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

2018 Interim Report

CONTENT

Business Review and Prospect

2018 is a new starting point for the development of the Company. We have comprehensively enhanced our “nine capabilities”, managed to improve the quality and efficiency of development, adhered to the direction of “strengthening main business, valuing innovation, gathering advantages and promoting integration”, focused on testing, maintenance, repair and construction of intelligent equipment (including services) sectors of railway and urban rail, and rooted in the railway, urban rail and overseas markets. We ensured smooth propulsion of each reform through constantly strengthening the identification, prevention and control of risk sources, striving to increase efforts in research and development of new products, vigorously promoting institutional adjustment and process reconstruction, rapidly implementing reform of the three systems, fully exploring the urban rail transit and other new markets, and intensifying the promotion of new products. In the first half of 2018, the Company achieved significant increase in the profits, and has gradually rebounded from the bottom, which effectively guaranteed the interests of the Shareholders and investors.

Looking forward, in the second half of 2018, the situation of short-term difficulties presented in the development of large railway track maintenance machinery industry will not have fundamental changes. However, based on the strategic confidence of “two types, three conversions and nine capabilities”, confidence in the growth potential after the improvement of corporate management, confidence in the sound financial position, confidence in the strong manufacturing capabilities and the confidence of staff team inheriting the railway corps spirits, the Company puts forward the goal of achieving “five breakthroughs” in business scale, market field, innovation, talent quality and intelligentization in the coming five years. The Company will face up to difficulties, firm the confidence, maintain strategic direction, and continue to promote the construction of innovative and service-oriented enterprise by following the requirements of the overall work deployment and business objectives in 2018, so as to gradually develop into a professional, digital and global overall solution provider for large and intelligent track maintenance equipment.

Management Discussion and Analysis

REVENUE

	For the six months ended 30 June	
	2018 *(RMB million)*	2017 *(RMB million)*
Sales of machines	**917.0**	398.7
Sales of parts and components	**74.4**	183.5
Overhaul services	**158.7**	321.3
Railway line maintenance services	**23.4**	11.0
Rail vehicles engineering and technical services	**44.5**	16.4
Total revenue	**1,218.0**	930.9

The Group's revenue increased by RMB287.1 million or 30.84% from RMB930.9 million for the six months ended 30 June 2017 to RMB1,218.0 million for the six months ended 30 June 2018.

In the first half of 2018, the Group's overall sales revenue increased to a certain extent compared with the corresponding period of last year, of which revenue from sales of machines increased by RMB518.3 million or 130% compared with the corresponding period of last year, mainly due to the increase in revenue from China Railway Corporation and the significant increase in sales amount of machines of other customers; revenue from railway line maintenance services increased by RMB12.4 million or 112.73% compared with the corresponding period of last year, mainly due to the increase in the quantity of railway line maintenance services; revenue from rail vehicles engineering and technical services increased by RMB28.1 million compared with the corresponding period of last year, mainly due to the increase of orders of a railway machinery design company in Germany of the Company in the first half of 2018; revenue from overhaul services decreased by RMB162.6 million or 50.61% compared with the corresponding period of last year, mainly due to a longer repair cycle for the large railway track maintenance machinery which led to a decrease in total number of vehicles delivered after completion of construction and revenue from sales of parts and components decreased by RMB109.1 million or 59.46% compared with the corresponding period of last year, mainly due to the decline in the market demand for parts and components of large railway track maintenance machinery.

COST OF SALES

The Group's cost of sales increased by RMB247.0 million from RMB688.3 million for the six months ended 30 June 2017 to RMB935.3 million for the six months ended 30 June 2018. Such increase was mainly due to the increase in cost caused by the increase in revenue from the operation of the Group's sales of machinery, railway line maintenance services and rail vehicles engineering and technical services segment, which was partially offset by the decrease in cost of overhaul services and sales of parts and components.

GROSS PROFIT

In light of the foregoing, the Group's gross profit increased by RMB40.0 million from RMB242.6 million for the six months ended 30 June 2017 to RMB282.6 million for the six months ended 30 June 2018. The Group's gross profit margin decreased from 26.06% for the six months ended 30 June 2017 to 23.20% for the six months ended 30 June 2018. The change in gross profit margin was mainly due to the change of gross profit structure of each business line.

OTHER INCOME AND GAINS

The Group's other income and gains increased by RMB11.7 million from RMB34.5 million for the six months ended 30 June 2017 to RMB46.2 million for the six months ended 30 June 2018. The increase in other income and gains was mainly due to the increase in both gains from exchange rate fluctuations and debts which need not to be repaid.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses decreased by RMB3.2 million from RMB26.6 million for the six months ended 30 June 2017 to RMB23.4 million for the six months ended 30 June 2018, primarily due to the decrease in fixed expenses as a result of the integration of the Group's marketing layout.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB22.4 million from RMB166.8 million for the six months ended 30 June 2017 to RMB189.2 million for the six months ended 30 June 2018, mainly attributable to the increase in research and development expenses and other administrative expenses as a result of the increase in number of research and development projects.

OTHER EXPENSES AND IMPAIRMENT LOSSES

The Group's other expenses and impairment losses increased by RMB8.6 million from RMB13.5 million for the six months ended 30 June 2017 to RMB22.1 million for the six months ended 30 June 2018. The increase in other expenses and impairment losses was primarily due to the increase in provision for bad debts of account receivables during this reporting period.

FINANCE COSTS

The Group's finance costs decreased by RMB35.8 million from RMB35.8 million for the six months ended 30 June 2017 to nil for the six months ended 30 June 2018. The decrease was mainly due to the existence of interest on discounted long-term receivables during the same period of last year, and there was no such business for this reporting period.

PROFIT BEFORE TAX

The Group's profit before tax increased by RMB59.8 million from RMB34.3 million for the six months ended 30 June 2017 to RMB94.1 million for the six months ended 30 June 2018. The increase in profit before tax was mainly due to the increase in total gross profit as a result of the increase in operating revenue and the decrease in finance costs, which was partially offset by the increase in administrative expenses and other expenses.

INCOME TAX EXPENSE

The Group's income tax expense increased by RMB4.4 million from RMB7.4 million for the six months ended 30 June 2017 to RMB11.8 million for the six months ended 30 June 2018. The increase in income tax expense was mainly due to the increase in the profit before tax for this reporting period.

The Company was entitled to the preferential tax policy of the western development, and was subject to the preferential income tax rate of 15%.

Ruiweitong Company was accredited as high and new technology enterprises and received approvals from the relevant government authorities for being entitled to the preferential income tax rate of 15%.

Other subsidiaries established by the Group in the mainland of China were subject to the statutory income tax rate of 25%.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by RMB55.4 million from RMB26.9 million for the six months ended 30 June 2017 to RMB82.3 million for the six months ended 30 June 2018. The increase in the profit attributable to owners of the Company was mainly due to the increase in gross profit as a result of the increase in operating revenue and the decrease in finance costs, which was partially offset by the increase in administrative expenses and other expenses.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

Profit attributable to non-controlling shareholders for the six months ended 30 June 2018 was nil, which was in line with the same period of last year.

BASIC EARNINGS PER SHARE

Basic earnings per share increased from RMB0.02 for the six months ended 30 June 2017 to RMB0.05 for the six months ended 30 June 2018, which was mainly due to the increase in the Group's net profit.

LIQUIDITY AND CAPITAL SOURCES

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 2018, the closing balance of the Group's cash and cash equivalents amounted to RMB1,818.9 million and the net increase in the Group's cash and cash equivalents was RMB262.5 million, which was mainly attributable to the increase in operating activities and cash inflow of the Group in the first half of 2018.

Net cash inflow from operating activities

For the six months ended 30 June 2018, the Group's net cash inflow from operating activities was RMB269.0 million, which was mainly due to the increase in sales collections, reasonable arrangement of payment method and the control of payment pace in the first half of 2018.

Net cash outflow from investing activities

For the six months ended 30 June 2018, the Group's net cash outflow from investing activities was RMB11.2 million. The cash outflow from investing activities was mainly due to the acquisition of equipment and intangible assets.

Net cash outflow from financing activities

For the six months ended 30 June 2018, the Group's net cash outflow from financing activities was nil.

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:

	30 June 2018 ***(RMB million)***	31 December 2017 *(RMB million)*
Contracted but not provided for	**43.5**	47.4

Indebtedness

The Group has no indebtedness as at 30 June 2018.

Pledge

The Group has no pledge as at 30 June 2018.

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 bank and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the Company. The Group's gearing ratio was -6% as at 31 December 2017 and -7% as at 30 June 2018.

Contingent Liabilities

The Group has no material contingent liability as at 30 June 2018.

Market Risks

The Group is subject to various market risks, including foreign exchange risks and inflation risks 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, procurement and German subsidiaries 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 made by the Chinese government.

Other Information

I. CORPORATE GOVERNANCE

1. Corporate Governance

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

For the six months ended 30 June 2018 (the "Reporting Period"), the Company has fully complied with the provisions of the CG Code set out in Appendix 14 of the Listing Rules.

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 securities transactions standards governing 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 nine Directors, of whom Mr. Liu Feixiang as the chairman of the Board and an executive Director, Mr. Zhao Hui, Mr. Tong Pujiang and Mr. Chen Yongxiang as executive Directors; Mr. Sha Mingyuan and Mr. Wu Zhixu as non-executive Directors and Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing as independent non-executive Directors.

On 29 June 2018, all Directors of the second session of the Board of the Company were approved at the 2017 annual general meeting of the Company with their term of office of three years commencing from the date of the election of the annual general meeting.

On 29 June 2018, Mr. Liu Feixiang was elected as the chairman of the second session of the Board at the first meeting of the second session of the Board of the Company with his term of office commencing from the date of the election of the Board until the expiry of the term of the second session of the Board of the Company.

The Directors of the Company strictly complied with their promises, fidelity and integrity, and diligently performed their responsibilities. The scale and composition of the Board of the Company 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.

4. Supervisory Committee

As at the date of this report, the Supervisory Committee of the Company consisted of three supervisors, including Mr. Yu Qiuhua as the chairman of the Supervisory Committee and the employee supervisor, Mr. Wang Shuchuan and Mr. Wang Huaming as the representative supervisors of shareholders.

On 29 June 2018, the shareholder representative supervisors of the second session of the Supervisory Committee of the Company were approved at the 2017 annual general meeting of the Company with their term of office of three years commencing from the date of the election of the annual general meeting. Pursuant to the letter dated 24 May 2018 of the labour union of the Company, the employee representative assembly of the Company appointed Mr. Yu Qiuhua as the employee supervisor of the second session of the Supervisory Committee of the Company.

On 29 June 2018, Mr. Yu Qiuhua was elected as the chairman of the second session of the Supervisory Committee at the first meeting of the second session of the Supervisory Committee of the Company with his term of office commencing from the date of the election of the Supervisory Committee until the expiry of the term of the second session of the Supervisory Committee of the Company.

5. Audit and Risk Management Committee

The audit and risk management committee of the Company consisted 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 of the audit and risk management committee.

On 29 June 2018, all members of the second session of the audit and risk management committee of the Company were approved at the first meeting of the second session of Board of the Company with their term of office commencing from the date of the election of the Board until the expiry of the term of the second session of the Board of the Company.

The audit and risk management committee of the Company is primarily responsible for supervising the Company's internal control, risk management, financial information disclosure and internal audit matters. Its duties also include making recommendations 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 2018 prepared under the International Accounting Standards, and 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.

6. Changes in Particulars of Directors, Supervisors and Senior Management

The first session of the Board of the Company consisted of nine Directors, including Mr. Liu Feixiang, Mr. Zhao Hui, Mr. Tong Pujiang and Mr. Chen Yongxiang as executive Directors; Mr. Li Xuefu and Mr. Wu Zhixu as non-executive Directors; and Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing as independent non-executive Directors. As the term of the first session of the Board of the Company expired, the second session of the Board of the Company was appointed at the 2017 annual general meeting. The second session of the Board of the Company consisted of nine Directors, including Mr. Liu Feixiang, Mr. Zhao Hui, Mr. Tong Pujiang and Mr. Chen Yongxiang as executive Directors; Mr. Sha Mingyuan and Mr. Wu Zhixu as non-executive Directors; and Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing as independent non-executive Directors.

The first session of the Supervisory Committee of the Company consisted of three supervisors, including Mr. Lyu Jianming, Mr. Wang Shuchuan and Mr. Wang Huaming. As the term of the first session of the Supervisory Committee of the Company expired, Mr. Wang Shuchuan and Mr. Wang Huaming were re-elected as the shareholder representative supervisors of the second session of the Supervisory Committee of the Company, and Mr. Yu Qiuhua was elected as the employee supervisor of the second session of the Supervisory Committee of the Company. The second session of the Supervisory Committee of the Company consisted of three supervisors, including Mr. Yu Qiuhua, Mr. Wang Shuchuan and Mr. Wang Huaming.

Due to the change in position, Mr. Zhang Zhong requested to resign from the position of the deputy general manager of the Company with his resignation taking effect on 28 April 2018. On the same day, the Board approved the appointment of Mr. E Baosheng, Mr. Zhang Baoming and Ms. Kang Yanjun as the deputy general managers of the Company and Mr. Zhang Baoming as the chief engineer of the Company with effect from 28 April 2018.

Please see the circular of the Company dated 7 June 2018 and announcement dated 29 June 2018 for the biographical details of the above-mentioned Directors, supervisors and senior management.

II. INTERNAL CONTROL

The Company has a sound organisation 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 and risk control department as a management institution 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 and risk control 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 functions, 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. In the first half, the Company aimed at management improvement, enhanced the audit value-added services and put great emphasis on the close-circuit management of internal control and ensured 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, procurements, system and procedures were carried out from multiple perspectives to realize enhancement 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 ensure the safety of 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 2018, 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 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.

IV. STRUCTURE OF THE SHARE CAPITAL

The share capital structure of the Company as at 30 June 2018 was as follows:

Shareholder	Type	Number of shares	Percentage of issued share capital as at 30 June 2018
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%

V. SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Directors of the Company, as of 30 June 2018, 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%
China Railway Construction Co., Ltd. note 3	987,984,000(L)	Interest of controlled corporation	100.00%	–	65.00%
GIC Private Limited	47,855,500(L)	Investment manager	–	8.99%	3.15%
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%
Citigroup Inc. note 5	42,488,943(L)	Interest of controlled corporation	–	7.98%	2.80%
	76,000(S)			0.01%	0.005%
	42,412,943(P)	Approved lending agent		7.97%	2.79%
Fullerton Fund Management Company Ltd note 6	30,885,500(L)	Investment manager	–	5.80%	2.03%
FFMC Holdings Pte. Ltd. note 6	30,885,500(L)	Interest of controlled corporation	–	5.80%	2.03%
Temasek Holdings (Private) Limited note 6	30,885,500(L)	Interest of controlled corporation	–	5.80%	2.03%

Note 1: L – Long Position, S – Short Position, P – Lending Pool.

Note 2: China Railway Construction Corporation Limited (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 2018, China Railway Construction Co., Ltd. directly held approximately 55.73% shares of China Railway Construction Corporation Limited, while China Railway Construction Corporation Limited directly or indirectly held 987,984,000 domestic shares of the Company. Therefore, China Railway Construction Co., Ltd. was deemed to be interested in these shares.

Note 4: As at 30 June 2018, CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. held 100% equity interest in CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited and was a wholly-owned subsidiary of CRRC Corporation Limited. CRRC Group Co., Ltd. directly and indirectly held approximately 55.63% shares of CRRC Corporation Limited in aggregate and CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited held 44,285,500 H Shares of the Company. Thus, CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd., CRRC Corporation Limited and CRRC Group Co., Ltd. were deemed to be interested in these shares.

Note 5: Citigroup Inc. held a long position of 42,488,943 H Shares and a short position of 76,000 H Shares and a lending pool of 42,412,943 H Shares of the Company through its controlled corporations.

Note 6: As at 30 June 2018, Temasek Holdings (Private) Limited held 100% equity interest in Fullerton (Private) Limited, while Fullerton (Private) Limited held 100% equity interest in FFMC Holdings Pte. Ltd. FFMC Holdings Pte. Ltd. held 100% equity interest in Fullerton Fund Management Company Ltd, which held a long position of 30,885,500 H Shares of the Company as investment manager. Thus, FFMC Holdings Pte. Ltd. and Temasek Holdings (Private) Limited were deemed to be interested in these shares.

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. 2017 Final Dividend Distribution Plan and Implementation

Upon the consideration and approval of shareholders of the Company at the 2017 annual general meeting, the Company will distribute the 2017 final dividend of RMB0.01 per share (tax inclusive), totaling approximately RMB15.2 million, in cash to all shareholders whose names appear on the register of members of the Company on 11 July 2018, 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 2017 final dividend on 21 August 2018.

2. 2018 Interim Dividend Distribution Plan

The Board of the Company did not recommend the distribution of interim dividend for the six months ended 30 June 2018.

VIII. EMPLOYEES AND TRAINING

As at 30 June 2018, the Company has a total number of 2,071 employees. Total remunerations (including wages and surcharges) for the six months ended 30 June 2018 amounted to approximately RMB163.3 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 knowledge of the Listing Rules to the Directors, supervisors, senior management and staff from related departments.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.　德勤

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 condensed consolidated financial statements of CRCC High-Tech Equipment Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 61, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 July 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	30/6/2018 (Unaudited) *RMB'000*	30/6/2017 (Unaudited) *RMB'000*
		Six months ended	
Revenue	*5*	**1,217,956**	930,897
Cost of sales	*6*	**(935,313)**	(688,334)
Gross profit		**282,643**	242,563
Other income and gains	*7*	**46,237**	34,457
Other expenses		**(515)**	(8,385)
Impairment losses, net of reversal		**(21,579)**	(5,124)
Selling and distribution expenses		**(23,407)**	(26,565)
Administrative expenses		**(189,224)**	(166,842)
Finance costs		**(78)**	(35,830)
Profit before tax	*6*	**94,077**	34,274
Income tax expense	*8*	**(11,783)**	(7,392)
Profit for the period		**82,294**	26,882

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30/6/2018 (Unaudited) RMB'000	Six months ended 30/6/2017 (Unaudited) RMB'000
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Fair value loss on:			
Investment in equity instruments at fair value through other comprehensive income		**(70,437)**	–
Income tax effect		**10,564**	–
		(59,873)	–
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
Changes in fair value		**–**	(12,473)
Income tax effect		**–**	1,871
Exchange differences on translation of foreign operations		**(212)**	3,333
		(212)	(7,269)
Other comprehensive expense for the period, net of tax		**(60,085)**	(7,269)
Total comprehensive income for the period		**22,209**	19,613
Profit for the period attributable to owners of the Company		**82,294**	26,882
Total comprehensive income for the period attributable to owners of the company		**22,209**	19,613
Earnings per share			
Basic and diluted (expressed in RMB per share)	*10*	**0.05**	0.02

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30/6/2018 (Unaudited) RMB'000	31/12/2017 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**976,193**	995,702
Prepaid land lease payments		**414,018**	419,421
Other intangible assets		**10,781**	9,888
Long-term prepayments		**33,894**	33,897
Goodwill		**91,367**	91,367
Equity instruments at fair value through other comprehensive income	11	**200,321**	–
Available-for-sale investments		**–**	270,758
Deferred tax assets		**27,908**	33,441
Trade receivables	13	**160,716**	156,988
Total non-current assets		**1,915,198**	2,011,462
Current assets			
Prepaid land lease payments		**10,831**	10,831
Inventories	12	**1,243,725**	1,706,510
Trade and bills receivables	13	**1,922,678**	1,429,263
Contract assets		**770**	–
Prepayments, deposits and other receivables		**52,657**	79,531
Pledged deposits		**3,238**	45,931
Cash and cash equivalents	14	**1,818,863**	1,556,406
Total current assets		**5,052,762**	4,828,472
Current liabilities			
Trade and bills payables	15	**1,379,222**	1,252,961
Other payables and accruals	16	**141,887**	167,972
Contract liabilities		**31,245**	–
Tax payable		**3,356**	2,409
Defined benefit obligations		**150**	380
Provisions		**4,430**	4,988
Total current liabilities		**1,560,290**	1,428,710
Net current assets		**3,492,472**	3,399,762
Total assets less current liabilities		**5,407,670**	5,411,224

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30/6/2018 (Unaudited) *RMB'000*	31/12/2017 (Audited) *RMB'000*
Non-current liabilities			
Defined benefit obligations		**240**	240
Deferred tax liabilities		**22,105**	32,669
Total non-current liabilities		**22,345**	32,909
Net assets		**5,385,325**	5,378,315
Equity			
Issued capital	*17*	**1,519,884**	1,519,884
Reserves		**3,865,441**	3,858,431
Total equity		**5,385,325**	5,378,315

Zhao Hui
Executive director

Tong Pujiang
Executive director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company								
	Issued capital *RMB'000*	Capital reserve* *RMB'000*	Special reserve* *RMB'000*	Surplus reserve* *RMB'000*	Retained profits* *RMB'000*	Fair value through other comprehensive income reserve* *RMB'000*	Defined benefit plan revaluation reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Total equity *RMB'000*
As at 1 January 2018	1,519,884	3,224,727	–	84,382	375,159	185,118	(10,262)	(693)	5,378,315
Profit for the period	–	–	–	–	82,294	–	–	–	82,294
Other comprehensive expense	–	–	–	–	–	(59,873)	–	(212)	(60,085)
Total comprehensive income/ (expense)	–	–	–	–	82,294	(59,873)	–	(212)	22,209
Dividend declared	–	–	–	–	(15,199)	–	–	–	(15,199)
Appropriation to statutory surplus reserve *(note (b))*	–	–	–	18,724	(18,724)	–	–	–	–
Appropriation to special reserve *(note (a))*	–	–	2,912	–	(2,912)	–	–	–	–
Utilisation of special reserve *(note (a))*	–	–	(2,912)	–	2,912	–	–	–	–
At 30 June 2018 (unaudited)	1,519,884	3,224,727	–	103,106	423,530	125,245	(10,262)	(905)	5,385,325

* These reserve accounts comprise the consolidated reserves of RMB3,865,441,000 in the condensed consolidated statement of financial position as at 30 June 2018 (31 December 2017: RMB3,858,431,000).

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company								
	Issued capital *RMB'000*	Capital reserve *RMB'000*	Special reserve *RMB'000*	Surplus reserve *RMB'000*	Retained profits *RMB'000*	Investment revaluation reserve *RMB'000*	Defined benefit plan revaluation reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Total equity *RMB'000*
As at 1 January 2017 (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 (c))*	–	–	–	–	(1,893)	–	–	464	(1,429)
As 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 period	–	–	–	–	26,882	–	–	–	26,882
Other comprehensive income/(expense)	–	–	–	–	–	(10,602)	–	3,333	(7,269)
Total comprehensive income/(expense)	–	–	–	–	26,882	(10,602)	–	3,333	19,613
Dividend declared	–	–	–	–	(243,181)	–	–	–	(243,181)
Business combinations involving entities under common control *(note (c))*	–	(5,171)	–	–	–	–	–	–	(5,171)
Appropriation to statutory surplus reserve *(note (b))*	–	–	–	10,271	(10,271)	–	–	–	–
Appropriation to special reserve *(note (a))*	–	–	5,093	–	(5,093)	–	–	–	–
Utilisation of special reserve *(note (a))*	–	–	(5,093)	–	5,093	–	–	–	–
At 30 June 2017 (unaudited)	1,519,884	3,224,727	–	86,159	345,177	134,954	(10,169)	3,797	5,304,529

Notes:

(a) The Group has appropriated a certain amount of retained profits to a special reserve fund for safety production as required by directives issued by the relevant People's Republic of China ("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.

(b) 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 the relevant accounting principles applicable to enterprises established in the PRC ("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.

(c) On 24 June 2017, the Company obtained control over CRCC Yukun Limited ("CRCC Yukun") through business combinations involving entities under common control.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended	
	30/6/2018	30/6/2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Operating activities		
Profit before tax	**94,077**	34,274
Adjustments for:		
Finance costs	**78**	35,830
Interest income	**(12,917)**	(13,162)
Dividend income from equity investments	**(4,410)**	(4,410)
Depreciation of items of property, plant and equipment	**26,811**	31,715
Impairment of loss, net of reversal, on trade receivables	**21,561**	4,998
Impairment of loss, net of reversal, on other receivables	**18**	126
Amortisation of other intangible assets	**3,176**	4,983
Amortisation of prepaid land lease payments	**5,403**	5,403
Amortisation of long-term prepayments	**30**	14
Loss on disposal of property, plant and equipment	**17**	191
Foreign exchange (gain)/losses	**(4,972)**	5,669
Write-down of inventories to net realisable value	**5,357**	307
Operating cash flows before movements in working capital	**134,229**	105,938
Decrease/(increase) in inventories	**457,428**	(118,573)
(Increase)/decrease in trade and bills receivables	**(518,704)**	1,048,945
Increase in contract assets	**(770)**	–
Decrease/(increase) in prepayments, deposits and other receivables	**27,100**	(85,195)
Increase/(decrease) in trade and bills payables	**126,261**	(46,187)
(Decrease)/increase in other payables and accruals	**(41,281)**	65,183
Decrease in pledged deposits	**42,693**	–
Increase in contract liabilities	**31,245**	–
Decrease in defined benefit obligations	**(230)**	(371)
Decrease in provisions	**(558)**	(1,454)
Decrease in government grants	**–**	(2,463)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended	
	30/6/2018	30/6/2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cash flows from operating activities	**257,413**	965,823
Interest received	**12,917**	13,162
Income tax paid	**(1,327)**	(48,717)
Net cash from operating activities	**269,003**	930,268
Investing activities		
Payments for acquisition of items of property, plant and equipment	**(11,037)**	(52,707)
Proceeds on disposal of property, plant and equipment	**12**	–
Payments for acquisition of other intangible assets	**(203)**	(927)
Net cash used in investing activities	**(11,228)**	(53,634)
Financing activities		
Repayment of other borrowings	**–**	(105,393)
Payments for business combinations involving entities under common control	**–**	(5,171)
Interests paid	**(78)**	(218)
Net cash used in financing activities	**(78)**	(110,782)
Net increase in cash and cash equivalents	**257,697**	765,852
Cash and cash equivalents at 1 January	**1,556,406**	1,223,957
Effect of foreign exchange rate changes	**4,760**	(5,411)
Cash and cash equivalents at 30 June	**1,818,863**	1,984,398

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. GENERAL INFORMATION

CRCC High-Tech Equipment Corporation Limited (the "Company") is a joint stock limited company established 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.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") were principally engaged in the manufacture and sale of large railway track maintenance machinery, and relevant parts and components, and the 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.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Manufacture and sale of large railway track maintenance machinery
- Manufacture and sale of parts and components
- Provision of overhaul services, railway line maintenance services, and rail vehicles engineering and technical services

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

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

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation in the sales of parts and components, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Contracts with multiple performance obligations (including allocation of transaction price) (continued)

The stand-alone selling price of the distinct good underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation in the railway line maintenance services and rail vehicles engineering and technical services is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Warranties

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specification (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

3.1.2 Summary of effects arising from initial application of IFRS 15

There was no material impact of transition to IFRS 15 on retained profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Other payables and accruals	167,972	(69,719)	98,253
Contract liabilities	–	69,719	69,719

Note: As at 1 January 2018, advances from customers of RMB69,719,000 in respect of sales of machinery, parts and components contracts and railway line maintenance services contracts previously included in other payables and accruals were reclassified to contract liabilities.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

3.1.2 Summary of effects arising from initial application of IFRS 15 (continued)

The following table summaries the impact of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line item affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Amounts due from customers for contract work	–	770	770
Contract assets	770	(770)	–
Current liabilities			
Other payables and accruals	141,887	31,245	173,132
Contract liabilities	31,245	(31,245)	–

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied IFRS 9 Financial instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets), and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) with the cumulative effect of initial application recognised at the date of initial application and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

3.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI").

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income; and are not subject to impairment assessment. The cumulative gain or loss accumulated in fair value through other comprehensive income reserve will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains" line item in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and bills receivables and other receivables) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Measurement and recognition of ECL (continued)

The Group recognises an impairment gain or loss in profit or loss by adjusting their carrying amount, with the exception of trade and bills receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

3.2.2 Summary of effects arising from initial application of IFRS 9

From available-for-sale investments to equity instruments at FVTOCI

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale. The investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB270,758,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gains of RMB217,788,000 relating to those investments previously carried at fair value continued to accumulate in equity.

	Available-for-sale investments *RMB'000*	Equity instruments at FVTOCI *RMB'000*
Closing balance at 31 December 2017	270,758	–
Effect arising from initial application of IFRS 9:		
Reclassification from available-for-sale investments to equity instruments at FVTOCI	(270,758)	270,758
Opening balance at 1 January 2018	–	270,758

Except as described above, the application of amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) *RMB'000*	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	1 January 2018 (Restated) *RMB'000*
Non-current assets				
Property, plant and equipment	995,702	–	–	995,702
Prepaid land lease payments	419,421	–	–	419,421
Other intangible assets	9,888	–	–	9,888
Long-term prepayments	33,897	–	–	33,897
Goodwill	91,367	–	–	91,367
Available-for-sale investments	270,758	–	(270,758)	–
Equity instruments at fair value through other comprehensive income	–	–	270,758	270,758
Deferred tax assets	33,441	–	–	33,441
Trade receivables	156,988	–	–	156,988
	2,011,462	–	–	2,011,462

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (continued)

	31 December 2017 (Audited) *RMB'000*	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	1 January 2018 (Restated) *RMB'000*
Current assets				
Prepaid land lease payments	10,831	–	–	10,831
Inventories	1,706,510	–	–	1,706,510
Trade and bills receivables	1,429,263	–	–	1,429,263
Prepayments, deposits and other receivables	79,531	–	–	79,531
Pledged deposits	45,931	–	–	45,931
Cash and cash equivalents	1,556,406	–	–	1,556,406
	4,828,472	–	–	4,828,472
Current liabilities				
Trade and bills payables	1,252,961	–	–	1,252,961
Other payables and accruals	167,972	(69,719)	–	98,253
Contract liabilities	–	69,719	–	69,719
Tax payable	2,409	–	–	2,409
Defined benefit obligations	380	–	–	380
Provisions	4,988	–	–	4,988
	1,428,710	–	–	1,428,710
Net current assets	3,399,762	–	–	3,399,762
Total assets less current liabilities	5,411,224	–	–	5,411,224

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (continued)

	31 December 2017 (Audited) *RMB'000*	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	1 January 2018 (Restated) *RMB'000*
Non-current liabilities				
Defined benefit obligations	240	–	–	240
Deferred tax liabilities	32,669	–	–	32,669
	32,909	–	–	32,909
Net assets	5,378,315	–	–	5,378,315

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 resources allocation and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Geographical information

	Six months ended	
	30/6/2018 (Unaudited) *RMB'000*	30/6/2017 (Unaudited) *RMB'000*
Revenue from external customers:		
Mainland China	**1,190,234**	914,518
Other countries	**27,722**	16,379
	1,217,956	930,897

5. REVENUE

	Six months ended	
	30/6/2018	30/6/2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from goods and services:		
Sales of machines	**916,992**	398,700
Overhaul services	**158,707**	321,285
Sales of parts and components	**74,364**	183,485
Railway line maintenance services	**23,351**	11,048
Rail vehicles engineering and technical services	**44,542**	16,379
	1,217,956	930,897

	Six months ended
	30/6/2018
	(Unaudited)
	RMB'000
Timing of revenue recognition:	
A point in time	**1,150,063**
Over time	**67,893**
Total	**1,217,956**

6. PROFIT BEFORE TAX

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

	Six months ended	
	30/6/2018 (Unaudited) *RMB'000*	30/6/2017 (Unaudited) *RMB'000*
Cost of machines sold	**721,112**	299,230
Cost of overhaul services	**95,299**	238,910
Cost of parts and components sold	**62,134**	124,871
Cost of railway line maintenance services	**22,753**	12,604
Cost of rail vehicles engineering and technical services	**34,015**	12,719
Total cost of sales	**935,313**	688,334
Depreciation of item of property, plant and equipment *(note (a))*	**26,811**	31,715
Amortisation of other intangible assets	**3,176**	4,983
Amortisation of prepaid land lease payments	**5,403**	5,403
Amortisation of long-term prepayments	**30**	14
Total depreciation and amortisation	**35,420**	42,115
Impairment of trade receivables	**21,561**	4,998
Impairment of other receivables	**18**	126
Total impairment losses, net of reversal	**21,579**	5,124

6. PROFIT BEFORE TAX (continued)

	Six months ended	
	30/6/2018 (Unaudited) *RMB'000*	30/6/2017 (Unaudited) *RMB'000*
Write-down of inventories to net realisable value	**5,357**	307
Lease expense under operating leases of buildings and equipment	**4,412**	4,412
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration) *(note (b))*:		
Wages, salaries and allowances	**96,054**	93,669
Defined contribution scheme expenses	**17,242**	24,083
Welfare and other expenses	**70,458**	59,801
Total employee benefit expenses	**183,754**	177,553
Research and development expenses *(note (c))*	**80,678**	75,452
Provisions for warranties, net	**558**	1,322
Interest income	**(12,917)**	(13,162)
Dividend income from equity instruments	**(4,410)**	(4,410)
Loss on disposal of items of property, plant and equipment	**17**	191
Foreign exchange (gains)/losses	**(4,972)**	5,669
Government grants	**(11,010)**	(11,618)

Notes:

(a) Depreciation of approximately RMB15,775,000 (for the six months ended 30 June 2017: RMB19,547,000) is included in the cost of sales for the six months ended 30 June 2018.

(b) Employee benefit expenses of approximately RMB85,544,000 (for the six months ended 30 June 2017: RMB97,513,000) are included in the cost of sales for the six months ended 30 June 2018.

(c) Employee benefit expenses of approximately RMB18,400,000 (for the six months ended 30 June 2017: RMB22,506,000) are included in the research and development costs expense for the six months ended 30 June 2018.

7. OTHER INCOME AND GAINS

	Six months ended	
	30/6/2018 (Unaudited) *RMB'000*	30/6/2017 (Unaudited) *RMB'000*
Dividend income from equity instruments	**4,410**	4,410
Government grants	**11,010**	11,618
Interest income	**12,917**	13,162
Training income	**2,318**	1,343
Rental income	**1,180**	932
Sales of scrap materials	**442**	866
Exchange gains, net	**4,972**	–
Others	**8,988**	2,126
	46,237	34,457

8. INCOME TAX

The Company is entitled to a preferential income tax rate of 15% for the years ending/ended 31 December 2018 and 2017, and will continue to benefit from this preferential income tax policy until 31 December 2020 under "the tax incentives of western development".

One subsidiary of the Company was identified as "high and new technology enterprises" and is applying for a preferential income tax rate of 15% for the current period.

Other subsidiaries within the Group established in the Mainland China are subject to corporate income tax at the statutory rate of 25%.

8. INCOME TAX (continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the Company's subsidiary in Hong Kong will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

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

	Six months ended	
	30/6/2018	30/6/2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax		
Enterprise Income Tax ("EIT")	**5,892**	17,966
Underprovision/(overprovision) in prior years	**358**	(1,103)
Deferred tax	**5,533**	(9,471)
	11,783	7,392

9. DIVIDEND

During the current interim period, a final dividend of RMB0.01 per share in respect of the year ended 31 December 2017 (for the six months ended 30 June 2017: RMB0.16 per share in respect of the year ended 31 December 2016) was declared. The aggregate amount of the final dividend declared in the interim period amounted to RMB15,199,000 (for the six months ended 30 June 2017: RMB243,181,000).

The Directors do not recommend the payment of an interim dividend for the current interim period (for the six months ended 30 June 2017: nil).

10. EARNINGS PER SHARE

The calculation of the amount of basic earnings per share is based on the profit for the period attributable to owners of the Company of RMB82,294,000 (for the six months ended 30 June 2017: RMB26,882,000), and the number of ordinary shares of 1,519,884,000 (for the six months ended 30 June 2017: 1,519,884,000) in issue during the period.

The Group had no potential ordinary shares in issue during the six months ended 30 June 2018 and 2017.

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30/06/2018 (Unaudited) ***RMB'000***	31/12/2017 (Audited) *RMB'000*
Equity investment listed in Hong Kong, at fair value	**200,321**	–

The movements in the fair value of equity instruments are as follows:

	RMB'000
At 31 December 2017 (Audited)	–
Effect arising from initial application of IFRS 9 *(Note 3.2.2)*	270,758
At 1 January 2018, as restated	270,758
Recognised in other comprehensive expense	(70,437)
At 30 June 2018 (Unaudited)	200,321

12. INVENTORIES

	30/06/2018 (Unaudited) *RMB'000*	31/12/2017 (Audited) *RMB'000*
Raw materials and parts and components	**872,286**	907,100
Work in progress	**322,264**	460,371
Finished goods	**64,926**	345,051
Materials in transit	**–**	4,382
	1,259,476	1,716,904
Allowance for impairment	**(15,751)**	(10,394)
	1,243,725	1,706,510

The movements in the allowance for impairment losses are as follows:

	2018 (Unaudited) *RMB'000*	2017 (Unaudited) *RMB'000*
Impairment:		
At 1 January	**10,394**	7,961
Write-down of inventories to net realisable value	**5,357**	307
At 30 June	**15,751**	8,268

13. 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. They are stated net of allowances.

	30/6/2018 (Unaudited) *RMB'000*	31/12/2017 (Audited) *RMB'000*
Trade receivables	**2,073,224**	1,564,964
Allowance for impairment	**(71,841)**	(50,280)
Trade receivables, net	**2,001,383**	1,514,684
Bills receivable	**82,011**	71,567
	2,083,394	1,586,251
Less: non-current portion	**(160,716)**	(156,988)
Current portion	**1,922,678**	1,429,263

13. TRADE AND BILLS RECEIVABLES (continued)

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

	30/6/2018 (Unaudited) ***RMB'000***	31/12/2017 (Audited) *RMB'000*
Less than six months	**955,884**	605,957
Six months to one year	**412,735**	393,758
One to two years	**345,861**	313,460
Two to three years	**149,451**	88,023
Over three years	**58,747**	28,065
	1,922,678	1,429,263

Details of the outstanding balances with related parties included in trade and bills receivables are set out in Note 21.

14. CASH AND CASH EQUIVALENTS

	30/6/2018 (Unaudited) *RMB'000*	31/12/2017 (Audited) *RMB'000*
Cash	**412**	41
Bank balances	**1,818,451**	1,556,365
Pledged deposits	**3,238**	45,931
	1,822,101	1,602,337
Less: Pledged deposits for guarantees of sales contracts	**3,238**	45,931
Cash and cash equivalents in the condensed consolidated statements of financial position and cash flows	**1,818,863**	1,556,406

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB1,797,704,000 (31 December 2017: RMB1,176,514,000). RMB is not freely convertible into other currencies. However, under the 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 are set out in Note 21.

15. 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:

	30/6/2018 (Unaudited) RMB'000	31/12/2017 (Audited) RMB'000
Less than one year	**1,343,195**	1,205,436
One to two years	**15,585**	26,609
Two to three years	**95**	531
Over three years	**20,347**	20,385
	1,379,222	1,252,961

16. OTHER PAYABLES AND ACCRUALS

	30/6/2018 (Unaudited) RMB'000	31/12/2017 (Audited) RMB'000
Advance lease payments	**1,667**	1,430
Advance from customers	**–**	69,719
Accrued salaries, wages and benefits	**29,496**	31,701
Other tax payables	**18,692**	11,908
Dividends payable	**15,199**	–
Other payables	**76,833**	53,214
	141,887	167,972

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 21.

17. 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 2018 was RMB1,519,884,000 (31 December 2017: RMB1,519,884,000).

18. CAPITAL COMMITMENTS

	30/6/2018 (Unaudited) *RMB'000*	31/12/2017 (Audited) *RMB'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**43,540**	47,403

19. 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

	30/6/2018 (Unaudited) *RMB'000*	31/12/2017 (Audited) *RMB'000*
Equity instruments at fair value through other comprehensive income	**200,321**	–
Available-for-sale investments	**–**	270,758
Loans and receivables:		
Trade and bills receivables	**2,083,394**	1,586,251
Financial assets included in prepayments, deposits and other receivables	**17,871**	21,828
Pledged deposits	**3,238**	45,931
Cash and cash equivalents	**1,818,863**	1,556,406
Total	**4,123,687**	3,481,174

Financial liabilities

	30/6/2018 (Unaudited) *RMB'000*	31/12/2017 (Audited) *RMB'000*
Financial liabilities at amortised cost:		
Trade and bills payables	**1,379,222**	1,252,961
Financial liabilities included in other payables and accruals	**92,032**	53,214
Total	**1,471,254**	1,306,175

20. FAIR VALUE MEASUREMENTS 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	
	30/6/2018 (Unaudited) *RMB'000*	31/12/2017 (Audited) *RMB'000*	**30/6/2018 (Unaudited) *RMB'000***	31/12/2017 (Audited) *RMB'000*
Financial assets				
Trade receivables, non-current portion	**160,716**	156,988	**159,295**	156,988
Available-for-sale investments	**–**	270,758	**–**	270,758
Equity instruments at fair value through other comprehensive income	**200,321**	–	**200,321**	–

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

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

The fair 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.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

The Group's investments in equity instruments 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 six months ended 30 June 2018, there were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 for financial assets.

21. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions between the Group and its related parties during the period and balances arising from related party transactions at the end of the reporting period.

Significant related party transactions

The Group had the following significant transactions with related parties:

	Six months ended	
	30/6/2018	30/6/2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Transactions with fellow subsidiaries		
Sales of machines	**183,376**	29,530
Sales of parts and components	**430**	1,317
Overhaul services	**4,363**	–
Railway line maintenance services	**19,141**	961
Rail vehicles engineering and technical services	**16,850**	–
Interest income	**6,166**	3,158

21. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties

	30/6/2018 (Unaudited) *RMB'000*	31/12/2017 (Audited) *RMB'000*
Balances with fellow subsidiaries		
Cash and cash equivalents	**499,992**	729,195
Trade and bills receivables	**200,870**	186,844
Prepayments, deposits and other receivables	**–**	1,034
Trade payables	**27**	600
Other payables and accruals:		
Due to fellow subsidiaries	**2,000**	20,004
Dividends payable to fellow subsidiaries	**198**	–
Balances with holding company		
Dividends payable to CRCC	**9,682**	–

Compensation of key management personnel of the Group

	Six months ended	
	30/6/2018 (Unaudited) *RMB'000*	30/6/2017 (Unaudited) *RMB'000*
Short-term employee benefits	**1,357**	1,430
Pension scheme contributions	**200**	232
	1,557	1,662

22. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements have been authorised for issue by the board of directors on 31 July 2018.

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	Zhao Hui (趙暉) 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	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway Hong Kong

Definitions

"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
"Director(s)"	the director(s) of the Company
"Deloitte"	Deloitte Touche Tohmatsu
"Group"	the Company and its subsidiaries
"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
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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