverability of receivables due from customers. When determining whether a trade receivable is collectable, significant management judgement is involved. Management considered various factors which included the ageing analysis of the balances, locations of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers. Further details are included in notes 3 and 19 to the consolidated financial statements.	Our procedures to assess the recoverability of trade receivables included, but not limited to, assessing the reasonableness of accounting estimates, inquiring about management's special consideration, examining subsequent receipts by checking them against bank receipts, checking the correctness of the ageing analysis by customer, comparing historical repayment patterns, and evaluating the financial strength of customers with significant overdue balances.
Impairment of goodwill	
Management recorded goodwill of approximately RMB91,367,000 with regard to the acquisitions of CE cideon engineering Verwaltungs GmbH, CE cideon engineering GmbH & Co. KG and CE cideon engineering Schweiz AG. Significant judgement involved in the annual impairment testing of goodwill. The assumptions in the annual impairment testing of goodwill are disclosed in note 3 and 13 to the consolidated financial statements. The assessment process and sensitivity analyses are difficult and complex, requiring management judgement, and are affected by expected future market conditions. Further details are included in notes 3 and 13 to the consolidated financial statements.	In the view of the goodwill impairment test prepared by management, we executed the following audit procedures: 1. We assessed the reasonableness and consistency of the recoverable amount estimated by management based on discounted cash flow model. 2. We engaged our internal valuation specialists to assist us in the evaluation of the key assumptions used in the impairment analyses, such as future cash flow forecast, long term growth rates and the discount rate. 3. We performed sensitivity analyses around key assumptions of future cash flow forecast and also assessed the adequacy of the disclosures concerning goodwill.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee Chung Man.

Ernst & Young
Certified Public Accountants
Hong Kong
28 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
REVENUE	5	**1,818,308**	3,676,460
Cost of sales	6	**(1,328,857)**	(2,672,915)
Gross profit		**489,451**	1,003,545
Other income and gains	5	**67,693**	63,963
Selling and distribution expenses		**(59,323)**	(67,838)
Administrative expenses		**(375,018)**	(431,500)
Other expenses		**(22,413)**	(16,131)
Finance costs	7	**(35,960)**	(217)
PROFIT BEFORE TAX	6	**64,430**	551,822
Income tax expense	9	**(9,343)**	(86,644)
PROFIT FOR THE YEAR		**55,087**	465,178

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**46,544**	(16,208)
Income tax effect		**(6,982)**	2,431
		39,562	(13,777)
Exchange differences on translation of foreign operations		**(1,157)**	464
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement (losses)/gains on defined benefit plan		**(110)**	110
Income tax effect		**17**	(17)
		(93)	93
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**38,312**	(13,220)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**93,399**	451,958
Profit attributable to:			
Owners of the parent	*11*	**55,087**	465,178
Non-controlling interests		**–**	–
		55,087	465,178
Total comprehensive income attributable to:			
Owners of the parent		**93,399**	451,958
Non-controlling interests		**–**	–
		93,399	451,958
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (expressed in RMB per share)	*11*	**0.04**	0.31

Consolidated Statement of Financial Position

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
NON-CURRENT ASSETS			
Available-for-sale investments	12	**270,758**	224,214
Goodwill	13	**91,367**	91,367
Property, plant and equipment	14	**995,702**	947,818
Prepaid land lease payments	15	**419,421**	430,227
Other intangible assets	16	**9,888**	11,946
Trade receivables	19	**156,988**	–
Long-term prepayments	20	**33,897**	20,645
Deferred tax assets	17	**33,441**	18,625
Total non-current assets		**2,011,462**	1,744,842
CURRENT ASSETS			
Prepaid land lease payments	15	**10,831**	10,831
Inventories	18	**1,706,510**	1,470,205
Trade and bills receivables	19	**1,429,263**	2,572,634
Prepayments, deposits and other receivables	20	**79,531**	80,539
Pledged deposits	21	**45,931**	–
Cash and cash equivalents	21	**1,556,406**	1,223,957
Total current assets		**4,828,472**	5,358,166
CURRENT LIABILITIES			
Trade and bills payables	22	**1,252,961**	1,135,945
Other payables and accruals	23	**167,972**	236,092
Interest-free other borrowings		**–**	105,393
Tax payable		**2,409**	37,048
Defined benefit obligations		**380**	650
Provisions	24	**4,988**	9,093
Government grants	25	**–**	4,926
Total current liabilities		**1,428,710**	1,529,147
NET CURRENT ASSETS		**3,399,762**	3,829,019
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,411,224**	5,573,861

Consolidated Statement of Financial Position

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Defined benefit obligations		**240**	720
Government grants	*25*	**–**	14,186
Deferred tax liabilities	*17*	**32,669**	25,687
Total non-current liabilities		**32,909**	40,593
Net assets		**5,378,315**	5,533,268
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*26*	**1,519,884**	1,519,884
Reserves	*27*	**3,858,431**	4,013,384
Total equity		**5,378,315**	5,533,268

Zhao Hui
Executive director

Tong Pujiang
Executive director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	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	Exchange fluctuation reserve* RMB'000	Total equity RMB'000
At 31 December 2016 (as previously reported)	1,519,884	3,229,898	–	75,888	573,640	145,556	(10,169)	–	5,534,697
Business combinations involving entities under common control *(note (iii))*	–	–	–	–	(1,893)	–	–	464	(1,429)
At 1 January 2017 (restated)	1,519,884	3,229,898	–	75,888	571,747	145,556	(10,169)	464	5,533,268
Profit for the year	–	–	–	–	55,087	–	–	–	55,087
Other comprehensive income/(loss) for the year:									
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	39,562	–	–	39,562
Exchange differences related to foreign operations	–	–	–	–	–	–	–	(1,157)	(1,157)
Re-measurement gains on defined benefit plan, net of tax	–	–	–	–	–	–	(93)	–	(93)
Total comprehensive income/ (loss) for the year	–	–	–	–	55,087	39,562	(93)	(1,157)	93,399
Dividends declared	–	–	–	–	(243,181)	–	–	–	(243,181)
Business combinations involving entities under common control *(note (iii))*	–	(5,171)	–	–	–	–	–	–	(5,171)
Appropriation to statutory surplus reserve *(note (ii))*	–	–	–	8,494	(8,494)	–	–	–	–
Transfer to special reserve *(note (i))*	–	–	9,946	–	(9,946)	–	–	–	–
Utilisation of special reserve *(note (i))*	–	–	(9,946)	–	9,946	–	–	–	–
At 31 December 2017	1,519,884	3,224,727	–	84,382	375,159	185,118	(10,262)	(693)	5,378,315

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	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*	Exchange fluctuation reserve* *RMB'000*	Total equity *RMB'000*
At 1 January 2016	1,519,884	3,229,898	–	47,068	196,184	159,333	(10,262)	–	5,142,105
Profit for the year	–	–	–	–	465,178	–	–	–	465,178
Other comprehensive (loss)/ income for the year:									
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	(13,777)	–	–	(13,777)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	464	464
Re-measurement gains on defined benefit plan, net of tax	–	–	–	–	–	–	93	–	93
Total comprehensive income/ (loss) for the year	–	–	–	–	465,178	(13,777)	93	464	451,958
Dividends declared	–	–	–	–	(60,795)	–	–	–	(60,795)
Appropriation to statutory surplus reserve *(note (ii))*	–	–	–	28,820	(28,820)	–	–	–	–
Transfer to special reserve *(note (i))*	–	–	10,542	–	(10,542)	–	–	–	–
Utilisation of special reserve *(note (i))*	–	–	(10,542)	–	10,542	–	–	–	–
At 31 December 2016 (restated)	1,519,884	3,229,898	–	75,888	571,747	145,556	(10,169)	464	5,533,268

* These reserve accounts comprise the consolidated reserves of RMB3,858,431,000 (31 December 2016: RMB4,013,384,000 (restated)) in the consolidated statement of financial position as at 31 December 2017.

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.

(iii) On 24 June 2017, the Company obtained control over CRCC Yukun Limited ("**CRCC Yukun**") through business combinations involving entities under common control. Refer to Note 2.1 below.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**64,430**	551,822
Adjustments for:			
Finance costs	7	**35,960**	217
Foreign exchange losses/(gains), net	6	**2,884**	(1,257)
Interest income	5	**(25,071)**	(22,368)
Dividend income from available-for-sale investments	5, 6	**(4,410)**	(4,423)
Depreciation of items of property, plant and equipment	6	**59,089**	67,310
Amortisation of other intangible assets	6	**6,837**	10,559
Amortisation of prepaid land lease payments	6	**10,806**	10,622
Amortisation of long-term deferred expenses	6	**14**	263
Impairment of trade receivables	6	**14,021**	6,835
Impairment of other receivables	6	**134**	10
Write-down/(reversal of write-down) of inventories to net realisable value	6	**2,433**	(360)
Loss on disposal of items of property, plant and equipment	6	**97**	63
		167,224	619,293
Increase in inventories		**(238,738)**	(108,427)
Decrease/(increase) in trade and bills receivables		**939,121**	(874,961)
Increase in prepayments, deposits and other receivables		**(31,702)**	(47,672)
(Increase)/decrease in pledged deposits		**(45,931)**	299,684
Increase/(decrease) in trade and bills payables		**117,016**	(189,896)
(Decrease)/increase in other payables and accruals		**(68,229)**	54,518
Decrease in defined benefit obligations		**(750)**	(800)
Decrease in provisions		**(4,105)**	(577)
Decrease in government grants		**–**	(4,926)
Cash flows from/(used in) operations		**833,906**	(253,764)
Interest received		**21,429**	22,368
Income tax paid		**(58,781)**	(67,249)
Net cash flows from/(used in) operating activities		**796,554**	(298,645)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of items of property, plant and equipment	**(107,204)**	(67,569)
Additions of prepaid land lease payments	**–**	(18,335)
Payments for acquisition of other intangible assets	**(4,743)**	(3,546)
Acquisition of subsidiaries, net of cash acquired	**–**	(96,308)
Proceeds from disposal of items of property, plant and equipment	**410**	230
Dividend income from available-for-sale investments	**4,410**	4,423
Net cash flows used in investing activities	**(107,127)**	(181,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue expenses	**–**	(14,537)
Repayment of interest-free other borrowings	**(105,393)**	–
New interest-free other borrowings	**–**	105,393
Interest paid	**(349)**	(217)
Dividends paid	**(243,181)**	(60,795)
Payments for business combinations involving entities under common control	**(5,171)**	–
Net cash flows (used in)/from financing activities	**(354,094)**	29,844
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**335,333**	(449,906)
Cash and cash equivalents at beginning of year	**1,223,957**	1,672,606
Effect of exchange rate changes on cash and cash equivalents	**(2,884)**	1,257
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,556,406**	1,223,957

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 Renminbi ("**RMB**") 1.00 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, railway line maintenance services, and rail vehicles engineering and technical 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 and indirect 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	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%	–	Manufacturing and sale of parts and components
Beijing Kunweitong Railway Mechanization 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 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
CRCC Yukun Limited	Hong Kong November 2015	Hong Kong dollars ("**HKD**") 10,000	100%	–	Investment holding
CE cideon engineering GmbH & Co. KG	Bautzen, Germany September 1992	Euro ("**EUR**") 500,000	–	100%	Provision of rail vehicles engineering and technical services
CE cideon engineering Verwaltungs GmbH	Bautzen, Germany August 1983	EUR26,000	–	100%	Investment holding
CE cideon engineering Schweiz AG	Basel, Switzerland May 2008	Swiss Franc ("**CHF**") 160,000	–	100%	Provision of rail vehicles engineering and technical services

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

During the year, the Group acquired CRCC Yukun from CRCC. Further details of the acquisition are included in note 2.1 to the consolidated financial statements.

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 RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Restatement of prior year's consolidated financial statements due to business combinations involving entities under common control

On 6 April 2017, the Company entered into an equity transfer agreement with China Railway Construction Asset Management (HK) Limited ("**CRCC Asset Management**"), a wholly-owned subsidiary of CRCC to acquire 100% of the equity interest of CRCC Yukun at a consideration of RMB110,564,200. The consideration was settled by way of: (i) a repayment of an interest-free other borrowing granted to CRCC Yukun by CRCC in a principal amount of RMB105,393,434 by the Company to CRCC; and (ii) a cash payment of RMB5,170,766 by the Company to CRCC Asset Management. The Company obtained the control over CRCC Yukun on 24 June 2017.

Given that CRCC Yukun is under common control of CRCC before and after the business combination, and that control is not temporary, the acquisition of CRCC Yukun is considered as business combinations involving entities under common control. Accordingly, the Company applied the principles of merger accounting to account for the acquisition of CRCC Yukun in preparing the consolidated financial statements of the Company.

By applying the principles of merger accounting, the consolidated financial statements of the Group also included the financial position, profit or loss and other comprehensive income and cash flows of CRCC Yukun as if it had been combined with the Group throughout the year ended 31 December 2017, and from the earliest date presented. Comparative figures as at 31 December 2016 and for the year ended 31 December 2016 have been restated as a result of such. All intra-group transactions and balances have been eliminated on consolidation.

31 December 2017

2.1 BASIS OF PREPARATION (continued)

Restatement of prior year's consolidated financial statements due to business combinations involving entities under common control (continued)

The quantitative impact on the consolidated financial statements is summarised below:

(i) The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	As previously reported *RMB'000*	CRCC Yukun *RMB'000*	As restated *RMB'000*
Revenue	3,617,431	59,029	3,676,460
Profit for the year	467,071	(1,893)	465,178
Total comprehensive income for the year	453,387	(1,429)	451,958

(ii) The consolidated statement of financial position as at 31 December 2016

	As previously reported *RMB'000*	CRCC Yukun *RMB'000*	Elimination of inter-company balances *RMB'000*	As restated *RMB'000*
Total non-current assets	1,651,769	93,073	–	1,744,842
Total current assets	5,329,441	39,810	(11,085)	5,358,166
Total non-current liabilities	40,593	–	–	40,593
Total current liabilities	1,405,920	134,312	(11,085)	1,529,147
Total equity	5,534,697	(1,429)	–	5,533,268

2.1 BASIS OF PREPARATION (continued)

Restatement of prior year's consolidated financial statements due to business combinations involving entities under common control (continued)

(iii) The consolidated statement of cash flows for the year 31 December 2016

	As previously reported *RMB'000*	CRCC Yukun *RMB'000*	As restated *RMB'000*
Cash and cash equivalents at beginning of year	1,672,606	–	1,672,606
Net cash flows (used in)/from operating activities	(307,420)	8,775	(298,645)
Net cash flows used in investing activities	(84,377)	(96,728)	(181,105)
Net cash flows (used in)/from financing activities	(75,549)	105,393	29,844
Effect of exchange rate changes on cash and cash equivalents	1,923	(666)	1,257
Cash and cash equivalents at end of year	1,207,183	16,774	1,223,957

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 2017. 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).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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.

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 IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 28(a) to the consolidated financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 22 and IAS 23[2]
Amendment to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for 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 described below.

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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 will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that, no provision for impairment will increase upon the initial adoption of the standard.

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. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

IFRS 15, issued in May 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15. The expected changes in accounting policies will not have any significant impact on the Group’s financial statements.

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

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provision permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

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

Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation;

or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the interpretation, the Group does not expect any effect on its consolidated financial statements.

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

IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

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 the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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.

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, other payables and interest-free other borrowings.

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 purposes 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 purposes 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 the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward 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 carryforward 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, 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.

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

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.

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 and rail vehicles engineering and technical 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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits (continued)

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, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits (continued)

The Group recognises the following changes in the net defined benefit obligation under "administrative expenses" in the consolidated statement of profit or loss and other 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 under 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. 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

These 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).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purposes of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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 14 to the financial statements.

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.

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 19 and note 20 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 18 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 was RMB91,367,000 (2016: RMB91,367,000 (restated)). Further details are given in note 13 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 24 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.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the 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. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2017 was RMB11,804,000 (2016: Nil). Further details are contained in note 17 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 the purposes of resource arrangement and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Geographical information

(a) Revenue from external customers

	2017 ***RMB'000***	2016 *RMB'000* (Restated)
Mainland China	**1,747,043**	3,634,273
Other countries/regions	**71,265**	42,187
	1,818,308	3,676,460

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

(b) Non-current assets

	31 December 2017 ***RMB'000***	31 December 2016 *RMB'000* (Restated)
Mainland China	**1,456,225**	1,408,930
Other countries/regions	**94,050**	93,073
	1,550,275	1,502,003

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and financial instruments.

4. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

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

	2017 RMB'000	2016 RMB'000 (Restated)
China Railway Corporation	**606,575**	1,691,001
Proportion of revenue	**33%**	46%

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Revenue:		
Sales of machines	**968,227**	2,336,745
Overhaul services	**486,611**	459,382
Sales of parts and components	**256,798**	757,149
Railway line maintenance services	**25,966**	64,155
Rail vehicles engineering and technical services	**80,706**	59,029
	1,818,308	3,676,460
Other income and gains:		
Interest income	**25,071**	22,368
Government grants	**24,890**	18,815
Training income	**5,200**	6,256
Dividend income from available-for-sale investments	**4,410**	4,423
Rental income	**1,889**	2,004
Sale of scrap materials	**1,751**	2,038
Others	**4,482**	8,059
	67,693	63,963

6. PROFIT BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Cost of machines sold		**727,190**	1,783,696
Cost of overhaul services		**350,188**	315,643
Cost of parts and components sold		**159,401**	485,877
Cost of railway line maintenance services		**30,208**	44,402
Cost of rail vehicles engineering and technical services		**61,870**	43,297
Total cost of sales		**1,328,857**	2,672,915
Depreciation of items of property, plant and equipment	*14, (a)*	**59,089**	67,310
Amortisation of prepaid land lease payments	*15*	**10,806**	10,622
Amortisation of other intangible assets	*16*	**6,837**	10,559
Amortisation of long-term deferred expenses		**14**	263
Total depreciation and amortisation		**76,746**	88,754
Impairment of trade receivables	*19*	**14,021**	6,835
Impairment of deposits and other receivables	*20*	**134**	10
Total impairment losses, net		**14,155**	6,845

6. PROFIT BEFORE TAX (continued)

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Write-down/(reversal of write-down) of inventories to net realisable value	*18*	**2,433**	(360)
Lease expense under operating leases of buildings and equipment		**12,016**	6,653
Auditor's remuneration		**1,950**	2,660
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration *(note 8)*):	*(b)*		
Wages, salaries and allowances		**238,408**	263,136
Defined contribution scheme expenses		**46,040**	50,060
Defined benefit scheme expenses		**30**	40
Welfare and other expenses		**129,522**	144,858
Total employee benefit expenses		**414,000**	458,094
Research and development costs	*(c)*	**147,641**	187,144
Provisions for warranties, net	*24*	**2,690**	9,434
Interest income	*5*	**(25,071)**	(22,368)
Loss on disposal of items of property, plant and equipment		**97**	63
Dividend income from available-for-sale investments	*5*	**(4,410)**	(4,423)
Foreign exchange losses/(gains), net		**2,884**	(1,257)
Government grants	*5, (d)*	**(24,890)**	(18,815)

Notes:

(a) Depreciation of approximately RMB40,972,000 (2016: RMB48,834,000 (restated)) is included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

(b) Employee benefit expenses of approximately RMB282,847,000 (2016: RMB303,340,000 (restated)) are included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

(c) Employee benefit expenses of approximately RMB50,713,000 (2016: RMB52,413,000) are included in research and development costs in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

(d) Most of the government grants are received by the Group as financial subsidies for the research activities. Further details of accounting policies of government grants are set out in note 2.4 to the financial statements. There are no unfulfilled conditions or contingencies relating to these grants.

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7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Bills discount interest	**349**	217
Discount interest on trade receivables	**35,611**	–
	35,960	217

No interest was capitalised in 2017 (2016: 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:

	2017 RMB'000	2016 RMB'000
Fees	**274**	330
Other emoluments:		
Salaries, allowances and benefits in kind	**957**	1,043
Performance related bonuses	**222**	3,915
Pension scheme contributions	**163**	160
	1,616	5,448

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 2017 and 2016 are as follows:

2017

	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 *(i)*	–	202	–	31	233
Mr. Jiang He *(ii)*	–	202	–	30	232
Mr. Yu Yuanlin *(i)*	–	167	–	30	197
Mr. Chen Yongxiang *(iii)*	–	118	–	21	139
Mr. Tong Pujiang (Chief executive) *(iv)*	–	69	–	12	81
Mr. Liu Feixiang *(v)*	–	–	–	–	–
Mr. Zhao Hui *(v)*	–	–	–	–	–
Non-executive directors					
Mr. Wu Zhixu	78	–	–	–	78
Mr. Li Xuefu	–	–	–	–	–
Independent non-executive directors					
Mr. Sun Linfu	–	–	–	–	–
Mr. Yu Jiahe	98	–	–	–	98
Mr. Wong Hin Wing	98	–	–	–	98
	274	758	–	124	1,156

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

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

	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*
Supervisors					
Mr. Lyu Jianming	–	199	222	39	460
Mr. Zhang Zhumin *(vi)*	–	–	–	–	–
Mr. Wang Huaming	–	–	–	–	–
Mr. Wang Shuchuan *(vii)*	–	–	–	–	–
	–	199	222	39	460
	274	957	222	163	1,616

Notes:

(i) Mr. Ren Yanjun and Mr. Yu Yuanlin resigned as executive directors effective from 15 September 2017.

(ii) Mr. Jiang He resigned as chief executive effective from 28 July 2017, and resigned as an executive director effective from 15 September 2017.

(iii) Mr. Chen Yongxiang was appointed as an executive director effective from 22 June 2017.

(iv) Mr. Tong Pujiang was appointed as chief executive effective from 28 July 2017, and was appointed as an executive director effective from 15 September 2017.

(v) Mr. Liu Feixiang and Mr. Zhao Hui were appointed as executive directors effective from 15 September 2017.

(vi) Mr. Zhang Zhumin resigned as a supervisor effective from 15 September 2017.

(vii) Mr. Wang Shuchuan was appointed as a supervisor effective from 15 September 2017.

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

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

2016

	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 *(i)*	–	281	1,033	42	1,356
Mr. Ma Yunkun *(ii)*	–	108	1,034	–	1,142
Mr. Jiang He (Chief executive) *(iii)*	–	264	929	41	1,234
Mr. Yu Yuanlin	–	231	827	40	1,098
Non-executive directors					
Mr. Li Xuefu	–	–	–	–	–
Mr. Wu Zhixu	118	–	–	–	118
Independent non-executive directors					
Mr. Sun Linfu	–	–	–	–	–
Mr. Yu Jiahe	106	–	–	–	106
Mr. Wong Hin Wing	106	–	–	–	106
	330	884	3,823	123	5,160
Supervisors					
Mr. Lyu Jianming	–	159	92	37	288
Mr. Zhang Zhumin	–	–	–	–	–
Mr. Wang Huaming	–	–	–	–	–
	–	159	92	37	288
	330	1,043	3,915	160	5,448

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) Mr. Ren Yanjun resigned as chief executive effective from 27 May 2016.

(ii) Mr. Ma Yunkun resigned as an executive director effective from 27 May 2016.

(iii) Mr. Jiang He was appointed as chief executive effective from 27 May 2016.

(b) Five highest paid employees

The five highest paid employees within the Group for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
Chief executive	**–**	1
Directors	**–**	2
Supervisors	**–**	–
Non-director and non-supervisor employees	**5**	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:

	2017 ***RMB'000***	2016 *RMB'000*
Salaries, allowances and benefits in kind	**5,239**	462
Performance related bonuses	**–**	1,752
Pension scheme contributions	**–**	81
	5,239	2,295

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

(b) Five highest paid employees (continued)

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

	2017	2016
Nil to RMB1,000,000	**2**	–
RMB1,000,001 to RMB1,500,000	**3**	2
	5	2

During the years ended 31 December 2017 and 2016, 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 2017 and 2016, and they will continue to benefit from this preferential income tax policy until 31 December 2020 under "the tax incentives of western development".

Three 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 2017 in accordance with the PRC Corporate Income Tax Law.

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

The entity within the Group in Hong Kong was subject to corporate income tax at the statutory rate of 16.5%.

9. INCOME TAX (continued)

Income tax arising from taxable income in other regions is calculated at applicable tax rates according to existing laws, interpretations and practices of the countries in which the Group operates.

	2017 RMB'000	2016 RMB'000 (Restated)
Current income tax – Mainland China		
Charge for the year	**21,431**	85,979
Underprovision in prior years	**2,612**	–
Current income tax – Elsewhere	**99**	144
Deferred income tax *(note 17)*	**(14,799)**	521
Tax charge for the year	**9,343**	86,644

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 2017 and 2016 is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Profit before tax	**64,430**	551,822
Income tax charge at the statutory income tax rate of 25%	**16,107**	137,956
Adjustments in respect of current tax of previous periods	**2,612**	–
Effect of preferential income tax rate for some entities	**766**	(42,363)
Super-deduction of research and development costs	**(9,940)**	(9,911)
Expenses not deductible for tax	**661**	1,298
Income not subject to tax	**(1,103)**	(1,106)
Others	**240**	770
Tax charge at the effective rate	**9,343**	86,644

10. DIVIDENDS

The dividends for the years ended 31 December 2017 and 2016 are set out below:

	Note	**2017** **RMB'000**	2016 *RMB'000*
Declared:			
Dividend declared to owners of the parent		**243,181**	60,795
Proposed:			
Final dividend – RMB0.01 (2016: RMB0.16) per share	*(i)*	**15,199**	243,181

Note:

(i) The board of directors of the Company proposed, on 28 February 2018, a final dividend of RMB0.01 per share in respect of the year ended 31 December 2017. 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 1,519,884,000 (2016: 1,519,884,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

	2017 **RMB'000**	2016 *RMB'000* (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**55,087**	465,178

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

	Numbers of shares	
	2017	2016
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,519,884**	1,519,884

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Listed equity investments, at fair value	**270,758**	224,214

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**224,214**	240,422
Recognised in other comprehensive income	**46,544**	(16,208)
At 31 December	**270,758**	224,214

As at 31 December 2017, there was no impairment recognised in respect of available-for-sale investments (2016: Nil).

13. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
At 1 January	**91,367**	–
Acquisition of subsidiaries	**–**	91,367
At 31 December	**91,367**	91,367

As at 31 December 2017, there was no impairment recognised in respect of goodwill (2016: Nil).

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to rail vehicles engineering and technical services cash-generating unit for impairment testing:

The recoverable amount of the rail vehicles engineering and technical services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 9.45% (2016: 9.45%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2016: 3%).

Any reasonably possible change in the key assumptions, in particular the cash flows, long term growth rates and the discount rate, on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

13. GOODWILL (continued)

Impairment testing of goodwill (continued)

The carrying amount of goodwill allocated to rail vehicles engineering and technical services cash-generating unit is as follows:

	Rail vehicles engineering and technical services	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Carrying amount of goodwill	**91,367**	91,367

Assumptions were used in the value in use calculation of the rail vehicles engineering and technical services cash-generating unit for 31 December 2017 and 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

14. 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
2017						
Cost:						
At 1 January 2017	759,380	475,115	34,799	157,297	59,028	1,485,619
Additions	1,743	22,300	2,882	3,695	102,386	133,006
Transfers from construction in progress	11,231	–	–	28,678	(39,909)	–
Transfers to other intangible assets *(note 16)*	–	–	–	–	(4,057)	(4,057)
Disposals and others	(1,799)	(40,940)	(8,062)	(682)	(2,434)	(53,917)
Exchange realignment	–	–	–	547	–	547
At 31 December 2017	770,555	456,475	29,619	189,535	115,014	1,561,198
Accumulated depreciation and impairment:						
At 1 January 2017	(137,104)	(295,610)	(29,192)	(75,895)	–	(537,801)
Depreciation charge for the year	(20,563)	(26,706)	(1,568)	(10,252)	–	(59,089)
Disposals	–	23,818	7,659	398	–	31,875
Exchange realignment	–	–	–	(481)	–	(481)
At 31 December 2017	(157,667)	(298,498)	(23,101)	(86,230)	–	(565,496)
Net carrying amount:						
At 31 December 2017	612,888	157,977	6,518	103,305	115,014	995,702
At 1 January 2017	622,276	179,505	5,607	81,402	59,028	947,818

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14. 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
2016 (restated)						
Cost:						
At 1 January 2016	759,380	462,755	33,578	143,356	11,772	1,410,841
Additions	–	14,973	1,221	1,772	49,605	67,571
Acquisition of subsidiaries	–	–	–	10,671	–	10,671
Transfers from construction in progress	–	113	–	1,834	(1,947)	–
Transfers to other intangible assets *(note 16)*	–	–	–	–	(402)	(402)
Disposals	–	(2,726)	–	(336)	–	(3,062)
At 31 December 2016	759,380	475,115	34,799	157,297	59,028	1,485,619
Accumulated depreciation and impairment:						
At 1 January 2016	(116,518)	(266,512)	(26,532)	(54,010)	–	(463,572)
Acquisition of subsidiaries	–	–	–	(9,688)	–	(9,688)
Depreciation charge for the year	(20,586)	(31,670)	(2,660)	(12,394)	–	(67,310)
Disposals	–	2,572	–	197	–	2,769
At 31 December 2016	(137,104)	(295,610)	(29,192)	(75,895)	–	(537,801)
Net carrying amount:						
At 31 December 2016	622,276	179,505	5,607	81,402	59,028	947,818
At 1 January 2016	642,862	196,243	7,046	89,346	11,772	947,269

14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2017, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB23,219,000 (31 December 2016: RMB21,286,000). 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 would not have any significant impact on the Group's financial position as at 31 December 2017.

15. PREPAID LAND LEASE PAYMENTS

	2017 ***RMB'000***	2016 *RMB'000*
Carrying amount at 1 January	**441,058**	433,345
Additions	**–**	18,335
Amortisation	**(10,806)**	(10,622)
Carrying amount at 31 December	**430,252**	441,058
Portion classified as current assets	**(10,831)**	(10,831)
Non-current portion	**419,421**	430,227

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16. OTHER INTANGIBLE ASSETS

	Office software RMB'000	Others RMB'000	Total RMB'000
2017			
Cost:			
At 1 January 2017	44,620	6,869	51,489
Additions	686	–	686
Transfers from construction in progress *(note 14)*	4,057	–	4,057
Disposals	(18)	–	(18)
Exchange realignment	379	–	379
At 31 December 2017	49,724	6,869	56,593
Accumulated amortisation:			
At 1 January 2017	(38,076)	(1,467)	(39,543)
Amortisation for the year	(5,901)	(936)	(6,837)
Disposals	6	–	6
Exchange realignment	(331)	–	(331)
At 31 December 2017	(44,302)	(2,403)	(46,705)
Net carrying amount:			
At 31 December 2017	5,422	4,466	9,888
At 1 January 2017	6,544	5,402	11,946

16. OTHER INTANGIBLE ASSETS (continued)

	Office software *RMB'000*	Others *RMB'000*	Total *RMB'000*
2016 (restated)			
Cost:			
At 1 January 2016	33,552	6,869	40,421
Additions	3,547	–	3,547
Acquisition of subsidiaries	7,119	–	7,119
Transfers from construction in progress *(note 14)*	402	–	402
At 31 December 2016	44,620	6,869	51,489
Accumulated amortisation:			
At 1 January 2016	(22,056)	(531)	(22,587)
Acquisition of subsidiaries	(6,397)	–	(6,397)
Amortisation for the year	(9,623)	(936)	(10,559)
At 31 December 2016	(38,076)	(1,467)	(39,543)
Net carrying amount:			
At 31 December 2016	6,544	5,402	11,946
At 1 January 2016	11,496	6,338	17,834

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17. DEFERRED TAX ASSETS/LIABILITIES

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

Deferred tax assets:

	2017 RMB'000	2016 RMB'000
At 1 January	**18,625**	19,163
Deferred tax credited/(charged) to profit or loss *(note 9)*	**14,799**	(521)
Deferred tax credited/(charged) to other comprehensive income	**17**	(17)
At 31 December	**33,441**	18,625

Deferred tax liabilities:

	2017 RMB'000	2016 RMB'000
At 1 January	**25,687**	28,118
Deferred tax charged/(credited) to other comprehensive income	**6,982**	(2,431)
At 31 December	**32,669**	25,687

17. DEFERRED TAX ASSETS/LIABILITIES (continued)

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

	31 December 2017 ***RMB'000***	31 December 2016 *RMB'000*
Deferred tax assets:		
Deductible tax losses	**11,804**	–
Provision for impairment of receivables	**7,542**	5,434
Unrealised gains arising from intra-group transactions	**5,626**	8,144
Discount on long-term trade receivables	**4,796**	–
Accruals and provisions	**1,811**	3,418
Impairment of inventories	**1,559**	1,194
Government grants received not yet recognised as income	**303**	435
	33,441	18,625
Deferred tax liabilities:		
Fair value movement on available-for-sale investments	**32,669**	25,687

As at 31 December 2017 and 2016, 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.

18. INVENTORIES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Raw materials and parts and components	**907,100**	635,039
Materials in transit	**4,382**	190,274
Work in progress	**460,371**	390,385
Finished goods	**345,051**	262,468
	1,716,904	1,478,166
Provision for impairment	**(10,394)**	(7,961)
	1,706,510	1,470,205

Movements in the provision for impairment losses are as follows:

	2017 RMB'000	2016 RMB'000
Impairment:		
At 1 January	**7,961**	8,321
Impairment losses/(reversal of impairment losses) *(note 6)*	**2,433**	(360)
At 31 December	**10,394**	7,961

19. 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 and bills receivables are non-interest-bearing. They are stated net of provisions.

	31 December 2017 **RMB'000**	31 December 2016 RMB'000 (Restated)
Trade receivables	**1,564,964**	2,280,040
Provision for impairment	**(50,280)**	(36,259)
Trade receivables, net	**1,514,684**	2,243,781
Bills receivable	**71,567**	328,853
	1,586,251	2,572,634
Less: non-current portion	**(156,988)**	–
Current portion	**1,429,263**	2,572,634

An ageing analysis of current portion 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 2017 **RMB'000**	31 December 2016 RMB'000 (Restated)
Within 6 months	**605,957**	2,241,047
6 months to 1 year	**393,758**	111,646
1 to 2 years	**313,460**	164,908
2 to 3 years	**88,023**	28,359
Over 3 years	**28,065**	26,674
	1,429,263	2,572,634

19. TRADE AND BILLS RECEIVABLES (continued)

Movements in the provision for impairment losses are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**36,259**	29,444
Impairment losses *(note 6)*	**14,021**	6,835
Written off	**–**	(20)
At 31 December	**50,280**	36,259

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB26,875,000 (2016: RMB13,039,000) with an aggregate carrying amount before a provision of RMB728,366,000 (2016: RMB261,507,000).

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

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Neither past due nor impaired	**535,390**	1,914,694
Past due but not impaired:		
Less than 6 months past due	**–**	–
Over 6 months past due	**–**	–
	535,390	1,914,694

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.

19. TRADE AND BILLS RECEIVABLES (continued)

Details of the outstanding balances with related parties included in trade and bills receivables are set out in note 33 to the financial statements.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2017 RMB'000	31 December 2016 *RMB'000* (Restated)
Deposits and other receivables	**22,076**	21,303
Provision for impairment of deposits and other receivables	**(248)**	(220)
	21,828	21,083
Prepayments	**62,322**	65,242
Deductible input VAT	**23,804**	14,859
Tax receivables	**5,474**	–
	113,428	101,184
Less: Long-term prepayments	**(33,897)**	(20,645)
Current portion	**79,531**	80,539

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

	2017 RMB'000	2016 *RMB'000*
At 1 January	**220**	210
Impairment losses *(note 6)*	**134**	10
Written off	**(106)**	–
At 31 December	**248**	220

No provision for individually impaired deposits and other receivables is included in the above provision as at 31 December 2017 (2016: Nil).

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20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	31 December 2017 ***RMB'000***	31 December 2016 *RMB'000* (Restated)
Neither past due nor impaired	**13,691**	20,553
Past due but not impaired:		
Less than 6 months past due	**–**	–
Over 6 months past due	**6,190**	–
	19,881	20,553

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 33 to the financial statements.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2017 ***RMB'000***	31 December 2016 *RMB'000* (Restated)
Cash	**41**	2
Bank balances	**1,556,365**	1,223,955
Pledged deposits	**45,931**	–
	1,602,337	1,223,957
Less: Pledged deposits for guarantees of sales contracts	**45,931**	–
Cash and cash equivalents in the consolidated statements of financial position and cash flows	**1,556,406**	1,223,957

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in RMB amounted to RMB1,222,445,000 (2016: RMB1,205,158,000). 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 balance with a related party included in cash and cash equivalents are set out in note 33 to the financial statements.

22. TRADE AND BILLS PAYABLES

An ageing 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 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
Within 1 year	**1,205,436**	974,681
1 to 2 years	**26,609**	137,153
2 to 3 years	**531**	22,579
Over 3 years	**20,385**	1,532
	1,252,961	1,135,945

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 33 to the financial statements.

23. OTHER PAYABLES AND ACCRUALS

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Advances from customers	**71,149**	81,565
Accrued salaries, wages and benefits	**31,701**	5,630
Other tax payables	**11,908**	97,637
Other payables	**53,214**	51,260
	167,972	236,092

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 33 to the financial statements.

24. PROVISIONS

	2017 RMB'000	2016 RMB'000
Provisions for product warranties:		
At 1 January	**9,093**	9,670
Additional provision, net *(note 6)*	**2,690**	9,434
Amounts utilised during the year	**(6,795)**	(10,011)
At 31 December	**4,988**	9,093

The Group provides approximately one year warranties to its customers on certain products, under which faulty products will be repaired or replaced. The amount of the provisions 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.

25. GOVERNMENT GRANTS

	2017 RMB'000	2016 RMB'000
At 1 January	**19,112**	24,038
Recognised as income	**–**	(4,926)
Deducted from property, plant and equipment	**(19,112)**	–
At 31 December	**–**	19,112
Portion classified as current liabilities	**–**	(4,926)
Non-current portion	**–**	14,186

26. ISSUED CAPITAL

	31 December 2017 RMB'000	31 December 2016 RMB'000
Issued and fully paid:		
1,519,884,000 (2016: 1,519,884,000) ordinary shares	**1,519,884**	1,519,884

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.

27. RESERVES

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

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28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Interest-free other borrowings *RMB'000*
At 1 January 2017	105,393
Repayment of interest-free other borrowings	(105,393)
At 31 December 2017	–

29. CONTINGENT LIABILITIES

At 31 December 2017, the Group did not have any contingent liabilities not provided for in the financial statements (2016: Nil).

30. PLEDGE OF ASSETS

Details of the Group's assets pledged for guarantees of sales contracts are disclosed in note 21 to the financial statements.

31. 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 2017 ***RMB'000***	31 December 2016 *RMB'000* (Restated)
Within one year	**982**	2,066
In the second to fifth years, inclusive	**–**	982
	982	3,048

31. OPERATING LEASE ARRANGEMENTS (continued)

As lessee

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 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Within one year	**2,296**	4,889
In the second to fifth years, inclusive	**2,143**	4,439
	4,439	9,328

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments as at the end of the reporting period:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**47,403**	96,189
Other intangible assets	**–**	1,144
	47,403	97,333

33. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2017 and 2016:

	2017 RMB'000	2016 RMB'000 (Restated)
Sales of machines*:		
Fellow subsidiaries	**151,877**	26,714
Sales of parts and components*:		
Fellow subsidiaries	**3,176**	3,330
Railway line maintenance services provided to*:		
Fellow subsidiaries	**6,487**	14,753
Rail vehicles engineering and technical services provided to*:		
A fellow subsidiary	**17,984**	–
Other income and gains*:		
A fellow subsidiary	**–**	1,300
Receiving services from*:		
A fellow subsidiary	**6,405**	–
Rental expenses paid to*:		
A subsidiary of CRCCG	**127**	126
A fellow subsidiary	**–**	359
	127	485
Bills payable issuance fee paid to*:		
A fellow subsidiary	**135**	55
Interest income received from*:		
A fellow subsidiary	**7,650**	4,352

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.

33. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Cash and cash equivalents:		
Deposits in a fellow subsidiary	**729,195**	167,069
Trade and bills receivables:		
Due from fellow subsidiaries	**186,844**	69,028
Prepayments, deposits and other receivables:		
Due from fellow subsidiaries	**1,034**	–
Trade and bills payables:		
Due to fellow subsidiaries	**287,842**	196,436
Other payables and accruals:		
Due to fellow subsidiaries	**20,004**	5,989
Interest-free other borrowings:		
Due to CRCC	**–**	105,393

Cash and cash equivalents are unsecured and earn interest pursuant to the financial services framework agreement with the fellow subsidiary.

Trade and bills receivables are unsecured, non-interest-bearing and have similar credit terms with other customers of the Group.

Other balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

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33. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	**3,338**	12,903
Pension scheme contributions	**458**	457
	3,796	13,360

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

34. 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 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Available-for-sale financial investments:		
Available-for-sale investments	**270,758**	224,214
Loans and receivables:		
Trade and bills receivables	**1,586,251**	2,572,634
Financial assets included in prepayments, deposits and other receivables	**21,828**	21,083
Pledged deposits	**45,931**	–
Cash and cash equivalents	**1,556,406**	1,223,957
	3,481,174	4,041,888

34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Financial liabilities at amortised cost:		
Trade and bills payables	**1,252,961**	1,135,945
Financial liabilities included in other payables and accruals	**53,214**	51,260
Interest-free other borrowings	**–**	105,393
	1,306,175	1,292,598

35. 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 follows:

	Carrying amounts		Fair values	
	31 December 2017 RMB'000	31 December 2016 RMB'000	31 December 2017 RMB'000	31 December 2016 RMB'000
Financial assets:				
Trade receivables, non-current portion	**156,988**	–	**156,988**	–
Available-for-sale investments	**270,758**	224,214	**270,758**	224,214
	427,746	224,214	**427,746**	224,214

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

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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.

The fair value of the non-current portion of trade receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The non-current portion of trade receivables disclosed at fair value as at the end of the reporting period is categorised within level 2 of the fair value hierarchy.

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 the 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 (2016: Nil).

36. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2017, the Group endorsed certain bills receivable accepted by banks and customers in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB135,000 (2016: RMB138,825,000) to certain of its suppliers in order to settle trade payables and other payables due to such suppliers (the "**Endorsement**"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to the undue Endorsed Bills, and accordingly, the Group continued to recognise the full carrying amounts of such Endorsed Bills and the associated trade payables and other payable settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables and other payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB135,000 as at 31 December 2017 (2016: RMB138,825,000).

Transferred financial assets that are derecognised in their entirety

At 31 December 2017, 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 RMB83,713,000 (2016: RMB33,707,000) in order to settle the trade payables due to such suppliers. The Derecognised Bills had a maturity of less than one year 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 the 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 2017, 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise 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 and bills receivables and trade and bills payables, which arise directly from its operations.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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, 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 senior management of the Company. Generally, the Group introduces conservative strategies on its risk management.

(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 2017 and 2016, no interest-bearing 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 85% 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 21 to the financial statements.

37. 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 ("**USD**").

Effects on net profit

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in net profit 2017 RMB'000	2016 RMB'000
If USD strengthens against RMB	10%	**31,019**	172
If USD weakens against RMB	(10%)	**(31,019)**	(172)

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 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.

37. 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. 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 19 and 20 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 2017

	Within 1 year *RMB'000*
Trade and bills payables	**1,252,961**
Financial liabilities included in other payables and accruals	**53,214**
	1,306,175

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

31 December 2016 (restated)

	Within 1 year *RMB'000*
Trade and bills payables	1,135,945
Interest-free other borrowings	105,393
Financial liabilities included in other payables and accruals	51,260
	1,292,598

(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 2017. 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 index 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 its respective highest and lowest points during the reporting period were as follows:

	31 December 2017	**High/low**	31 December 2016	High/low
Hong Kong		**30,200**		24,364
– Hang Seng Index	**29,919**	**21,884**	22,001	/18,279

37. 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 purposes 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	
		2017	2016
		RMB'000	*RMB'000*
Investments listed in Hong Kong:			
Available-for-sale	10%	**23,015**	19,058
	(10%)	**(23,015)**	(19,058)

(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 2017 and 31 December 2016.

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

37. 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 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
Trade and bills payables *(note 22)*	**1,252,961**	1,135,945
Financial liabilities included in other payables and accruals	**53,214**	51,260
Interest-free other borrowings	**–**	105,393
Cash and cash equivalents *(note 21)*	**(1,556,406)**	(1,223,957)
Pledged deposits *(note 21)*	**(45,931)**	–
Net debt	**(296,162)**	68,641
Equity attributable to owners of the parent	**5,378,315**	5,533,268
Net debt and equity attributable to owners of the parent	**5,082,153**	5,601,909
Gearing ratio	**(6%)**	1%

38. EVENTS AFTER THE REPORTING PERIOD

As disclosed in note 10 to the financial statements, the board of directors of the Company proposed, on 28 February 2018, a final dividend of RMB0.01 per share in respect of the year ended 31 December 2017. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

31 December 2017

39. 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 2017 ***RMB'000***	31 December 2016 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**461,876**	770,216
Available-for sale investments	**270,758**	224,214
Property, plant and equipment	**863,075**	813,781
Prepaid land lease payments	**247,391**	253,675
Other intangible assets	**4,337**	5,413
Trade receivables	**156,988**	–
Long-term prepayments	**19,152**	19,152
Deferred tax assets	**23,190**	7,401
Total non-current assets	**2,046,767**	2,093,852
CURRENT ASSETS		
Prepaid land lease payments	**6,283**	6,283
Inventories	**1,280,687**	924,260
Trade and bills receivables	**1,046,293**	2,154,946
Prepayments, deposits and other receivables	**324,213**	99,177
Pledged deposits	**40,806**	–
Cash and cash equivalents	**1,504,190**	1,179,353
Total current assets	**4,202,472**	4,364,019

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	**877,759**	794,160
Other payables and accruals	**128,547**	270,076
Tax payable	**–**	13,362
Defined benefit obligations	**380**	650
Provisions	**1,787**	4,100
Government grants	**–**	4,871
Total current liabilities	**1,008,473**	1,087,219
NET CURRENT ASSETS	**3,193,999**	3,276,800
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,240,766**	5,370,652
NON-CURRENT LIABILITIES		
Defined benefit obligations	**240**	720
Government grants	**–**	12,442
Deferred tax liabilities	**32,669**	25,687
Total non-current liabilities	**32,909**	38,849
Net assets	**5,207,857**	5,331,803
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**1,519,884**	1,519,884
Reserves *(note)*	**3,687,973**	3,811,919
Total equity	**5,207,857**	5,331,803

31 December 2017

39. 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 2016	3,276,616	–	47,068	125,437	159,333	(10,262)	3,598,192
Profit for the year	–	–	–	288,206	–	–	288,206
Other comprehensive income/(loss) for the year:							
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	(13,777)	–	(13,777)
Re-measurement gains on defined benefit plan, net of tax	–	–	–	–	–	93	93
Total comprehensive income/(loss) for the year	–	–	–	288,206	(13,777)	93	274,522
Dividends declared	–	–	–	(60,795)	–	–	(60,795)
Appropriation to statutory surplus reserve	–	–	28,820	(28,820)	–	–	–
Transfer to special reserve	–	5,882	–	(5,882)	–	–	–
Utilisation of special reserve	–	(5,882)	–	5,882	–	–	–
At 31 December 2016 and 1 January 2017	3,276,616	–	75,888	324,028	145,556	(10,169)	3,811,919
Profit for the year	**–**	**–**	**–**	**84,937**	**–**	**–**	**84,937**
Other comprehensive income/(loss) for the year:							
Changes in fair value of available-for-sale investments, net of tax	**–**	**–**	**–**	**–**	**39,562**	**–**	**39,562**
Re-measurement losses on defined benefit plan, net of tax	**–**	**–**	**–**	**–**	**–**	**(93)**	**(93)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**84,937**	**39,562**	**(93)**	**124,406**
Dividends declared	**–**	**–**	**–**	**(243,181)**	**–**	**–**	**(243,181)**
Appropriation to statutory surplus reserve	**–**	**–**	**8,494**	**(8,494)**	**–**	**–**	**–**
Transfer to special reserve	**–**	**5,156**	**–**	**(5,156)**	**–**	**–**	**–**
Utilisation of special reserve	**–**	**(5,156)**	**–**	**5,156**	**–**	**–**	**–**
Business combinations involving entities under common control	**(5,171)**	**–**	**–**	**–**	**–**	**–**	**(5,171)**
At 31 December 2017	**3,271,445**	**–**	**84,382**	**157,290**	**185,118**	**(10,262)**	**3,687,973**

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 February 2018.

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	Chen Yongxiang (陳永祥) Law Chun Biu (羅振飈)
3	Joint company secretaries	Ma Changhua (馬昌華) Law Chun Biu (羅振飈)
	Registered office	No. 384, Yangfangwang Jinma Town, Kunming Yunnan Province, China
	Telephone	+86 871 63831988
	Fax	+86 871 63831000
	Website	http://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

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 the Company
"Articles"	the Articles of Association of the Company
"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 (中國鐵建高新裝備股份有限公司), 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), the controlling shareholder of the Company
"CRCCG"	China Railway Construction Corporation (中國鐵道建築有限公司), the indirect controlling shareholder of the Company
"CRCHI"	China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司)
"Director(s)"	the director(s) of the Company
"Ernst & Young"	Ernst & Young (安永會計師事務所)
"Ernst & Young Hua Ming"	Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥))
"Group"	the 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 the Company

Definitions

"H Share(s)"	overseas listed foreign shares in the share capital of the Company with the 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 the Company
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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 the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"PRC"	The People's Republic of China
"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 the Company
"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