



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



2020  
Interim Report

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# BUSINESS REVIEW AND OUTLOOK

In the first half of 2020, the Company firmly pursued the strategic implementation of “two types, three conversions and nine capabilities”, adhered to the development direction of “seizing new opportunities and entering into a new stage of reform”, and safeguarded the interests of shareholders and investors with full effort. The Company experienced a significant decline in its performances and its first ever half-year loss under the influence of various unprecedented and complicated factors, including the global economic downturn due to the COVID-19 pandemic, a considerable decline in product orders, delay in delivering overseas projects, and stagnation in the return of vehicles for overhaul.

The results of the Company for the first half of 2020 are as follows:

Operating income: RMB450 million, representing a decrease of RMB741 million or 62.21% as compared with RMB1.191 billion for the corresponding period of last year.

Net profit: a loss of RMB26.15 million, as compared with the net profit of RMB94.32 million for the corresponding period of last year.

The Company has made great efforts to adapt to the current situation by making adjustment and deployment. It will vigorously strengthen technology leadership, tap market potential, broaden industry development, focus on issues and challenges, promote management reform, enhance core competitive advantage, in a bid to turn the tables on the business environment in the first half of the year, and strive to safeguard the interests of the Shareholders.

In terms of technological innovation: comprehensively upgrading independent research and development and expediting product upgrading. The Company will focus its resources on promoting the independent production of core devices, such as double-sleeper tamping device, high-efficiency digging and screening device, tamping device for high road bed side slope, intelligent stabilizing device; accelerate the development of core products and promote the production of ballast cleaning machines for bridge and tunnel, intelligent ballast regulator, multi-functional tamping machine, dual-power grinding machine, high-speed rail milling machine, etc., to consolidate its market position and achieve technology leadership; promote the optimization of process design and accessories selection, increase the weight of design cost in the assessment of projects, improve the lean management of the R&D process, further reduce and control the cost of product design and enhance product competitiveness and profit margins.

In terms of marketing: closely monitoring market changes and boosting sales in full force. The Company will regard India, South Korea and other overseas markets as breakthroughs to continuously explore core markets and key countries of the Belt and Road Initiative, and expand the international market in a more targeted manner; put more effort in promoting new products in the national railway market, actively explore new models of cooperation and project initiation, focus on promoting and applying new products such as national railway milling machines; strengthen the development of urban rail transit market, stabilize and expand benchmark markets such as Beijing, Shanghai and Guangzhou, and focus on achieving breakthroughs in potential markets such as Chengdu, Wuhan, and Nanjing; and seize market opportunities of ancillary services, build a layout of “six major centers” for off-site accessories warehouses across the country, and enhance the value of various segments such as overhaul, accessories, small and medium railway track maintenance machinery, maintenance and construction, in an effort to boost the Company’s performances in all aspects.

## BUSINESS REVIEW AND OUTLOOK

In terms of industrial layout: broadening the industrial chain and strengthening the organization of projects. The Company will further expand its engineering and construction business segment, focus on promoting the development of construction business in the subway market and the high-speed railway market, and build a reputation with high-quality production activities; promote new industries such as manufactured sand project to enhance value as soon as possible, and actively explore other new industrial layouts, so as to form a new focus of economic growth and lay a solid foundation for the Company to reverse the unfavorable situation in the first half of the year.

In terms of corporate management: overcoming the difficulties of reforms and enhancing the effectiveness of corporate governance. The Company will continuously consolidate and improve its market-oriented ultra-flat organizational structure and end-to-end business flow, and deepen the organizational structure reform and business process reengineering; continuously promote incentive compensation to give more resources to talents with capacity in efficiency enhancement in respect of research and development, operation, etc., improve the formation of short-to-medium-term and long-term systematic incentive model, and insist on stepping up the reform of three systems; strengthen the legal compliance management in production and operation, ensure the compliance and controllability of overseas projects, improve the precaution mechanism of and reaction to disputes, and actively cope with risk prevention and control; promote the transformation of quality management system from “post-handling management” to “preventive and control management”, take practical steps to strengthen quality management, and maintain highly-efficient management.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVENUE

	For the six months ended 30 June	
	2020 (RMB million)	2019 (RMB million)
Sales of machinery	114.7	658.1
Sales of parts and components	131.1	97.9
Overhaul services	141.6	365.7
Railway line maintenance and services	18.4	19.6
Design of railway machinery	44.1	49.3
Total revenue	449.9	1190.6

The Group's revenue from its main business decreased by RMB740.7 million or 62.2% from RMB1,190.6 million for the six months ended 30 June 2019 to RMB449.9 million for the six months ended 30 June 2020.

In the first half of 2020, the Group's overall sales revenue decreased to a larger extent compared with the corresponding period of last year, of which revenue from sales of machinery decreased by RMB543.4 million or 82.57% as compared with the corresponding period of last year, mainly due to the impact of a reduction in the procurement plan of large railway track maintenance machinery 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 RMB33.2 million or 33.91% as 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 decreased by RMB224.1 million or 61.28% as compared with the corresponding period of last year mainly due to the delay of the plan of large railway track maintenance machinery returned to the factory for overhaul driven by the impact of the COVID-19 pandemic; revenue from railway line maintenance services decreased by RMB1.2 million or 6.12% as compared with the corresponding period of last year, mainly due to the decline in the quantity of railway line maintenance services driven by the impact of the COVID-19 pandemic; and revenue from design of railway machinery decreased by RMB5.2 million or 10.55% as compared with the corresponding period of last year, mainly due to the decrease in completion of orders driven by the impact of the COVID-19 pandemic.

## COST OF SALES

The Group's cost of sales decreased by RMB576.9 million from RMB878.4 million for the six months ended 30 June 2019 to RMB301.5 million for the six months ended 30 June 2020. Such decrease was mainly due to the decrease in cost caused by the decrease in operating revenue from the Group's manufacturing and sales of machinery, railway line maintenance and services, as well as the effect of product manufacturing cost control.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GROSS PROFIT

In light of the foregoing, the Group's gross profit decreased by RMB163.8 million from RMB312.2 million for the six months ended 30 June 2019 to RMB148.4 million for the six months ended 30 June 2020. The Group's gross profit margin increased from 26.22% for the six months ended 30 June 2019 to 32.99% for the six months ended 30 June 2020. The change in gross profit margin was mainly due to the change of gross profit structure of each business segments.

## OTHER INCOME AND GAINS AND LOSSES

The Group's other income and gains and losses increased by RMB1 million from RMB22.8 million for the six months ended 30 June 2019 to RMB23.8 million for the six months ended 30 June 2020. The increase in other income and gains and losses was mainly due to the increase in government grants and the decrease in loss on disposal of assets.

## SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by RMB1.2 million from RMB29.3 million for the six months ended 30 June 2019 to RMB28.1 million for the six months ended 30 June 2020, primarily due to the increase in the input of sales resources for overseas projects.

## ADMINISTRATIVE AND RESEARCH AND DEVELOPMENT EXPENSES

The Group's administrative expenses decreased by RMB38.3 million from RMB194.2 million for the six months ended 30 June 2019 to RMB155.9 million for the six months ended 30 June 2020, mainly attributable to the decrease in research and development material costs and other administrative expenses.

## OTHER EXPENSES AND IMPAIRMENT LOSSES

The Group's other expenses and impairment losses increased by RMB19.4 million from RMB0.9 million for the six months ended 30 June 2019 to RMB20.3 million for the six months ended 30 June 2020. The increase in other expenses and impairment losses was primarily due to the increase in impairment loss of credit.

## PROFIT BEFORE TAX

The Group's profit before tax decreased by RMB142.7 million from RMB110.6 million for the six months ended 30 June 2019 to RMB-32.1 million for the six months ended 30 June 2020. The decrease in profit before tax was mainly due to the decrease in aggregate gross profit and finance income and the increase in impairment loss of credit.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INCOME TAX EXPENSE

The Group's income tax expense decreased by RMB22.1 million from RMB16.2 million for the six months ended 30 June 2019 to RMB-5.9 million for the six months ended 30 June 2020. The decrease in income tax expense was mainly due to the decrease 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 mainland 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 decreased by RMB120.4 million from RMB94.3 million for the six months ended 30 June 2019 to RMB-26.1 million for the six months ended 30 June 2020. The decrease in the profit attributable to owners of the Company was mainly due to the decrease in operating revenue and finance income and the increase in impairment loss of credit.

## PROFIT ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

Profit attributable to non-controlling shareholders for the six months ended 30 June 2020 was nil, which was in line with the same period of last year.

## BASIC EARNINGS PER SHARE

Basic earnings per share decreased from RMB0.06 for the six months ended 30 June 2019 to RMB-0.02 for the six months ended 30 June 2020.

## 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 2020, the closing balance of the Group's cash and cash equivalents amounted to RMB1,506.9 million and the net reduction in the Group's cash and cash equivalents was RMB64.2 million, which was mainly attributable to the decrease in cash received from sales of products in the first half of 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Net cash inflow from operating activities

For the six months ended 30 June 2020, the Group's net cash outflow from operating activities was RMB308.1 million, which was mainly due to the decrease in cash received from sales of products in the first half of 2020.

## Net cash outflow from investing activities

For the six months ended 30 June 2020, the Group's net cash outflow from investing activities was RMB17.8 million. The cash outflow from investing activities was mainly due to the payment for plant improvement and purchase of equipment.

## Net cash outflow from financing activities

For the six months ended 30 June 2020, 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 2020 (RMB million)	30 June 2019 (RMB million)
Contracted but not provided for	48.0	44.7

## INDEBTEDNESS

The Group has no indebtedness as at 30 June 2020.

## PLEDGE

The Group has no pledge as at 30 June 2020.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 contract liabilities, provision, 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 5.68% as at 31 December 2019 and 5.68% as at 30 June 2020.

## CONTINGENT LIABILITIES

The Group has no material contingent liability as at 30 June 2020.

## 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 the PRC 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 PRC government.

## 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 2020 (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 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 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 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.

## OTHER INFORMATION

### 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.

On 7 May 2020, the Supervisory Committee received the resignation letter from Mr. Wang Shuchuan, a supervisor of the Company. Due to other work commitments, Mr. Wang has tendered his resignation as a representative supervisor of shareholders of the second session of the Supervisory Committee. The Supervisory Committee will nominate candidates for the new representative supervisor of shareholders in due course. The above resignation will become effective upon the approval for the appointment of a new representative supervisor of shareholders at the general meeting 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 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 2020 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

On 7 May 2020, the Supervisory Committee received the resignation letter from Mr. Wang Shuchuan, a supervisor of the Company. Due to other work commitments, Mr. Wang has tendered his resignation as a representative supervisor of shareholders of the second session of the Supervisory Committee of the Company. The Supervisory Committee will nominate candidates for new representative supervisor of shareholders in due course. The above resignation will become effective upon the approval for the appointment of a new representative supervisor of shareholders at the general meeting of the Company.

On 3 August 2020, the Board received the resignation letter from Mr. Wu Zhixu, a non-executive Director of the Company. Mr. Wu Zhixu has tendered his resignation as a non-executive Director of the second session of the Board of the Company due to personal work commitments. The above resignation has become effective immediately after the Board received the resignation letter from Mr. Wu Zhixu.

## 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 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 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.

## OTHER INFORMATION

### 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 2020, 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 and 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 2020 was as follows:

Shareholders	Type	Number of Shares	Percentage of issued share capital as at 30 June 2020
China Railway Construction Corporation Limited	Domestic share	968,224,320	63.70%
China Railway Construction International Group Co., Ltd.	Domestic share	4,939,920	0.325%
China Railway Construction Investment 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 of the Company, as of 30 June 2020, 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*

<b>Interest of controlled corporation</b>	<b>Number of shares held <sup>Note 1</sup></b>	<b>Capacity</b>	<b>Approximate percentage of domestic share capital</b>	<b>Approximate percentage of H Share capital</b>	<b>Approximate percentage of issued share capital</b>
China Railway Construction Corporation Limited <sup>Note 2</sup>	968,224,320(L) 19,759,680(L)	Beneficial owner Interest of controlled corporation	98.00% 2.00%	– –	63.70% 1.30%
China Railway Construction Group Corporation <sup>Note 3</sup>	987,984,000(L)	Interest of controlled corporation	100.00%	–	65.00%
CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited <sup>Note 4</sup>	44,285,500(L)	Beneficial owner	–	8.33%	2.91%
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. <sup>Note 4</sup>	44,285,500(L)	Interest of controlled corporation	–	8.33%	2.91%
CRRC Corporation Limited <sup>Note 4</sup>	44,285,500(L)	Interest of controlled corporation	–	8.33%	2.91%
CRRC Group Co., Ltd. <sup>Note 4</sup>	44,285,500(L)	Interest of controlled corporation	–	8.33%	2.91%
Citigroup Inc. <sup>Note 5</sup>	32,237,117(L) 32,237,117(P)	Approved lending agent	–	6.06% 6.06%	2.12% 2.12%
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 2020, China Railway Construction Group Co., Ltd. directly held approximately 51.13% 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 2020, 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 50.73% shares of CRRC Corporation Limited in aggregate. CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited directly 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 32,237,117 H Shares and a lending pool of 32,237,117 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](http://www.hkexnews.hk)).

## 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. 2019 Final Dividend Distribution Plan and Implementation

Upon the consideration and approval of shareholders of the Company at the 2019 annual general meeting, the Company will distribute the 2019 final dividend of RMB0.04 per share (tax inclusive), totaling approximately RMB60.80 million, in cash to all shareholders whose names appear on the register of members of the Company on Monday, 6 July 2020, 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 2019 final dividend on or around 21 August 2020.

### 2. 2020 Interim Dividend Distribution Plan

The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2020.

## OTHER INFORMATION

### VIII. EMPLOYEES AND TRAINING

As at 30 June 2020, the Company has a total number of 1,923 employees. Total remunerations (including wages and surcharges) for the six months ended 30 June 2020 amounted to approximately RMB200.1 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 17 to 41, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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 2020

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		<b>Six months ended</b>	
		<b>30 June</b>	30 June
		<b>2020</b>	2019
		<b>RMB'000</b>	RMB'000
	<i>NOTES</i>	<b>(Unaudited)</b>	(Unaudited)
Revenue	5	<b>449,919</b>	1,190,638
Cost of sales		<b>(301,497)</b>	(878,417)
Gross profit		<b>148,422</b>	312,221
Other income and gains and losses	6	<b>23,822</b>	22,783
Other expenses		<b>(1,435)</b>	(698)
Impairment losses under expected credit loss model, net of reversal	13	<b>(18,862)</b>	(237)
Distribution and selling expenses		<b>(28,102)</b>	(29,315)
Administrative expenses		<b>(92,340)</b>	(112,237)
Research and development expenses		<b>(63,578)</b>	(81,956)
(Loss)/profit before tax	7	<b>(32,073)</b>	110,561
Income tax expense	8	<b>5,926</b>	(16,240)
(Loss)/profit for the period		<b>(26,147)</b>	94,321
<b>Other comprehensive (expense) income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Fair value loss on:			
Investment in equity instruments at fair value through other comprehensive income		<b>(46,294)</b>	(11,641)
Income tax effect		<b>6,944</b>	1,746
		<b>(39,350)</b>	(9,895)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Fair value gain on:			
Debt instruments measured at fair value through other comprehensive income		<b>5,048</b>	–
Income tax effect		<b>(749)</b>	–
Exchange differences on translation of foreign operations		<b>(938)</b>	83
		<b>3,361</b>	83

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		<b>Six months ended</b>	
		<b>30 June</b>	30 June
		<b>2020</b>	2019
		<b>RMB'000</b>	RMB'000
	<i>NOTES</i>	<b>(Unaudited)</b>	(Unaudited)
Other comprehensive expense for the period, net of tax		<b>(35,989)</b>	(9,812)
Total comprehensive (expense)/income for the period		<b>(62,136)</b>	84,509
(Loss)/profit for the period attributable to owners of the Company		<b>(26,147)</b>	94,321
Total comprehensive (expense)/income for the period attributable to owners of the Company		<b>(62,136)</b>	84,509
Basic (loss)/earnings per share (expressed in RMB per share)	<i>10</i>	<b>(0.02)</b>	0.06

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Non-current assets</b>			
Equity instruments at fair value through other comprehensive income	11	114,620	160,914
Goodwill		75,711	75,711
Property, plant and equipment		990,957	996,721
Right-of-use assets		403,237	408,640
Other intangible assets		7,965	8,216
Trade receivables	12	175,402	171,311
Long-term prepayments	15	19,155	19,155
Deferred tax assets		35,612	19,936
<b>Total non-current assets</b>		<b>1,822,659</b>	1,860,604
<b>Current assets</b>			
Inventories	14	1,489,120	1,211,644
Trade and bills receivables	12	2,142,035	2,249,063
Contract assets		6,459	28,977
Prepayments, deposits and other receivables	15	269,665	211,217
Pledged deposits	16	2,888	2,884
Cash and cash equivalents	16	1,506,859	1,832,773
<b>Total current assets</b>		<b>5,417,026</b>	5,536,558
<b>Current liabilities</b>			
Trade and bills payables	17	1,581,962	1,713,093
Other payables and accruals	18	207,173	158,141
Contract liabilities	19	98,748	41,240
Tax payable		2,390	11,125
Defined benefit obligations		2	40
Provisions		3,797	4,979
<b>Total current liabilities</b>		<b>1,894,072</b>	1,928,618
<b>Net current assets</b>		<b>3,522,954</b>	3,607,940

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>NOTES</i>	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>Net assets</b>		<b>5,345,613</b>	5,468,544
<b>Equity</b>			
Issued capital		<b>1,519,884</b>	1,519,884
Reserves		<b>3,825,729</b>	3,948,660
<b>Total equity</b>		<b>5,345,613</b>	5,468,544

**Tong Pujiang**  
*Executive director*

**ChenYongxiang**  
*Executive director*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company								
	Issued capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Fair value through other comprehensive income reserve	Defined benefit plan revaluation reserve	Exchange fluctuation reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	1,519,884	3,224,727	-	110,814	536,057	84,487	(10,364)	2,939	5,468,544
Loss for the period	-	-	-	-	(26,147)	-	-	-	(26,147)
Other comprehensive expense	-	-	-	-	-	(35,051)	-	(938)	(35,989)
Total comprehensive expense	-	-	-	-	(26,147)	(35,051)	-	(938)	(62,136)
Dividend declared	-	-	-	-	(60,795)	-	-	-	(60,795)
Appropriation to statutory surplus reserve (note (b))	-	-	-	88	(88)	-	-	-	-
Appropriation to special reserve (note (a))	-	-	3,399	-	(3,399)	-	-	-	-
Utilisation of special reserve (note (a))	-	-	(3,399)	-	3,399	-	-	-	-
At 30 June 2020 (unaudited)	1,519,884	3,224,727	-	110,902	449,027	49,436	(10,364)	2,001	5,345,613
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 2020

## 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 2020

	Six months ended	
	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
<b>Operating activities</b>		
(Loss)/profit before tax	(32,073)	110,561
Adjustments for:		
Interest income	(11,910)	(14,065)
Dividend income from equity investments	(4,410)	(4,410)
Depreciation of property, plant and equipment	21,497	25,263
Impairment of loss, net of reversal on trade receivables	18,405	240
Impairment of loss, net of reversal on other receivables	501	(3)
Impairment of loss, net of reversal on contract assets	(113)	–
Impairment of loss, net of reversal on bills receivables at amortised costs	69	–
Amortisation of other intangible assets	2,179	2,649
Amortisation of right-of-use assets	5,403	5,403
(Gain)/loss on disposal of property, plant and equipment	(5)	978
Foreign exchange loss	18	21
Write-down of inventories to net realisable value	178	4,637
Provisions for warranties	3,547	–
Operating cash flows before movements in working capital	3,286	131,274
Increase in inventories	(273,590)	(13,922)
Decrease/(increase) in trade and bills receivables	92,663	(280,586)
Decrease/(increase) in contract assets	22,631	(3,005)
Increase in prepayments, deposits and other receivables	(52,077)	(38,840)
(Increase)/decrease in pledged deposits	(4)	837
(Decrease)/increase in trade and bills payables	(131,117)	44,812
Decrease in other payables and accruals	(15,684)	(54,949)
Increase in contract liabilities	57,508	36,302
Decrease in defined benefit obligations	(38)	(128)
(Decrease)/increase in provisions	(4,729)	874
Cash used in operating activities	(301,151)	(177,331)
Interest received	7,819	10,160
Income tax paid	(14,750)	(8,637)
<b>Net cash used in operating activities</b>	<b>(308,082)</b>	<b>(175,808)</b>



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended	
	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
<b>Investing activities</b>		
Payments for acquisition of property, plant and equipment	(17,848)	(41,627)
Proceeds on disposal of property, plant and equipment	47	127
Payments for acquisition of other intangible assets	–	(827)
<b>Net cash used in investing activities</b>	<b>(17,801)</b>	<b>(42,327)</b>
<b>Net cash used in financing activities</b>	<b>–</b>	<b>–</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(325,883)</b>	<b>(218,135)</b>
Cash and cash equivalents at 1 January	1,832,773	1,789,207
Effect of foreign exchange rate changes	(31)	2
<b>Cash and cash equivalents at 30 June</b>	<b>1,506,859</b>	<b>1,571,074</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 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 have been 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**”) 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 immediate holding company is China Railway Construction Corporation Limited (“**CRCC**”), a company established in the PRC, whereas 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 34 “Interim Financial Reporting” (“**IAS34**”) 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. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group suspended its manufacturing activities during February 2020 due to the mandatory government quarantine measures in an effort to contain the spread of the pandemic. As such, the financial positions and performance of the Group were affected in certain aspects, including reduction in revenue and slow collection of trade receivables as disclosed in the relevant notes.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 4. 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 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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

### Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 5. REVENUE

	<b>Six months ended</b>	
	<b>30 June 2020</b>	30 June 2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from contracts with customers:</b>		
Sales of machineries	<b>114,657</b>	658,068
Overhaul services	<b>141,598</b>	365,732
Sales of parts and components	<b>131,118</b>	97,940
Railway line maintenance services	<b>18,446</b>	19,601
Rail vehicles engineering and technical services	<b>44,100</b>	49,297
	<b>449,919</b>	1,190,638

### Disaggregation of revenue from contracts with customers

	<b>Six months ended 30 June 2020</b>					
	Sales of machineries	Overhaul services	Sales of parts and components	Railway line maintenance services	Rail vehicles engineering and technical services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Timing of revenue recognition						
At a point in time	114,657	141,598	131,118	-	-	387,373
Over time	-	-	-	18,446	44,100	62,546
Total	114,657	141,598	131,118	18,446	44,100	449,919

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 5. REVENUE (continued)

### Disaggregation of revenue from contracts with customers (continued)

	Six months ended 30 June 2019					Total RMB'000 (unaudited)
	Sales of machineries 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)	
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

### 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.

### Geographical information

	Six months ended	
	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Revenue from external customers:		
PRC	396,169	1,141,298
Other countries	53,750	49,340
	449,919	1,190,638

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 6. OTHER INCOME AND NET GAINS AND LOSSES

	Six months ended	
	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Interest income	11,910	14,065
Dividend income from equity instruments	4,410	4,410
Government grants	3,981	860
Rental income	1,865	640
Sales of scrap materials	1,068	1,348
Training income	82	1,690
Gain/(loss) on disposal of property, plant and equipment	5	(978)
Net foreign exchange losses	(18)	(21)
Others	519	769
	<b>23,822</b>	22,783

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 7. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended	
	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	25,561	27,883
Amortisation of other intangible assets	2,179	2,649
Amortisation of right-of-use assets	5,403	5,403
Total depreciation and amortisation	33,143	35,935
Less: capitalised in inventories	(13,423)	(7,318)
	19,720	28,617
Write-down of inventories to net realisable value	178	4,637
Expense relating to short-term leases	–	5,196
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration) (Note a):		
Wages, salaries and allowances	126,284	133,214
Defined contribution scheme expenses	17,447	21,241
Welfare and other expenses	56,323	63,645
Total employee benefit expenses	200,054	218,100
Research and development expenses (Note b)	63,578	81,956
Provisions for warranties, net	3,547	4,305

Notes:

- (a) Employee benefit expenses of approximately RMB87,017,000 were capitalised in inventories for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB92,113,000).
- (b) Employee benefit expenses of approximately RMB35,789,000 are included in research and development costs for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB33,222,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 8. 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 2030 under the “Extend tax Incentives of Western Development Policy”.

A 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 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Current tax	3,555	16,397
Deferred tax	(9,481)	(157)
	<b>(5,926)</b>	16,240

## 9. DIVIDEND

During the current interim period, a final dividend of RMB0.04 per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: RMB0.05 per share in respect of the year ended 31 December 2018) was declared. The aggregate amount of the final dividend declared in the interim period amounted to RMB60,795,000 (six months ended 30 June 2019: RMB75,994,000).

The Directors do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2019: nil).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 10. (LOSS) EARNINGS PER SHARE

The calculation of the amount of basic (loss) earnings per share is based on the loss for the period attributable to owners of the Company of RMB26,147,000 (six months ended 30 June 2019: profit of RMB94,321,000), and 1,519,884,000 ordinary in issue during the period.

The Group had no potential ordinary shares in issue during the six months ended 30 June 2020 and 2019.

## 11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Equity investments:		
Domestic shares in a Hong Kong listed company	<b>114,620</b>	160,914

*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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 12. 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. Concentrations of credit risk are managed by analysis by customer. The Group does not hold any collaterals or other credit enhancements over its trade receivable balances. They are stated at outstanding balances net of allowances for credit losses.

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Trade receivables	<b>1,813,547</b>	1,836,088
Less: Impairment losses under expected credit loss model	<b>(140,529)</b>	(122,124)
Trade receivables, net	<b>1,673,018</b>	1,713,964
Bills receivables at amortised costs	<b>166,412</b>	164,084
Less: Impairment losses under expected credit loss model	<b>(878)</b>	(809)
Bills receivables at FVTOCI	<b>478,885</b>	543,135
Less: Non-current portion	<b>(175,402)</b>	(171,311)
Current portion	<b>2,142,035</b>	2,249,063

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:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Less than one year	<b>1,523,011</b>	1,702,334
One to two years	<b>392,844</b>	319,668
Two to three years	<b>99,184</b>	112,130
Over three years	<b>126,996</b>	114,931
	<b>2,142,035</b>	2,249,063

Details of the outstanding balances with related parties included in trade and bills receivables are set out in Note 22.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 13. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended	
	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Impairment loss recognised/(reversed) in respect of trade receivables	18,405	240
other receivables	501	(3)
contract assets	(113)	–
bills receivables at amortised costs	69	–
	<b>18,862</b>	237

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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

## 14. INVENTORIES

	30 June		31 December	
	2020 RMB'000 (Unaudited)		2019 RMB'000 (Audited)	
Raw materials and parts and components	541,037		613,042	
Work in progress	917,224		452,629	
Materials in transit	17,403		14,891	
Finished goods	17,512		71,473	
Goods in transit	16,185		79,672	
	<b>1,509,361</b>		1,231,707	
Allowance for impairment losses	(20,241)		(20,063)	
	<b>1,489,120</b>		1,211,644	

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Deposits and other receivables	<b>26,305</b>	18,677
Less: Impairment losses under expected credit loss model	<b>(1,086)</b>	(585)
	<b>25,219</b>	18,092
Prepayments	<b>223,691</b>	194,748
Dividend receivables	<b>4,410</b>	–
Deductible VAT input	<b>33,040</b>	17,529
Tax recoverable	<b>2,460</b>	3
	<b>288,820</b>	230,372
Less: Long-term prepayments	<b>(19,155)</b>	(19,155)
Current portion	<b>269,665</b>	211,217

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 16. CASH AND CASH EQUIVALENTS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Cash	<b>10</b>	8
Bank balances	<b>1,506,849</b>	1,832,765
Pledged deposits	<b>2,888</b>	2,884
	<b>1,509,747</b>	1,835,657
Less: Pledged deposits for guarantees of sales contracts	<b>(2,888)</b>	(2,884)
Cash and cash equivalents in the condensed consolidated statements of financial position and cash flows	<b>1,506,859</b>	1,832,773

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB1,458,809,000 (31 December 2019: RMB1,793,528,000). 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 22.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 17. 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:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Less than one year	<b>1,554,401</b>	1,700,596
One to two years	<b>21,728</b>	9,353
Two to three years	<b>4,500</b>	2,816
Over three years	<b>1,333</b>	328
	<b>1,581,962</b>	1,713,093

## 18. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Advance lease payments	<b>917</b>	2,765
Accrued salaries, wages and benefits	<b>19,325</b>	32,319
Other tax payables	<b>406</b>	11,718
Dividend payable	<b>60,795</b>	–
Other payables	<b>125,730</b>	111,339
	<b>207,173</b>	158,141

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 22.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 19. CONTRACT LIABILITIES

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Sales of goods and services	<b>98,748</b>	41,240
Current	<b>98,748</b>	41,240

The Group's contract liabilities represent advance payments from customers in respect of sales of machinery, parts and components contracts, overhaul services and railway line maintenance services contracts. The contract liabilities are recognised as revenue on a systematic basis that is consistent with the transfer to the customer the goods or services to which the liabilities relate.

## 20. CAPITAL COMMITMENTS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	<b>48,035</b>	47,787

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 21. 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 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Financial assets:				
Trade receivables, non-current portion	175,402	171,311	176,252	171,349

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.

The Group's finance department headed by the chief accountant is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The chief accountant 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. The non-liquidity discount ratio applied to the calculation of the fair value of equity investment is 65% (2019: 65%) as at 30 June 2020, which is determined based on the price quotations of similar financial instruments.

The fair value of bill receivables measured at fair value has been calculated by discounting the expected future cash flows using discount rates by reference to rates of discounting the bills receivables with similar credit risk and similar terms to the bank and is categorised within level 2 of the fair value hierarchy.

During the six months ended 30 June 2020 and 2019, 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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 22. 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 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
<i>Transactions with fellow subsidiaries</i>		
Sales of machinery	442	122,518
Overhaul services	4,422	20,529
Sales of parts and components	4,802	279
Railway line maintenance services	–	1,807
Interest income	101	589

### Balances with related parties

	30 June 2020 RMB'000 (Unaudited)		31 December 2019 RMB'000 (Audited)
	<i>Balances with fellow subsidiaries included in:</i>		
Cash and cash equivalents	43,204	73,783	
Trade and bills receivables	295,020	327,242	
Prepayments, deposits and other receivables	692	1,473	
Trade and bills payables	134,403	151,034	
Other payables and accruals:			
Due to fellow subsidiaries	3,800	3,820	
Dividends payable to fellow subsidiaries	790	–	
<i>Balances with CRCC</i>			
Dividends payable to CRCC	38,729	–	

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 22. RELATED PARTY TRANSACTIONS (continued)

### Compensation of key management personnel of the Group

	Six months ended	
	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Short-term employee benefits	1,540	1,363
Pension scheme contributions	114	193
Total	1,654	1,556

## 23. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements have been approved and authorised for issue by the board of directors on 31 July 2020.

# 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 (羅振彪)
3	Joint company secretaries	Ma Changhua (馬昌華) Law Chun Biu (羅振彪)
	Registered office	No. 384, Yangfangwang Jinma Town, Kunming Yunnan Province, China
	Telephone	+86 871 63831988
	Fax	+86 871 63831000
	Website	<a href="http://www.crcce.com.cn">http://www.crcce.com.cn</a>
	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

“Articles of association”	the Company’s articles of association
“Board” or “Board of Directors”	the Board of Directors of the Company
“CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“Company”	CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a joint stock company incorporated in the PRC
“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), amended and adopted by the standing committee of the tenth National People’s Congress on 27 October 2005, and took effect on 1 January 2006, as amended, supplemented or otherwise modified from time to time and further amended on 28 December 2013 and took effect on 1 March 2014
“CRCC”	China Railway Construction Corporation Limited, the controlling shareholder of the Company
“CRCCG”	China Railway Construction Group Corporation, the indirect controlling shareholder of the Company
“Director(s)”	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

## DEFINITIONS

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