



中国铁建

中國鐵建高新裝備股份有限公司

CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

(於中華人民共和國註冊成立的股份有限公司)

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

股份代號 Stock Code: 1786



2016 中期報告
Interim Report

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Business Review and Prospect

2016 is the debut year of the “13th Five-year Plan” despite the uncertainties in the market and the downward pressures on economy. Overall, the PRC railway industry development maintained a good momentum, railway construction growth remained at a high level, and the “One Belt One Road” national strategy was fully advanced. Especially, the Medium- and Long-term Railway Network Plan was approved at the executive meeting of the State Council of the PRC on 29 June 2016, which put forward the building of a high-speed rail network with the major “Eight Vertical” and “Eight Horizontal” highways supplemented by the intercity rails. The large railway track maintenance machines industry will present brighter market prospects.

Since the first half of 2016, the Company has been sticking to strengthening and optimizing the corporate governance mechanism and regulating its operation. Aiming at systematically enhancing quality and efficiency, the Company made significant achievements in industry expansion, technology innovation, quality control, cost reduction and efficiency enhancement, as well as management innovation, and recorded tremendous operating results in each segment.

In the field of manufacturing and sales of large railway track maintenance machines, the Company continued to deliver existing orders as planned while vigorously pushing forward the research on testing and maintenance of railway electricity supply and maintenance mode of urban rail transit, as well as the new products development and product certification of aforesaid fields.

In the field of overhaul services, the Company maintained a positive momentum and concluded existing contracts smoothly.

In the field of railway line maintenance services, the Company enhanced international and domestic market expansions and promoted synergy and cooperation with the industrial chains, with an aim to expand and strengthen its maintenance services.

In the field of parts and components sales and services, the Company used technical services as the entry point to provide customized and high-valued services to customers.

Looking forward, the second half of 2016 will be a period full of opportunities and challenges, while opportunities outweigh challenges. The Company is full of confidence, and will focus on the industrial structure adjustments and the independent innovation while building up momentum from two sources, namely the production operation and the capital operation, so as to enhance quality and efficiency through various measures. It will also diversify product categories, boost products qualities, build up new products brands and expand markets to strengthen and deepen the development in the existing railway industry, while fully tapping into the fields of railway electricity supply and urban rail transit, striving to promote and develop emerging industries and actively expanding to the international market.

Business Review and Prospect

In the field of railway engineering, the Company will actively deliver existing orders, pay attention to new demands and accelerate the launching of new products into the market. In the field of urban rail transit, the Company will accelerate the improvement of adaptability of existing products and further explore the market. In the field of railway electricity supply, the Company will follow up all new market opportunities and boost integrated innovation capabilities to form systematical products lines and certain scales of efficiency creation abilities.

Management Discussion and Analysis

REVENUE

	For the six months ended 30 June	
	2016 (RMB million)	2015 (RMB million)
Sales of machines	1,083.7	1,256.8
Sales of parts and components	349.3	326.5
Overhaul services	213.8	198.6
Railway line maintenance services	13.8	12.7
Total revenue	1,660.6	1,794.6

The Group's revenue from principal businesses decreased by RMB134.0 million or 7.47% from RMB1,794.6 million for the six months ended 30 June 2015 to RMB1,660.6 million for the six months ended 30 June 2016.

In the first half of 2016, with the exception of the manufacturing and sales of machines, which recorded a decrease in revenue, all the businesses of the Group experienced varying degrees of growth, in which the greatest growth came from the parts and components sales and services, with an increase of RMB22.8 million or 6.98% as compared with the same period last year. This was mainly due to the increase in sales of spare parts of large track maintenance machines. The business with the second greatest growth was the overhaul services, of which the revenue increased by RMB15.2 million or 7.65% as compared with the same period last year, which was mainly attributable to the increase in repair and delivery of large railway track maintenance machines reaching the overhaul period. The business with the third greatest growth was the railway line maintenance service, representing a revenue increase of RMB1.1 million or 8.66% as compared with the same period last year, and the main reason for such growth was the increase in engineering works of railway line maintenance services. The decrease in revenue from manufacturing and sales of machines was primarily due to a slight lagged progress in delivery as a result of the increasing optimization in performance of innovative products entering into the new areas for fulfilling the personalized need of customers and filling part of the market gap.

COST OF SALES

The Group's cost of sales decreased by RMB129.3 million from RMB1,373.8 million for the six months ended 30 June 2015 to RMB1,244.5 million for the six months ended 30 June 2016. The decrease was mainly due to the decline in the cost of the manufacturing and sales of machines, which was partially offset by the increasing cost of overhaul services.

Management Discussion and Analysis

GROSS PROFIT

In light of the foregoing, the Group's gross profit decreased by RMB4.8 million from RMB420.8 million for the six months ended 30 June 2015 to RMB416.0 million for the six months ended 30 June 2016. The Group's gross profit margin increased from 23.45% for the six months ended 30 June 2015 to 25.05% for the six months ended 30 June 2016. The change in gross profit margin was mainly due to the change of gross profit structure of each business line and the efforts in continuous cost reduction and efficiency enhancement.

OTHER INCOME AND GAINS

The Group's other income and gains increased by RMB17.0 million to RMB29.8 million for the six months ended 30 June 2016 from RMB12.8 million for the six months ended 30 June 2015. The increase of other income and gains was mainly caused by the increase in interest income of RMB9.2 million and increase in government grants of RMB8.3 million.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses decreased by RMB2.5 million to RMB22.6 million for the six months ended 30 June 2016 from RMB25.1 million for the six months ended 30 June 2015, primarily due to the Group's stringent control of expenses.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB15.8 million from RMB144.3 million for the six months ended 30 June 2015 to RMB160.1 million for the six months ended 30 June 2016. The increase was mainly attributable to the growth in R&D expenses due to the increase in the number of R&D projects and the increase in amortisation of intangible assets as a result of addition of lands during the second half of 2015.

OTHER EXPENSES

The Group's other expenses increased by RMB5.6 million to RMB6.5 million for the six months ended 30 June 2016 from RMB0.9 million for the six months ended 30 June 2015, primarily due to an increase in impairment loss of assets.

FINANCE COSTS

The Group's finance costs increased by RMB0.2 million from nil for the six months ended 30 June 2015 to RMB0.2 million for the six months ended 30 June 2016. The increase was mainly due to the interest expenses arising from discounting of the acceptance bills of Aotongda Company, a subsidiary of the Company.

Management Discussion and Analysis

PROFIT BEFORE TAX

The Group's profit before tax decreased by RMB6.8 million from RMB263.3 million for the six months ended 30 June 2015 to RMB256.5 million for the six months ended 30 June 2016. The decrease in profit before tax was mainly due to the decrease in gross profit as a result of decline in revenue and increase in administrative expenses, which was partially offset by the increase in other income and gains.

INCOME TAX EXPENSE

The Group's income tax expense increased by RMB4.2 million from RMB37.5 million for the six months ended 30 June 2015 to RMB41.7 million for the six months ended 30 June 2016. The increase in income tax expense was mainly due to the increase in the Group's corporate income tax, as a result of complying with the Notice of Related Issues of the Pre-tax Deduction Policy of the Research and Development Expenses of Enterprises ([2015] No. 97) promulgated by the State Administration of Taxation, which stipulated that "for external sales of products or component of products which are produced directly from the research and development activities, the relevant material costs included in the research and development expenses shall not be deducted".

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

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

Hengyuan Business Company and Xinruitong Company were subject to the corporate income tax rate of 25%.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Profit attributable to owners of the parent decreased by RMB10.9 million from RMB225.8 million for the six months ended 30 June 2015 to RMB214.9 million for the six months ended 30 June 2016. The decrease in the profit attributable to owners of the parent was mainly due to the decrease in gross profit as a result of decline in revenue and increase in administrative expenses, which was partially offset by the increase in other income and gains.

Management Discussion and Analysis

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests decreased from RMB0.06 million for the six months ended 30 June 2015 to nil for the six months ended 30 June 2016. The decrease in profit attributable to non-controlling interests was mainly due to the acquisition of minority interests by the Company during the third quarter in 2015.

BASIC EARNINGS PER SHARE

Basic earnings per share decreased from RMB0.23 for the six months ended 30 June 2015 to RMB0.14 for the six months ended 30 June 2016, which was mainly due to the increase in total number of shares upon the listing of the Group.

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 six months ended 30 June 2016, the closing balance of the Group's cash and cash equivalents amounted to RMB1,898.6 million and the net increase in cash and cash equivalents was RMB226.0 million, which was mainly attributable to the increase in net cash inflow from operating activities of the Group during the first half of 2016.

Net cash inflow from operating activities

For the six months ended 30 June 2016, the Group's net cash inflow from operating activities was RMB250.4 million, which was mainly due to the increase in sales collections in the first half of 2016.

Net cash outflow from investing activities

For the six months ended 30 June 2016, the Group's net cash outflow from investing activities was RMB15.2 million. The cash outflow items in investing activities were mainly the acquisition of property, plant and equipment and other intangible assets.

Net cash outflow from financing activities

For the six months ended 30 June 2016, the Group's net cash outflow from financing activities was RMB9.1 million. The cash outflow items in financing activities were mainly the payment of share issue expenses.

Management Discussion and Analysis

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:

	30 June 2016 (RMB million)	31 December 2015 (RMB million)
Capital commitments: Contracted but not provided for	<u>2.1</u>	<u>14.3</u>

Indebtedness

The Group has no indebtedness as at 30 June 2016 and 31 December 2015.

Pledge

The Group has pledged deposits of RMB49.6 million to guarantee for bank acceptance bills as at 30 June 2016.

Gearing ratio

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the parent. The Group's gearing ratio was -13% as at 31 December 2015 and -14% as at 30 June 2016.

Contingent liabilities

The Group has no material contingent liability as at 30 June 2016.

Market risks

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

Management Discussion and Analysis

Foreign exchange risks

The majority of the Group's businesses is 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.

Other Information

I. CORPORATE GOVERNANCE

1. Corporate Governance

The Company attaches great importance to the superiority, stability and reasonability of the corporate governance mechanism.

During the reporting period, i.e., the six months ended 30 June 2016 (the “Reporting Period”), the Company has fully complied with the code provisions of the CG Code set out in Appendix 14 of the Listing Rules, save for the deviation from the code provision A.2.1 of the CG Code as explained below.

Provision A.2.1 of the CG Code provides that the roles of chairman and general manager shall be separate and shall not be performed by the same individual.

Mr. Ren Yanjun was the chairman of the Board and the general manager of the Company from January 2015 to May 2016. After taking into consideration the relevant principle of provision A.2.1 of the CG Code and reviewing the management structure of the Company, the Board believe that:

- (1) the composition of the Board is diverse and professional, and the Company has established a structured and strict operation mechanism and procedural rules for meetings. The chairman of the Board, as the convener and chairperson of the Board meetings, has no special power different from that of other Directors in the decision making process of the Board;
- (2) in terms of day-to-day operation, the Company has established an optimized system and mechanism so that decisions on material matters will be subject to complete and stringent deliberation and decision making procedures, which ensure that the general manager can perform his duties diligently and effectively; and
- (3) there is clear delineation in the responsibilities between the Board and the management set out in the Articles.

In light of the above, the Board believes that the roles of Mr. Ren Yanjun as the chairman of the Board and the general manager provide the Company with strong and consistent leadership and allow for effective and efficient planning and implementation of business decisions and strategies. The Board believes that the structure of vesting the role of both the chairman of the Board and the general manager in the same individual did not impair the balance of power and authority between the Board and the management during the Reporting Period.

In view of the development needs of the Company, Mr. Ren Yanjun has ceased to hold his position as the general manager of the Company with effect from 27 May 2016, while his other positions in the Company remain unchanged, namely the chairman of the Board, an executive Director, the chairman of the strategy and investment committee, the chairman of the nomination committee and a member of the remuneration and assessment committee of the Board. Mr. Jiang He, an executive Director, has been appointed as the general manager of the Company with effect from 27 May 2016.

2. Securities Transactions by the Directors and Supervisors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct for governing the securities transactions by the Directors and Supervisors of the Company.

The Company has issued a specific enquiry regarding whether the securities transactions by the Directors and Supervisors are in compliance with the Model Code and the Company confirmed that all Directors and Supervisors have complied with the standards governing securities transactions by the Directors and Supervisors specified by the Model Code during the Reporting Period.

3. Board of Directors

As at the date of this report, the Board of the Company consisted of eight Directors, including Mr. Ren Yanjun as the chairman of the Board and an executive Director, Mr. Jiang He and Mr. Yu Yuanlin as executive Directors; Mr. Li Xuefu and Mr. Wu Zhixu as non-executive Directors; Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing as independent non-executive Directors.

On 27 May 2016, as Mr. Ma Yunkun has attained retirement age, he resigned from his position as an executive Director. The resignation of Mr. Ma Yunkun will not cause the number of members of the Board to fall below the quorum and the Board will continue to function properly. As at the date of this report, the number of members of the Board temporarily fell short by one as compared to the number specified in the Articles and the Company will identify the suitable candidate to fill in the vacancy as soon as possible.

The Directors of the Company strictly complied with their promises and performed their responsibilities with fidelity, integrity and diligence. The number and composition of members of the Board conformed to the requirements of relevant laws and regulations. There was not any non-working relationship among the members of the Board, including financial, business, family or other significant relationships.

Other Information

4. Supervisory Committee

As at the date of this report, the supervisory committee of the Company consisted of three supervisors, including Mr. Lyu Jianming as the chairman of the supervisory committee and employee supervisor, Mr. Zhang Zhumin and Mr. Wang Huaming as the representative supervisors of shareholders.

5. Audit and Risk Management Committee

The audit and risk management committee of the Company consists of three independent non-executive Directors. Members of the audit and risk management committee include Mr. Yu Jiahe, Mr. Sun Linfu and Mr. Wong Hin Wing, of which Mr. Yu Jiahe is the chairman of the audit and risk management committee.

The audit and risk management committee of the Company is primarily responsible for supervising the internal control, risk management, financial information disclosure and internal audit of the Company. Its duties also include to make proposal of the appointments or replacements of the external audit firms.

The audit and risk management committee of the Company has discussed the accounting standards adopted by the Group with the management and reviewed the unaudited financial results of the Group for the six months ended 30 June 2016 prepared under the International Accounting Standards. It has confirmed that the unaudited results are in compliance with the applicable accounting standards and the relevant regulatory and legal requirements and that sufficient disclosures have been made.

II. INTERNAL CONTROL

The Company has a sound organization system of internal control. The Board is responsible for the establishment, improvement and effective implementation of the internal control system. The Company has established an audit department with relatively independent functions on internal audit, internal control and risk management. Guided by the audit and risk management committee of the Board, the audit department carries out risk identification, inspection, supervision and evaluation for internal controls, centering on the significant control areas including financial control, operational control, compliance control and risk management. The audit department supervises and timely rectifies internal control deficiencies and effectively controls various risks during the operations of the Company.

During the Reporting Period, the internal control system of the Company was proved to be stable and reliable, and the Company continued to deepen its risk management practices. During the first half of the year, the Company aimed at boosting quality and efficiency, enhanced the audit value-added services and put great emphasis on the close-circuit management of internal control, ensuring the remedial measures for internal control deficiencies were fully implemented. The Company also continued to deepen its risk management and implemented specific measures to tackle and prevent high-risk events. Special audits covering services and procurements were carried out from multiple perspectives to realize enhance in management, reduction in costs and boosts in efficiency. The Company is capable of withstanding changes in business and external environment in terms of financial, operational and risk management, so as to safeguard the assets of the Company and the interests of shareholders.

III. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND GENERAL MANAGER IN SHARES, UNDERLYING SHARES AND DEBENTURES

During the Reporting Period and as at 30 June 2016, none of the Directors, Supervisors and the general manager of the Company or their respective associates or any of their associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 SFO) that are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO, or to be entered in the register pursuant to section 352 of the SFO, or to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Other Information

IV. STRUCTURE OF THE SHARE CAPITAL

The share capital structure of the Company as at 30 June 2016 was as follows:

Shareholder	Type	Number of shares	As at 30 June 2016 % 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	<u>531,900,000</u>	<u>35.00%</u>
Total		<u>1,519,884,000</u>	<u>100%</u>

V. SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Directors of the Company, as at 30 June 2016, except for the Directors, Supervisors or chief executive of the Company, the following persons had interests and short positions in the shares or underlying shares of the Company that, pursuant to section 336 of Part XV of the SFO, are required to be entered in the register referred to therein:

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%

Other Information

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 ^{note 3}	987,984,000 (L)	Interest of controlled corporation	100.00%	–	65.00%
Morgan Stanley ^{note 4}	74,311,999 (L) 43,500 (S)	Interest of controlled corporation	–	13.97% 0.00%	4.89% 0.00%
GIC Private Limited	58,361,000 (L)	Investment manager	–	10.97%	3.84%
UBS Group AG ^{note 5}	42,811,000 (L) 11,377,000 (S)	Interest of controlled corporation/person having a security interest in shares	–	8.05% 2.14%	2.82% 0.75%
CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited ^{note 6}	44,285,500 (L)	Beneficial owner	–	8.33%	2.91%
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. ^{note 6}	44,285,500 (L)	Interest of controlled corporation	–	8.33%	2.91%
CRRC Corporation Limited ^{note 6}	44,285,500 (L)	Interest of controlled corporation	–	8.33%	2.91%
CRRC Group Co., Ltd. ^{note 6}	44,285,500 (L)	Interest of controlled corporation	–	8.33%	2.91%
National Council for Social Security Fund	38,357,500 (L)	Beneficial owner	–	7.21%	2.52%
Baring Asset Management Limited	38,132,500 (L)	Investment manager	–	7.16%	2.51%

Other Information

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
Fullerton Fund Management Company Ltd ^{note 7}	37,318,500 (L)	Investment manager	–	7.02%	2.46%
FFMC Holdings Pte. Ltd. ^{note 7}	37,318,500 (L)	Interest of controlled corporation	–	7.02%	2.46%
Temasek Holdings (Private) Limited ^{note 7}	37,318,500 (L)	Interest of controlled corporation	–	7.02%	2.46%
State Street Corporation	37,202,500 (P)	Custodian corporation/ approved lending agent	–	6.99%	2.45%
Northern Trust Fiduciary Services (Ireland) Limited	27,986,500 (L)	Trustee (other than a bare trustee)	–	5.26%	1.84%

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

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 30 June 2016, 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: Morgan Stanley held a long position of 74,311,999 H Shares and a short position of 43,500 H Shares of the Company through its controlled corporations.

Note 5: UBS Group AG held a long position of 42,811,000 H Shares and a short position of 11,377,000 H Shares of the Company through its controlled corporations.

Note 6: As at 30 June 2016, CSR Zhuzhou Institute Co., Ltd. held 100% equity interest in CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Ltd. and was a wholly-owned subsidiary of CRRC Corporation Limited. CRRC Group Co., Ltd. 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.

Note 7: Temasek Holdings (Private) Limited held a long position of 37,318,500 H Shares of the Company through its controlled corporations.

VI. PURCHASE, REDEMPTION OR SALE OF THE 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.

VII. DIVIDEND DISTRIBUTION

1. 2015 Final Dividend Distribution Plan and Implementation

Upon the consideration and approval of shareholders of the Company at the 2015 annual general meeting, the Company will distribute the 2015 final dividend of RMB0.04 per share (tax inclusive), totaling approximately RMB60,795,360, in cash to all shareholders whose names appear on the register of members of the Company as at 5 July 2016, based on the total issued share capital of 1,519,884,000 shares. Under the dividend distribution plan, it is expected that the Company will distribute the 2015 final dividend on 19 August 2016.

2. 2016 Interim Dividend Distribution Plan

The Board of the Company did not recommend the distribution of interim dividend for the six months ended 30 June 2016.

VIII. CONNECTED TRANSACTIONS

During the Reporting Period, the Company strictly complied with the relevant requirements under Chapter 14A of the Listing Rules in connection with the connected transactions and established a mechanism to safeguard the interests of non-controlling shareholders.

Other Information

On 23 November 2015, the Company entered into the Large Maintenance Machinery and Accessories Sales Framework Agreement with CRCC for a term ending on 31 December 2017. As the previous annual caps for 2016 and 2017 determined for the continuing connected transactions under such agreement would not be sufficient for the actual operating needs of the Company, on 30 March 2016, the Company proposed to revise the annual caps for 2016 and 2017 for the continuing connected transactions under such agreement. The Company has complied with the relevant requirements of the Listing Rules in relation to reporting, announcements and approval at the general meeting of the Company.

On 23 November 2015, the Company entered into the previous Financial Services Framework Agreement with CRCC Finance Company Limited for a term ending on the date of the 2015 annual general meeting. On 30 March 2016, the Company entered into the Financial Services Framework Agreement with CRCC Finance Company Limited to renew the previous Financial Services Framework Agreement. The Company has complied with the relevant requirements of the Listing Rules in relation to reporting, announcements and approval at the general meeting of the Company in connection with the renewal of the Financial Services Framework Agreement.

For details of the continuing connected transactions, please refer to the circular of the Company dated 25 May 2016.

IX. EMPLOYEES AND TRAINING

As at 30 June 2016, the Company has a total number of 1,986 employees. Total remunerations (including wages and surcharges) for the six months ended 30 June 2016 amounted to approximately RMB174.98 million. The remuneration policies of the Group are determined based on the position, performance, qualifications and capability of staff members.

During the Reporting Period, the Company has appointed its legal advisers to explain the relevant contents of the Listing Rules to the Directors, Supervisors, senior management and staff from related departments.

X. UPDATES ON CERTAIN EVENTS

In May 2016, the Company established a wholly-owned subsidiary in the PRC, namely Kunming China Railway Xinruitong Materials and Equipment Co., Ltd., which primarily engages in manufacturing and processing of railway material equipment and components, sales of railway machine equipment and components, construction materials, hardware and machinery and electrical equipment, and import and export of commodities.

Report on Review of Interim Condensed Consolidated Financial Statements



To the board of directors of CRCC High-Tech Equipment Corporation Limited

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 50, which comprises the condensed consolidated statement of financial position of CRCC High-Tech Equipment Corporation Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2016 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Interim Condensed Consolidated Financial Statements

To the board of directors of CRCC High-Tech Equipment Corporation Limited

(Incorporated in the People's Republic of China with limited liability)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

29 July 2016

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
REVENUE	4	1,660,574	1,794,593
Cost of sales	5	(1,244,528)	(1,373,827)
Gross profit		416,046	420,766
Other income and gains	4	29,771	12,835
Selling and distribution expenses		(22,618)	(25,144)
Administrative expenses		(160,059)	(144,256)
Other expenses		(6,469)	(864)
Finance costs		(151)	–
PROFIT BEFORE TAX	5	256,520	263,337
Income tax expense	6	(41,656)	(37,450)
PROFIT FOR THE PERIOD		214,864	225,887

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
	Notes		
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		(8,489)	64,463
Income tax effect		1,273	(9,669)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		(7,216)	54,794
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		207,648	280,681
Profit attributable to:			
Owners of the parent		214,864	225,826
Non-controlling interests		-	61
		214,864	225,887
Total comprehensive income attributable to:			
Owners of the parent		207,648	280,620
Non-controlling interests		-	61
		207,648	280,681
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	7	0.14	0.23

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Available-for-sale investments	8	231,933	240,422
Property, plant and equipment		923,713	947,269
Prepaid land lease payments		417,686	422,881
Other intangible assets		16,446	17,834
Long-term prepayments		20,772	20,623
Deferred tax assets		19,880	19,163
Total non-current assets		1,630,430	1,668,192
CURRENT ASSETS			
Prepaid land lease payments		10,439	10,464
Inventories	9	1,448,497	1,361,418
Trade and bills receivables	10	1,674,392	1,684,150
Prepayments, deposits and other receivables		100,010	41,161
Pledged deposits	11	49,644	299,684
Cash and cash equivalents	11	1,898,638	1,672,606
Total current assets		5,181,620	5,069,483
CURRENT LIABILITIES			
Trade and bills payables	12	1,201,804	1,323,796
Other payables and accruals	13	231,359	190,083
Tax payable		30,422	17,695
Defined benefit obligations		524	820
Provisions		9,471	9,670
Government grants		4,926	4,926
Total current liabilities		1,478,506	1,546,990
NET CURRENT ASSETS		3,703,114	3,522,493
TOTAL ASSETS LESS CURRENT LIABILITIES		5,333,544	5,190,685

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Defined benefit obligations		1,092	1,350
Government grants		16,649	19,112
Deferred tax liabilities		26,845	28,118
Total non-current liabilities		44,586	48,580
Net assets		5,288,958	5,142,105
EQUITY			
Issued capital	14	1,519,884	1,519,884
Reserves		3,769,074	3,622,221
Total equity		5,288,958	5,142,105

Executive director
Ren Yanjun

Executive director
Yu Yuanlin

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2016

For the six months ended 30 June 2016

	Attributable to owners of the parent							
	Issued capital (Unaudited) RMB'000	Capital reserve* (Unaudited) RMB'000	Special reserve* (Unaudited) RMB'000	Surplus reserve* (Unaudited) RMB'000	Retained profits* (Unaudited) RMB'000	Available-	Defined	Total equity (Unaudited) RMB'000
						for-sale	benefit plan	
						investment revaluation reserve* (Unaudited) RMB'000	revaluation reserve* (Unaudited) RMB'000	
As at 1 January 2016	1,519,884	3,229,898	-	47,068	196,184	159,333	(10,262)	5,142,105
Profit for the period	-	-	-	-	214,864	-	-	214,864
Other comprehensive loss	-	-	-	-	-	(7,216)	-	(7,216)
Total comprehensive income	-	-	-	-	214,864	(7,216)	-	207,648
Dividends declared	-	-	-	-	(60,795)	-	-	(60,795)
Appropriation to statutory surplus reserve (note (ii))	-	-	-	17,326	(17,326)	-	-	-
Transfer to special reserve (note (i))	-	-	4,934	-	(4,934)	-	-	-
Utilisation of special reserve (note (i))	-	-	(4,934)	-	4,934	-	-	-
At 30 June 2016	<u>1,519,884</u>	<u>3,229,898</u>	<u>-</u>	<u>64,394</u>	<u>332,927</u>	<u>152,117</u>	<u>(10,262)</u>	<u>5,288,958</u>

* These reserve accounts comprise the consolidated other reserves of RMB3,769,074,000 in the consolidated statement of financial position as at 30 June 2016.

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2016

For the six months ended 30 June 2015

	Attributable to owners of the parent									
	Issued capital (Audited) RMB'000	Capital reserve (Audited) RMB'000	Special reserve (Audited) RMB'000	Surplus reserve (Audited) RMB'000	Retained profits (Audited) RMB'000	Available- for-sale investment revaluation reserve (Audited) RMB'000	Defined benefit plan revaluation reserve (Audited) RMB'000	Total (Audited) RMB'000	Non- controlling interests (Audited) RMB'000	Total equity (Audited) RMB'000
As at 1 January 2015	987,984	762,028	-	144,315	807,962	148,260	(10,093)	2,840,456	48,681	2,889,137
Profit for the period	-	-	-	-	225,826	-	-	225,826	61	225,887
Other comprehensive income	-	-	-	-	-	54,794	-	54,794	-	54,794
Total comprehensive income	-	-	-	-	225,826	54,794	-	280,620	61	280,681
Dividends declared	-	-	-	-	(69,898)	-	-	(69,898)	(1,937)	(71,835)
Special dividend declared	-	-	-	-	(115,589)	-	-	(115,589)	-	(115,589)
Converted into a joint stock limited company	-	797,191	-	(153,656)	(643,535)	-	-	-	-	-
Appropriation to statutory surplus reserve (note (ii))	-	-	-	22,185	(22,185)	-	-	-	-	-
Transfer to special reserve (note (i))	-	-	4,326	-	(4,326)	-	-	-	-	-
Utilisation of special reserve (note (i))	-	-	(4,326)	-	4,326	-	-	-	-	-
At 30 June 2015	<u>987,984</u>	<u>1,559,219</u>	<u>-</u>	<u>12,844</u>	<u>182,581</u>	<u>203,054</u>	<u>(10,093)</u>	<u>2,935,589</u>	<u>46,805</u>	<u>2,982,394</u>

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.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		256,520	263,337
Adjustments for:			
Finance costs		151	–
Foreign exchange gains	5	(150)	(168)
Interest income	4	(10,771)	(1,646)
Depreciation of items of property, plant and equipment	5	34,559	34,314
Amortisation of other intangible assets	5	4,914	1,562
Amortisation of prepaid land lease payments	5	5,220	3,322
Amortisation of long-term deferred expenses	5	136	13
Impairment/(reversal of impairment) of trade receivables	5	2,566	(3,331)
(Reversal of impairment)/impairment of other receivables	5	(6)	113
(Reversal of write-down)/write-down of inventories to net realisable value	5	(2,420)	2,010
Loss on disposal of items of property, plant and equipment	5	101	–
		290,820	299,526
Increase in inventories		(84,659)	(7,216)
Decrease/(increase) in trade and bills receivables		7,192	(201,802)
(Increase)/decrease in prepayments, deposits and other receivables		(58,843)	9,582
Decrease in pledged deposits		250,040	89,999
Decrease in trade and bills payables		(121,992)	(87,268)
Decrease in other payables and accruals		(10,096)	(137,958)
Decrease in defined benefit obligations		(554)	(851)
Decrease in provisions		(199)	(240)
Decrease in government grants		(2,463)	(2,464)
Cash flows from/(used in) operations		269,246	(38,692)
Interest received		10,771	1,646
Income tax paid		(29,646)	(38,996)
Net cash flows from/(used in) operating activities		250,371	(76,042)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of items of property, plant and equipment	(5,883)	(10,665)
Payments for acquisition of other intangible assets	(9,330)	(4,236)
Proceeds from disposal of items of property, plant and equipment	—	1,172
Net cash flows used in investing activities	(15,213)	(13,729)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(151)	—
Dividends paid	—	(69,898)
Share issue expenses	(8,976)	—
Net cash flows used in financing activities	(9,127)	(69,898)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	226,031	(159,669)
Cash and cash equivalents at beginning of period	1,672,606	320,902
Effect of exchange rate changes on cash and cash equivalents	1	168
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,898,638	161,401

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

1. CORPORATE 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”). In December 2015, the Company issued 531,900,000 H shares with a nominal value of RMB1.00 each through the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the H shares were listed on the Hong Kong Stock Exchange. The registered office of the Company is located at No. 384 Yangfangwang, Jinma Town, Kunming, Yunnan Province, the PRC.

During the six months ended 30 June 2016, the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the manufacture and sale of large railway track maintenance machinery, the manufacture and sale of parts and components, and the provision of overhaul services and railway line maintenance services.

In the opinion of the directors of the Company, 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.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have material impacts on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRSs. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Group as the Group did not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRSs and electing to change to the equity method in their separate financial statements are required to apply that change retrospectively. First-time adopters of IFRSs electing to use the equity method in their separate financial statements are required to apply this method from the date of transition to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Group's interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2012-2014 Cycle (continued)

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments did not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1
- that specific line items in the statements of comprehensive income and financial position may be disaggregated
- that entities have flexibility as to the order in which they present the notes to financial statements
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 1 Disclosure Initiative (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statements of financial position and comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Group as the Group did not apply the consolidation exception.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

3. OPERATING SEGMENT INFORMATION

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

Geographical information

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
Revenue from external customers:		
Mainland China	1,660,411	1,759,508
Other countries	163	35,085
	1,660,574	1,794,593

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
Revenue:		
Sales of machines	1,083,704	1,256,807
Sales of parts and components	349,303	326,448
Overhaul services	213,796	198,594
Railway line maintenance services	13,771	12,744
	<u>1,660,574</u>	<u>1,794,593</u>
Other income and gains:		
Rental income	1,036	1,092
Interest income	10,771	1,646
Government grants	11,479	3,194
Sale of scrap materials	790	820
Training	1,196	1,618
Others	4,499	4,465
	<u>29,771</u>	<u>12,835</u>

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
Cost of machines sold	842,730	1,011,030
Cost of parts and components sold	242,618	243,810
Cost of overhaul services	151,360	109,365
Cost of railway line maintenance services	7,820	9,622
Total cost of sales	<u>1,244,528</u>	<u>1,373,827</u>
Depreciation of items of property, plant and equipment	34,559	34,314
Amortisation of other intangible assets	4,914	1,562
Amortisation of prepaid land lease payments	5,220	3,322
Amortisation of long-term deferred expenses	136	13
Total depreciation and amortisation	<u>44,829</u>	<u>39,211</u>
Impairment/(reversal of impairment) of trade receivables	2,566	(3,331)
(Reversal of impairment)/impairment of other receivables	(6)	113
Total impairment/(reversal of impairment) losses, net	<u>2,560</u>	<u>(3,218)</u>

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

5. PROFIT BEFORE TAX (continued)

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
(Reversal of write-down)/write-down of inventories to net realisable value	(2,420)	2,010
Lease expense under operating leases of buildings and equipment	750	645
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration):		
Wages, salaries and allowances	89,391	81,745
Defined contribution scheme expenses	24,270	21,961
Welfare and other expenses	61,321	67,779
Total employee benefit expenses	174,982	171,485
Research and development costs	57,375	47,035
Provisions for warranties, net	2,182	2,686
Interest income	(10,771)	(1,646)
Loss on disposal of items of property, plant and equipment	101	–
Foreign exchange gains	(150)	(168)
Government grants	(11,479)	(3,194)

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

6. INCOME TAX

The Company and a subsidiary were entitled to a preferential income tax rate of 15% for the years ended 31 December 2016 and 2015, 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.

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

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong for the six months ended 30 June 2016 and 2015.

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
Current income tax – Mainland China	42,373	29,803
Deferred income tax	(717)	7,647
Tax charge for the period	41,656	37,450

7. 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 period attributable to ordinary equity holders of the parent of RMB214,864,000 (for the six months ended 30 June 2015: RMB225,826,000), and the weighted average number of ordinary shares of 1,519,884,000 (for the six months ended 30 June 2015: 987,984,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2016 and 2015.

Notes to the Interim Condensed Consolidated Financial Statements
30 June 2016

8. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Listed equity investments, at fair value	231,933	240,422

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

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
At 1 January	240,422	227,395
Recognised in other comprehensive (loss)/income	(8,489)	64,463
At 30 June	231,933	291,858

As at 30 June 2016, there was no impairment recognised in respect of available-for-sale investments (31 December 2015: Nil).

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

9. INVENTORIES

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Raw materials and parts and components	513,660	603,541
Materials in transit	213,884	116,388
Work in progress	454,675	411,028
Finished goods	272,179	238,782
	1,454,398	1,369,739
Provision for impairment	(5,901)	(8,321)
	<u>1,448,497</u>	<u>1,361,418</u>

Movements in the provision for impairment losses are as follows:

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
Impairment:		
At 1 January	8,321	9,764
(Reversal of impairment)/impairment losses	(2,420)	2,010
At 30 June	<u>5,901</u>	<u>11,774</u>

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

10. TRADE AND BILLS RECEIVABLES

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Trade receivables	1,675,671	1,675,706
Provision for impairment	(31,990)	(29,444)
Trade receivables, net	1,643,681	1,646,262
Bills receivable	30,711	37,888
	1,674,392	1,684,150

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

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

10. TRADE AND BILLS RECEIVABLES (continued)

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 6 months	1,338,765	1,404,426
6 months to 1 year	194,907	131,597
1 to 2 years	86,784	69,165
2 to 3 years	28,142	66,301
Over 3 years	25,794	12,661
	<u>1,674,392</u>	<u>1,684,150</u>

Details of the outstanding balances with related parties included in trade and bills receivables are set out in note 16 to the interim condensed consolidated financial statements.

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Cash	64	4
Bank balances	1,898,574	1,672,602
Pledged deposits	49,644	299,684
	<u>1,948,282</u>	<u>1,972,290</u>
Less: Pledged deposits for guarantees of bills payable	<u>(49,644)</u>	<u>(299,684)</u>
Cash and cash equivalents in the consolidated statements of financial position and cash flows	<u>1,898,638</u>	<u>1,672,606</u>

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

11. 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 Renminbi (“RMB”) amounted to RMB1,948,282,000 (31 December 2015: RMB1,972,290,000). The RMB is not freely convertible into other currencies. However, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Details of the outstanding balances with related parties included in cash and cash equivalents and pledged deposits are set out in note 16 to the interim condensed consolidated financial statements.

12. TRADE AND BILLS PAYABLES

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

	30 June 2016 (Unaudited) RMB’000	31 December 2015 (Audited) RMB’000
Within 1 year	1,071,108	1,281,036
1 to 2 years	102,390	41,004
2 to 3 years	27,735	676
Over 3 years	571	1,080
	<u>1,201,804</u>	<u>1,323,796</u>

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

13. OTHER PAYABLES AND ACCRUALS

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Advances from customers	88,826	64,684
Accrued salaries, wages and benefits	10,420	14,153
Dividends payable	60,795	–
Dividend payable to non-controlling shareholders	587	587
Other tax payables	27,487	56,995
Other payables	43,244	53,664
	231,359	190,083

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 16 to the interim condensed consolidated financial statements.

14. ISSUED CAPITAL

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 16 December 2015, and offered 531,900,000 H shares to the public, with a par value of RMB1.00 each. The issued capital as at 30 June 2016 was RMB1,519,884,000 (31 December 2015: RMB1,519,884,000).

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

15. COMMITMENTS

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted, but not provided for:		
Property, plant and equipment	2,101	13,485
Other intangible assets	—	857
	2,101	14,342

16. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the six months ended 30 June 2016 and 2015:

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
Sales of machines:		
Fellow subsidiaries	16,940	42,132
Sales of parts and components:		
Fellow subsidiaries	1,453	885
Overhaul services provided to:		
Fellow subsidiaries	521	—
Railway line maintenance services provided to:		
Fellow subsidiaries	6,624	5,397
Interest income received from:		
A fellow subsidiary	2,702	1,055

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

16. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Cash and cash equivalents:		
Deposits in a fellow subsidiary	330,568	468,937
Pledged deposits:		
Deposits in a fellow subsidiary	–	170,000
Trade and bills receivables:		
Due from fellow subsidiaries	62,510	109,021
Prepayments, deposits and other receivables:		
Due from fellow subsidiaries	14,013	2,928
Trade and bills payables:		
Due to fellow subsidiaries	615	652
Other payables and accruals:		
Due to fellow subsidiaries	6,519	2,440
Due to CRCC	–	4
Dividends payable to CRCC	38,729	–
Dividends payable to fellow subsidiaries	1,377	587
	46,625	3,031

Notes to the Interim Condensed Consolidated Financial Statements
30 June 2016

16. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Audited) RMB'000
Short-term employee benefits	2,272	2,502
Pension scheme contributions	251	240
	2,523	2,742

17. 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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Available-for-sale investments:		
Available-for-sale investments	231,933	240,422
Loans and receivables:		
Trade and bills receivables	1,674,392	1,684,150
Financial assets included in prepayments, deposits and other receivables	30,251	19,700
Pledged deposits	49,644	299,684
Cash and cash equivalents	1,898,638	1,672,606
Total	3,884,858	3,916,562

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

17. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Financial liabilities at amortised cost:		
Trade and bills payables	1,201,804	1,323,796
Financial liabilities included in other payables and accruals	104,626	54,251
Total	1,306,430	1,378,047

18. 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	
	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Financial assets Available-for-sale investments	231,933	240,422	231,933	240,422

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

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

18. 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.

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

During the six months ended 30 June 2016, 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.

19. EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2016.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements have been authorised for issue by the board of directors on 29 July 2016.

Basic Corporate Information

1	Name in Chinese Name in English	中國鐵建高新裝備股份有限公司 CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED
2	Authorised representatives	Yu Yuanlin (余園林) Law Chun Bui (羅振飆)
3	Joint company secretaries	Ma Changhua (馬昌華) Law Chun Bui (羅振飆)
	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

Basic Corporate Information

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

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 (中國鐵道建築總公司), the indirect controlling shareholder of the Company
“Director(s)”	the director(s) of the Company
“Ernst & Young”	Ernst & Young (安永會計師事務所)
“Ernst & Young Hua Ming LLP”	Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥))
“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 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
“Xinruitong Company”	Kunming China Railway Xinruitong Materials and Equipment Co., Ltd. (昆明中鐵鑫瑞通物資設備有限公司), a wholly-owned subsidiary of the Company



中國鐵建高新裝備股份有限公司
CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED