

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



中国铁建



2019 中期報告
INTERIM REPORT



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BUSINESS REVIEW AND OUTLOOK

In the first half of 2019, in accordance with the new “Five-Year Plan” goal, the Company strengthened its scientific and technological research and development capabilities, focused on introducing innovative talents, optimised performance assessment system, enhanced corporate risk control, accelerated the pace of exploring urban rail markets and overseas markets, and ensured that the Company is able to maintain stable performance in a complex and volatile situation and effectively protected the interests of shareholders and investors.

In respect of the sale of machinery: continuing to maintain the normal delivery of the existing orders, proactively exploring urban rail markets and overseas markets, having entered the Indian market for the first time and having obtained large orders.

In respect of the sale of parts and components: establishing off-site warehouses at each key customer location across the country, and improving the sale of parts and components while optimising product services.

In respect of the overhaul services: optimising the allocation of resources, further promoting the refinement and specialisation of products returned to the factory for overhaul, and having obtained full recognition from customers and effectively spurring the sale of accessories.

In respect of the railway line maintenance services: actively cooperating with engineering companies, striving to advance the high-standard maintenance construction fields, and expanding the enterprise economic growth points.

In the second half of 2019, the Company will continue to follow the overall work deployment throughout the year, seize the time contributing to the scientific research, spare no effort on risk control, intensively develop the operation, deliberately manage the procurement and supply, thoroughly put into practice, and strive to achieve all the set goals.

In respect of the sales of machinery: continuing to increase the allocation of resources for overseas business, establishing a new mode for overseas market expansion, placing emphasis on Beijing and other benchmark urban rail markets, and seeking new breakthroughs.

In respect of the sales of parts and components: further consolidating the advantages of the parts and components supply platform, and striving to establish eight new off-site warehouses before the end of the year.

In respect of the overhaul services: continuing to expand the service scope of entering into the frontline production of customers, and striving to achieve full coverage of major customers such as 18 railway bureau companies during the year.

In respect of the railway line maintenance services: continuing to expand the market, strengthening equipment allocation, and focusing on making breakthroughs in fields such as urban rail, state special railway lines and fine adjustment of new railway lines.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

	For the six months ended 30 June	
	2019 (RMB million)	2018 (RMB million)
Sales of machinery	658.1	917.0
Sales of parts and components	97.9	74.4
Overhaul services	365.7	158.7
Railway line maintenance services	19.6	23.4
Rail vehicles engineering and technical services	49.3	44.5
Total revenue	1,190.6	1,218.0

The Group's revenue from its main business decreased by RMB27.4 million or 2.25% from RMB1,218.0 million for the six months ended 30 June 2018 to RMB1,190.6 million for the six months ended 30 June 2019.

In the first half of 2019, the Group's overall sales revenue decreased to a certain extent compared with the corresponding period of last year, of which revenue from sales of machinery decreased by RMB258.9 million or 28.23% compared with the corresponding period of last year, mainly due to the impact of the plan of large railway track maintenance machinery procurement of China State Railway Group Co., Ltd., which led to the decline of the sales of large railway track maintenance machinery; revenue from sales of parts and components increased by RMB23.5 million or 31.59% compared with the corresponding period of last year, mainly due to the increase in the market demand for parts and components of large railway track maintenance machinery; revenue from overhaul services increased by RMB207 million or 130.43% compared with the corresponding period of last year, mainly due to the increase in total number of vehicles delivered after completion of construction for large railway track maintenance machinery returned to the factory for overhaul; revenue from railway line maintenance services decreased by RMB3.8 million or 16.24% compared with the corresponding period of last year, mainly due to the decline in the quantity of railway line maintenance services; and revenue from rail vehicles engineering and technical services increased by RMB4.8 million or 10.79% compared with the corresponding period of last year, mainly due to the increase in completion of railway machinery design orders.

COST OF SALES

The Group's cost of sales decreased by RMB56.9 million from RMB935.3 million for the six months ended 30 June 2018 to RMB878.4 million for the six months ended 30 June 2019. Such decrease was mainly due to the decrease in cost caused by the decrease in revenue from the operation of the Group's manufacturing and sales of machinery, railway line maintenance services and the effect of product manufacturing cost control, which was partially offset by the increase in cost of overhaul services.



MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT

In light of the foregoing, the Group's gross profit increased by RMB29.6 million from RMB282.6 million for the six months ended 30 June 2018 to RMB312.2 million for the six months ended 30 June 2019. The Group's gross profit margin increased from 23.21% for the six months ended 30 June 2018 to 26.22% for the six months ended 30 June 2019. The change in gross profit margin was mainly due to the change of gross profit structure of each business segments.

OTHER INCOME AND GAINS

The Group's other income and gains decreased by RMB22.4 million from RMB46.2 million for the six months ended 30 June 2018 to RMB23.8 million for the six months ended 30 June 2019. The decrease in other income and gains was mainly due to the decrease in government grants and non-operating income.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by RMB5.9 million from RMB23.4 million for the six months ended 30 June 2018 to RMB29.3 million for the six months ended 30 June 2019, primarily due to the increase in the input of sales resources.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB5.0 million from RMB189.2 million for the six months ended 30 June 2018 to RMB194.2 million for the six months ended 30 June 2019, mainly attributable to the increase in research and development resources investment and other administrative expenses.

OTHER EXPENSES AND IMPAIRMENT LOSSES

The Group's other expenses decreased by RMB20.2 million from RMB22.1 million for the six months ended 30 June 2018 to RMB1.9 million for the six months ended 30 June 2019. The decrease in other expenses was primarily due to the collection of long aging account receivables and the reduction of credit impairment loss of account receivables.

PROFIT BEFORE TAX

The Group's profit before tax increased by RMB16.5 million from RMB94.1 million for the six months ended 30 June 2018 to RMB110.6 million for the six months ended 30 June 2019. The increase in profit before tax was mainly due to the increase in aggregate gross margin, the decrease in impairment loss of credit, which was partially offset by the increase in administrative expenses and other expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX EXPENSE

The Group's income tax expense increased by RMB4.4 million from RMB11.8 million for the six months ended 30 June 2018 to RMB16.2 million for the six months ended 30 June 2019. The increase in income tax expense was mainly due to the increase in the profit before tax for this period.

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

Ruiweitong Company was accredited as high and new technology enterprises in 2018 and received approvals from the relevant government authorities for being entitled to the preferential enterprise income tax rate of 15%.

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by RMB12.0 million from RMB82.3 million for the six months ended 30 June 2018 to RMB94.3 million for the six months ended 30 June 2019. 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 effective control of manufacturing cost.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

Profit attributable to non-controlling shareholders for the six months ended 30 June 2019 was nil, which was in line with the same period of last year.

BASIC EARNINGS PER SHARE

Basic earnings per share increased from RMB0.05 for the six months ended 30 June 2018 to RMB0.06 for the six months ended 30 June 2019.

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 2019, the closing balance of the Group's cash and cash equivalents amounted to RMB1,571.1 million and the net reduction in the Group's cash and cash equivalents was RMB218.1 million, which was mainly attributable to the increase in cash payment in the first half of 2019.

Net cash inflow from operating activities

For the six months ended 30 June 2019, the Group's net cash outflow from operating activities was RMB175.8 million, which was mainly due to the increase in cash for goods and services in the first half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash outflow from investing activities

For the six months ended 30 June 2019, the Group's net cash outflow from investing activities was RMB42.3 million. The cash outflow from investing activities was mainly due to the construction of fixed assets and intangible assets.

Net cash outflow from financing activities

For the six months ended 30 June 2019, 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 2019 (RMB million)	31 December 2018 (RMB million)
Contracted but not provided for	44.7	44.1

INDEBTEDNESS

The Group has no indebtedness as at 30 June 2019.

PLEDGE

The Group has no pledge as at 30 June 2019.

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 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 -0.4% as at 31 December 2018 and 5.68% as at 30 June 2019.

CONTINGENT LIABILITIES

The Group has no material contingent liability as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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 CHF. 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.

PROJECT PROGRESS OF THE INTERNATIONAL TECHNOLOGY COOPERATION CENTER

After deducting the underwriting commission and fees related to the global offering payable by the Company, the net proceeds from the global offering were approximately RMB2.27 billion. Approximately 40% of the net proceeds from the global offering will be used to the construction of the project of "international technology cooperation center" (including acquisition of lands, construction of infrastructure and purchase of equipment) in Beijing. As at 31 December 2018, the actual amount used in the project of "international technology cooperation center" was RMB540 million by the Company while the budget amount for use was RMB910 million.

Due to the restriction of industrial policy adjustment in Beijing in recent two years, it has been difficult to get examination and approval from the government. From the perspective of accelerating the construction of the whole function of the project of "international technology cooperation center", the Company has transferred the implementary place of R&D design, simulation and test verification function undertaken by the "international technology cooperation center" to Kunming (the headquarter of the Company) from Beijing. The Company has set up an integrated platform for design, simulation, test verification function "integrated platform" in Kunming. The Company will set up new test facilities in the existing factories in Kunming (the headquarter of the Company), establish new testbed of running performance, testbed of hydraulic pressure, consolidated testbed of braking performance, testbed of static strength of car bogies, purchase testing and inspection equipment for R&D, establish information system and construct testing circuit composition. The budget is RMB280 million.

The Company believes that the above "integrated platform" is an adjustment for the project of "international technology cooperation center", not a change of the use of proceeds raised. After the construction of the "integrated platform", it will undertake the R&D design, simulation and test verification functions for the project of "international technology cooperation center".

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 2019 (the “Reporting Period”), the Company has fully complied with the provisions of the CG Code set out in Appendix 14 of the Listing Rules, except for the following matter:

Chairman Liu Feixiang failed to attend the Company’s 2018 annual general meeting due to work reasons.

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 consisted of nine Directors, of whom Mr. Liu Feixiang as the chairman of the Board and an executive Director; Mr. Tong Pujiang and Mr. Chen Yongxiang as executive Directors; Mr. Zhao Hui, Mr. Sha Mingyuan and Mr. Wu Zhixu as non-executive Directors (Mr. Zhao Hui was redesignated to non-executive Director from executive Director on 30 July 2019); 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 were approved at the 2017 annual general meeting of the Company with their term of office of three years commencing from the date of approving the resolutions at 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 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.

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 conformed to the requirements of relevant laws and regulations. There was no non-working relationship among the members of the Board, including finance, business, family or other significant relevant relations.

4. Supervisory Committee

As at the date of this report, the Supervisory Committee consisted of three supervisors, including Mr. Yu Qihua 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 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 Qihua as the employee supervisor of the second session of the Supervisory Committee.

On 29 June 2018, Mr. Yu Qihua 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 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.

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 the Board 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.

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 for the appointments or replacements of the external audit firms.



OTHER INFORMATION

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 2019 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

Mr. Zhao Hui was re-designated to non-executive Director from executive Director on 30 July 2019.

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 of the year, 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 2019, 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 2019 was as follows:

Shareholders	Type	Number of Shares	Percentage of issued share capital as at 30 June 2019
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%

OTHER INFORMATION

V. SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Directors, as of 30 June 2019, 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 Group Co., Ltd. ^{note 3}	987,984,000(L)	Interest of controlled corporation	100.00%	–	65.00%
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}	37,046,926(L)	Interest of controlled corporation	–	6.96%	2.43%
	37,046,926(P)	Approved lending agent	–	6.96%	2.43%
GIC Private Limited	31,909,500(L)	Investment manager	–	5.99%	2.09%



OTHER INFORMATION

Note 1: L – Long 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 2019, China Railway Construction Group 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 Group Co., Ltd. was deemed to be interested in these shares.

Note 4: As at 30 June 2019, 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 51.43% 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 37,046,926 H Shares and a lending pool of 37,046,926 H Shares of the Company through its controlled corporations.

Note 6: Apart from “Approximate percentage of issued share capital”, the rest of the information disclosed in this form is based on information provided by the interests disclosure system of the Stock Exchange website (www.hkexnews.hk).



OTHER INFORMATION

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. 2018 Final Dividend Distribution Plan and Implementation

Upon the consideration and approval of shareholders of the Company at the 2018 annual general meeting, the Company will distribute the 2018 final dividend of RMB0.05 per share (tax inclusive), totaling approximately RMB75.99 million, in cash to all shareholders whose names appeared on the register of members of the Company on 10 July 2019, 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 2018 final dividend on or around 21 August 2019.

2. 2019 Interim Dividend Distribution Plan

The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2019.

VIII. EMPLOYEES AND TRAINING

As at 30 June 2019, the Company had a total number of 1,923 employees. Total remunerations (including wages and surcharges) for the six months ended 30 June 2019 amounted to approximately RMB218.1 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

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 16 to 39, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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

30 July 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months ended 30 June 2019

	NOTES	Six months ended	
		30/6/2019 RMB'000 (Unaudited)	30/6/2018 RMB'000 (Unaudited)
Revenue	4	1,190,638	1,217,956
Cost of sales		(878,417)	(935,313)
Gross profit		312,221	282,643
Other income and gains	5	23,782	46,237
Other expenses		(1,697)	(515)
Impairment losses under expected credit loss model, net of reversal		(237)	(21,579)
Selling and distribution expenses		(29,315)	(23,407)
Administrative expenses		(112,237)	(108,546)
Finance costs		–	(78)
Research and development expenses		(81,956)	(80,678)
Profit before tax	6	110,561	94,077
Income tax expense	7	(16,240)	(11,783)
Profit for the period		94,321	82,294
Other comprehensive 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		(11,641)	(70,437)
Income tax effect		1,746	10,564
		(9,895)	(59,873)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		83	(212)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months ended 30 June 2019

	NOTES	Six months ended	
		30/6/2019 RMB'000 (Unaudited)	30/6/2018 RMB'000 (Unaudited)
Other comprehensive expense for the period, net of tax		(9,812)	(60,085)
Total comprehensive income for the period		84,509	22,209
Profit for the period attributable to owners of the Company		94,321	82,294
Total comprehensive income for the period attributable to owners of the Company		84,509	22,209
Basic earnings per share (expressed in RMB per share)	9	0.06	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		971,945	959,306
Right-of-use assets		414,043	–
Prepaid land lease payments		–	408,615
Other intangible assets		6,422	8,244
Long-term prepayments		19,155	19,155
Goodwill		91,367	91,367
Equity instruments at fair value through other comprehensive income	10	230,589	242,230
Deferred tax assets		10,909	31,488
Trade receivables	11	167,972	164,067
Total non-current assets		1,912,402	1,924,472
Current assets			
Prepaid land lease payments		–	10,831
Inventories	13	1,172,220	1,160,315
Trade and bills receivables	11	2,815,270	2,534,841
Contract assets		5,384	2,379
Prepayments, deposits and other receivables	14	80,777	42,149
Pledged deposits	15	3,121	3,958
Cash and cash equivalents	15	1,571,074	1,789,207
Total current assets		5,647,846	5,543,680
Current liabilities			
Trade and bills payables	16	1,694,151	1,649,316
Other payables and accruals	17	263,222	242,177
Contract liabilities	18	78,463	42,161
Tax payable		8,883	5,748
Defined benefit obligations		2	130
Provisions		5,625	4,751
Total current liabilities		2,050,346	1,944,283
Net current assets		3,597,500	3,599,397
Total assets less current liabilities		5,509,902	5,523,869

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Non-current liabilities			
Defined benefit obligations		40	40
Deferred tax liabilities		5,908	28,390
Total non-current liabilities		5,948	28,430
Net assets			
		5,503,954	5,495,439
Equity			
Issued capital		1,519,884	1,519,884
Reserves		3,984,070	3,975,555
Total equity		5,503,954	5,495,439

Tong Pujiang
Executive director

Chen Yongxiang
Executive director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 2019	1,519,884	3,224,727	-	104,470	496,232	160,869	(10,270)	(473)	5,495,439
Profit for the period	-	-	-	-	94,321	-	-	-	94,321
Other comprehensive expense	-	-	-	-	-	(9,895)	-	83	(9,812)
Total comprehensive income/(expense)	-	-	-	-	94,321	(9,895)	-	83	84,509
Dividend declared	-	-	-	-	(75,994)	-	-	-	(75,994)
Appropriation to statutory surplus reserve (note (b))	-	-	-	7,015	(7,015)	-	-	-	-
Appropriation to special reserve (note (a))	-	-	1,172	-	(1,172)	-	-	-	-
Utilisation of special reserve (note (a))	-	-	(1,172)	-	1,172	-	-	-	-
At 30 June 2019 (unaudited)	1,519,884	3,224,727	-	111,485	507,544	150,974	(10,270)	(390)	5,503,954

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company								
	Issued capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Fair value	Defined benefit plan revaluation reserve	Exchange fluctuation reserve	Total equity
						through other			
						comprehensive income reserve			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months ended 30 June 2019

	Six months ended	
	30/6/2019	30/6/2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Profit before tax	110,561	94,077
Adjustments for:		
Finance costs	–	78
Interest income	(14,065)	(12,917)
Dividend income from equity investments	(4,410)	(4,410)
Depreciation of property, plant and equipment	27,883	26,811
Impairment of loss, net of reversal on trade receivables	240	21,561
Impairment of loss, net of reversal on other receivables	(3)	18
Amortisation of other intangible assets	2,649	3,176
Amortisation of prepaid land lease payments	–	5,403
Amortisation of right-of-use assets	5,403	–
Amortisation of long-term prepayments	–	30
Loss on disposal of property, plant and equipment	978	17
Foreign exchange loss/(gain)	21	(4,972)
Write-down of inventories to net realisable value	4,637	5,357
Operating cash flows before movements in working capital	133,894	134,229
(Increase)/decrease in inventories	(16,542)	457,428
Increase in trade and bills receivables	(280,586)	(518,704)
Increase in contract assets	(3,005)	(770)
(Increase)/decrease in prepayments, deposits and other receivables	(38,840)	27,100
Decrease in pledged deposits	837	42,693
Increase in trade and bills payables	44,812	126,261
Decrease in other payables and accruals	(54,949)	(41,281)
Increase in contract liabilities	36,302	31,245
Decrease in defined benefit obligations	(128)	(230)
Increase/(decrease) in provisions	874	(558)
Cash flows (used in)/from operating activities	(177,331)	257,413
Interest received	10,160	12,917
Income tax paid	(8,637)	(1,327)
Net cash (used in)/from operating activities	(175,808)	269,003

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months ended 30 June 2019

	Six months ended	
	30/6/2019	30/6/2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Investing activities		
Payments for acquisition of property, plant and equipment	(41,627)	(11,037)
Proceeds on disposal of property, plant and equipment	127	12
Payments for acquisition of other intangible assets	(827)	(203)
Net cash used in investing activities	(42,327)	(11,228)
Financing activities		
Interests paid	-	(78)
Net cash used in financing activities	-	(78)
Net (decrease)/increase in cash and cash equivalents	(218,135)	257,697
Cash and cash equivalents at 1 January	1,789,207	1,556,406
Effect of foreign exchange rate changes	2	4,760
Cash and cash equivalents at 30 June	1,571,074	1,818,863

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 Main Board of 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**”) are 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 Group Co., Ltd. (“**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 34 “Interim Financial Reporting” (“**IAS 34**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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 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 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, if any.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits, if any, and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the short-term lease recognition exemption to leases previously classified as operating leases under IAS 17.

On transition, the Group recognised right-of-use assets of RMB419,446,000 at 1 January 2019. The application of IFRS 16 has had no impact on the Group's retained profits at 1 January 2019.

Upfront payments for leasehold lands in the PRC were classified as prepaid land lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid land lease payments amounting to RMB10,831,000 and RMB408,615,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

4. REVENUE

	Six months ended	
	30/6/2019	30/6/2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers:		
Sales of machinery	658,068	916,992
Overhaul services	365,732	158,707
Sales of parts and components	97,940	74,364
Railway line maintenance services	19,601	23,351
Rail vehicles engineering and technical services	49,297	44,542
	1,190,638	1,217,956

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. REVENUE (Continued)

Disaggregation of revenue from contracts with customers

	Six months ended 30 June 2019					
	Sales of machinery RMB'000 (unaudited)	Overhaul services RMB'000 (unaudited)	Sales of parts and components RMB'000 (unaudited)	Railway line maintenance services RMB'000 (unaudited)	Rail vehicles engineering and technical services RMB'000 (unaudited)	Total RMB'000 (unaudited)
Timing of revenue recognition						
At a point in time	658,068	365,732	97,940	–	–	1,121,740
Over time	–	–	–	19,601	49,297	68,898
Total	658,068	365,732	97,940	19,601	49,297	1,190,638

	Six months ended 30 June 2018					
	Sales of machinery RMB'000 (unaudited)	Overhaul services RMB'000 (unaudited)	Sales of parts and components RMB'000 (unaudited)	Railway line maintenance services RMB'000 (unaudited)	Rail vehicles engineering and technical services RMB'000 (unaudited)	Total RMB'000 (unaudited)
Timing of revenue recognition						
At a point in time	916,992	158,707	74,364	–	–	1,150,063
Over time	–	–	–	23,351	44,542	67,893
Total	916,992	158,707	74,364	23,351	44,542	1,217,956

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, being the chief operating decision maker, for the purposes of resources allocation and performance assessment. Accordingly, no segment information is presented other than entity-wide disclosures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. REVENUE (Continued)

Geographical information

	Six months ended	
	30/6/2019 RMB'000 (Unaudited)	30/6/2018 RMB'000 (Unaudited)
Revenue from external customers:		
PRC	1,141,298	1,190,234
Other countries	49,340	27,722
	1,190,638	1,217,956

5. OTHER INCOME AND GAINS

	Six months ended	
	30/6/2019 RMB'000 (Unaudited)	30/6/2018 RMB'000 (Unaudited)
Dividend income from equity instruments	4,410	4,410
Government grants	860	11,010
Interest income	14,065	12,917
Training income	1,690	2,318
Rental income	640	1,180
Sales of scrap materials	1,348	442
Exchange gains	–	4,972
Others	769	8,988
	23,782	46,237

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended	
	30/6/2019 RMB'000 (Unaudited)	30/6/2018 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	27,883	26,811
Amortisation of other intangible assets	2,649	3,176
Amortisation of prepaid land lease payments	–	5,403
Amortisation of right-of-use assets	5,403	–
Amortisation of long-term prepayments	–	30
Total depreciation and amortisation	35,935	35,420
Less: Amount capitalised in inventories	3,955	3,518
	31,980	31,902
Write-down of inventories to net realisable value	4,637	5,357
Lease expense of machinery and equipment	5,196	4,412
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration) (Note a):		
Wages, salaries and allowances	133,214	96,054
Defined contribution scheme expenses	21,241	17,242
Welfare and other expenses	63,645	70,458
Total employee benefit expenses	218,100	183,754
Research and development expenses (Note a)	81,956	80,678
Provisions for warranties, net	4,305	3,136

Note:

- (a) Employee benefit expenses of approximately RMB92,113,000 (for the six months ended 30 June 2018: RMB85,544,000) and RMB33,222,000 (for the six months ended 30 June 2018: RMB18,400,000) are included in the cost of sales and research and development expenses, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. INCOME TAX EXPENSE

The Company is entitled to a preferential income tax rate of 15%, and will continue to benefit from this preferential income tax policy until 31 December 2020 under the "Tax Incentives of Western Development Policy".

One subsidiary of the Company has been identified as "high and new technology enterprises" and was entitled to a preferential income tax rate of 15% from 1 January 2018 to 31 December 2020 in accordance with the PRC Corporate Income Tax Law.

Other entities within the Group in the PRC are subject to corporate income tax at a statutory rate of 25%.

Other entities in other regions are subject to corporate income tax according to existing laws, interpretations and practices of the countries in which the Group operates.

	Six months ended	
	30/6/2019	30/6/2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Enterprise Income Tax	13,878	5,892
Underprovision in prior years	2,519	358
Deferred tax	(157)	5,533
	16,240	11,783

8. DIVIDEND

During the current interim period, a final dividend of RMB0.05 per share in respect of the year ended 31 December 2018 (for the six months ended 30 June 2018: RMB0.01 per share in respect of the year ended 31 December 2017) was declared. The aggregate amount of the final dividend declared in the interim period amounted to RMB75,994,000 (for the six months ended 30 June 2018: RMB15,199,000).

The Directors do not recommend the payment of an interim dividend for the current interim period (for the six months ended 30 June 2018: nil).

9. 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 RMB94,321,000 (for the six months ended 30 June 2018: RMB82,294,000), and the number of ordinary shares of 1,519,884,000 (for the six months ended 30 June 2018: 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 2019 and 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Equity investments:		
Domestic shares in a Hong Kong listed company	230,589	242,230

Note:

The above equity investments represent domestic ordinary shares of a PRC entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at fair value through other comprehensive income at the date of initial application of IFRS 9 as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

11. 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. 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 for credit losses.

	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Trade receivables	2,398,964	2,141,528
Less: Allowance for credit losses	(79,297)	(79,057)
Trade receivables, net	2,319,667	2,062,471
Bills receivable	663,575	636,437
Less: Non-current portion	2,983,242 (167,972)	2,698,908 (164,067)
Current portion	2,815,270	2,534,841

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. TRADE AND BILLS RECEIVABLES (Continued)

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

	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Less than six months	1,218,790	1,289,392
Six months to one year	1,034,090	669,575
One to two years	289,782	302,640
Two to three years	146,715	232,294
Over three years	125,893	40,940
	2,815,270	2,534,841

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

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended 30/6/2019 RMB'000 (Unaudited)	30/6/2018 RMB'000 (Unaudited)
Impairment loss recognised/(reversed) in respect of		
trade receivables	240	21,561
other receivables	(3)	18
	237	21,579

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

13. INVENTORIES

	30/6/2019	31/12/2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw materials and parts and components	660,123	600,509
Materials in transit	51,971	12,553
Work in progress	279,196	360,722
Finished goods	203,251	204,215
	1,194,541	1,177,999
Allowance for impairment losses	(22,321)	(17,684)
	1,172,220	1,160,315

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30/6/2019	31/12/2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Deposits and other receivables	20,587	10,924
Less: Allowance for credit losses	(325)	(328)
	20,262	10,596
Prepayments	73,020	45,158
Dividend receivables	4,410	–
Deductible input VAT	1,998	683
Tax recoverable	242	4,867
	99,932	61,304
Less: Long-term prepayments	(19,155)	(19,155)
Current portion	80,777	42,149

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. CASH AND CASH EQUIVALENTS

	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Cash	7	1
Bank balances	1,571,067	1,789,206
Pledged deposits	3,121	3,958
	1,574,195	1,793,165
Less: Pledged deposits for guarantees of sales contracts	(3,121)	(3,958)
Cash and cash equivalents in the condensed consolidated statements of financial position and cash flows	1,571,074	1,789,207

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“**RMB**”) amounted to RMB1,570,705,000 (31 December 2018: RMB1,765,720,000). RMB is not freely convertible into other currencies. However, under the PRC 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

16. TRADE AND BILLS PAYABLES

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

	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Less than one year	1,633,012	1,614,878
One to two years	60,821	22,778
Two to three years	–	407
Over three years	318	11,253
	1,694,151	1,649,316

17. OTHER PAYABLES AND ACCRUALS

	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Advance lease payments	1,417	1,667
Accrued salaries, wages and benefits	40,815	22,201
Other tax payables	9,444	96,526
Dividends payable	75,994	–
Other payables	135,552	121,783
	263,222	242,177

The above amounts are unsecured, interest free 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

18. CONTRACT LIABILITIES

	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Sales of goods and service	78,463	42,161
Current	78,463	42,161

The Group receives the advance payments when signing the contracts with customers on sales of machinery, parts and components contracts, overhaul services and railway line maintenance services contracts. The contract liabilities are recognised as revenues on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the liabilities relate.

19. CAPITAL COMMITMENTS

	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	44,746	44,089

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	
	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)	30/6/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Financial assets:				
Trade receivables, non-current portion	167,972	164,067	168,260	164,401

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. FAIR VALUE MEASUREMENTS 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 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.

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 2019 and 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 at the end of the reporting period.

Significant related party transactions

The Group had the following significant transactions with related parties:

	Six months ended	
	30/6/2019	30/6/2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Transactions with fellow subsidiaries</i>		
Sales of machinery	122,518	183,376
Overhaul services	20,529	4,363
Sales of parts and components	279	430
Railway line maintenance services	1,807	19,141
Rail vehicles engineering and technical services	–	16,850
Interest income	589	6,166

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. RELATED PARTY TRANSACTIONS (Continued)

Balances with related parties

	30/6/2019	31/12/2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<i>Balances with fellow subsidiaries included in:</i>		
Cash and cash equivalents	95,400	756,609
Trade and bills receivables	633,586	562,003
Prepayments, deposits and other receivables	13,421	–
Trade and bills payables	157,240	245,362
Other payables and accruals:		
Due to fellow subsidiaries	4,102	17,487
Dividends payable to fellow subsidiaries	988	–
<i>Balances with CRCC</i>		
Dividends payable to CRCC	48,411	–

Compensation of key management personnel of the Group

	Six months ended	
	30/6/2019	30/6/2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	1,363	1,357
Pension scheme contributions	193	200
Total	1,556	1,557

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 30 July 2019.

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	Chen Yongxiang (陳永祥) Law Chun Biu (羅振飈)
3	Joint company secretaries	Ma Changhua (馬昌華) Law Chun Biu (羅振飈)
	Registered office	No. 384, Yangfangwang Jinma Town, Kunming Yunnan Province, China
	Telephone	+86 871 63831988
	Fax	+86 871 63831000
	Website	http://www.crcce.com.cn
	Principal place of business in Hong Kong	23/F, Railway Plaza 39 Chatham Road South Tsim Sha Tsui Kowloon Hong Kong
4	Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code: 1786 Stock Short Name: CRCCE
5	H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
6	Legal advisers	Baker & McKenzie 14th Floor, One TaiKoo Place 979 King's Road Quarry Bay 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
“CRCC”	China Railway Construction Corporation Limited, the controlling shareholder of the Company
“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” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange



DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“PRC”	the People’s Republic of China
“Ruiweitong Company”	Beijing Ruiweitong Engineering Machinery Co., Ltd. (北京瑞維通工程機械有限公司), a wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of shares of the Company
“Supervisory Committee”	the supervisory committee of the Company

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

