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中国铁建

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 People's Republic of China with limited liability)

(Stock Code: 1786)

**ANNOUNCEMENT OF INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors of the Company announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2021. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. The printed version of the Company's 2021 interim report will be dispatched to the holders of shares of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and of the Company at www.crcce.com.cn on or before 30 September 2021.

BUSINESS REVIEW AND OUTLOOK

The year 2021 marks the first year for the Company to fully initiate its new development blueprint of the “14th Five-Year Plan” through “anchoring the development direction, strengthening the foundation for growth, and transforming the driver of growth”. The Company remains committed to goals of high-quality development, and makes solid strides in research and development, operation and production works. Furthermore, it accelerates new industry expansion, continues to increase the allocation of resources in key areas, and keeps up with the trend and blaze a new trial, striving to break a new journey for the “14th Five-Year Plan” high-quality development of the Company.

The results of the Company for the first half of 2021 are as follows:

Operating income: RMB995.39 million, representing an increase of RMB541.93 million as compared with RMB453.46 million for the corresponding period of last year.

Net profit: RMB19.75 million, representing an increase of RMB45.90 million as compared with net loss of RMB(26.15) million for the corresponding period of last year.

The operating income and net profit experienced significant recovery as compared with the same period last year. In the second half of the year, the Company will vigorously strengthen technology leadership, tap market potential, broaden industry development, focus on issues and challenges, and promote management reform. Targeting the annual indicators, the Company will work hard to fully complete various missions and goals of the year.

In terms of technological innovation: making faster breakthroughs in scientific and technological research and seizing the high ground of technology. The Company will focus on precise research and development featuring “advanced and accurate identification and creation of potential market demand”, and give full play to the cutting-edge technology and construction method research. Targeting the three markets, national railway, urban railway, overseas markets, the Company will identify market demand, stick to market development route, promote the digitization and intelligent upgrade and transformation of traditional products, and accelerate the development of a number of advanced types of machines such as low-pollution and dual-power. Leverage on its advantages, the Company will make breakthroughs in a number of advanced core working devices such as mechanical double-sleeper tamping device, hydraulic vibrating tamping device and high-efficiency vibrating screen, accelerate breakthroughs in the development of core technologies and equipment for rail grinding, and carry out research on core and cutting-edge technologies such as detection equipment and system automation, high-speed flaw detection, catenary detection, intelligent tamping technology, and precise positioning and detection of track spike, so as to gradually achieve full coverage of a spectrum of railway maintenance products and seize further market opportunities, thus strengthening market position.

BUSINESS REVIEW AND OUTLOOK

In terms of marketing: surviving through satisfactory performance and market-orientated operation. The Company will focus on the internal reform dynamics of China State Railway Group Co., Ltd., make active adaptation to changes, and explore new cooperation models. It will make double efforts to settle outstanding debts towards the annual operating indicators. It endeavors to actively promote the rail grinding method that combines conventional grinding and rapid grinding, and further the application and promotion of China State Railway Group's new products. The Company will also continue to explore and improve the regional operation model of the urban railway market, strengthen pre-market planning, prevent and control operational risks, and promote breakthroughs in key cities and key projects. Furthermore, it will strengthen cooperation with domestic large-scale project contractors and companies with strong operational capabilities in the urban railway market to expand market share. In terms of overseas projects, the Company will continue to strengthen the business of "going global by making use of partners' resources" and integrate into the overseas layout of CRCC, so as to strive for more achievements by taking projects that are relatively less affected by the overseas environment as the starting point, such as the Belt and Road Initiative projects and other overseas projects funded by Chinese loans.

In terms of industrial layout: insisting on industrial expansion and seeking for growth with opportunities. The Company will further expand the engineering and construction market. By focusing on advancing the operation and development of local railway siding, it will strive for construction contracts, while keeping cautious of contracting projects that do not make returns, and are difficult to collect funds and subject to high risk; put more efforts to expand the urban rail transit market, further promote the full collection and settlement of historical debts, enhance capabilities to manage and control safety production, and optimize safety operation requirements, management and control models and systems; improve project system management, fully perform target responsibilities, and enhance project efficiency.

In terms of corporate management: continuously deepening reforms and promoting development through reforms. The Company, supported by the "ten major management systems", will closely follow the high-quality development theme of the "14th Five-Year Plan", resolutely practice the new development concept, actively integrate into the new development pattern, conduct earnest research and scientific plan, and ensure implementation to make the "14th Five-Year Plan" truly become an action guide that charts the course for the high-quality development of the Company. Also, it will continue to build a human resource management system based on the Law of the Jungle and an outstanding incentive-based performance evaluation system. The Company endeavors to optimize post competition and post adaptability evaluation, improve the dynamic evaluation mechanism and exit mechanism for selection and recruitment, further explore performance appraisal methods that accommodate to the actual conditions of the Company to ensure fairness, rationality and reflect differences and effectiveness. The Company will continuously prioritize the incentive compensation to talents in such areas as research and development and operation, and improve the short-to-medium term and long-term incentive model. In terms of key areas that are prone to occurrence and frequent occurrence of high risks, it will carry out special audit investigations and internal risk management and control to form a closed management loop. In particular, in respect of the introduction of external professional resources in international legal affairs, the Company will strengthen contract risk management and control, and enhance the ability of early warning and response to disputes.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

	For the six months ended 30 June	
	2021 (RMB million)	2020 (RMB million)
Sales of machinery	559.17	114.68
Sales of parts and components	247.13	131.26
Overhaul services	117.56	141.62
Railway line maintenance and services	21.29	18.55
Design of railway machinery	45.16	44.10
Total revenue	990.31	450.22

The Group's revenue from its main business increased by RMB540.09 million or 119.96% from RMB450.22 million for the six months ended 30 June 2020 to RMB990.31 million for the six months ended 30 June 2021.

In the first half of 2021, the Group's overall sales revenue increased to a larger extent compared with the corresponding period of last year, of which revenue from sales of machinery increased by RMB444.49 million or 387.59% as compared with the corresponding period of last year, mainly due to the increase in revenue from sales of overseas large machinery; revenue from sales of parts and components increased by RMB115.87 million or 88.28% 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 RMB24.06 million or 16.99% as compared with the corresponding period of last year, mainly due to the decrease in the engineering works of large railway track maintenance machines of each railway bureaus; revenue from railway line maintenance services increased by RMB2.74 million or 14.77% as compared with the corresponding period of last year, mainly due to the increase in the quantity of railway line maintenance services; and revenue from design of railway machinery increased by RMB1.06 million or 2.40% as compared with the corresponding period of last year, mainly due to the increase in completion of orders for design services.

OTHER OPERATING INCOME

The Group's other operating income increased by RMB1.84 million from RMB3.24 million for the six months ended 30 June 2020 to RMB5.08 million for the six months ended 30 June 2021. The increase in other operating income was primarily due to the increase in service industry income.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF SALES

The Group's cost of sales increased by RMB443.93 million from RMB302.13 million for the six months ended 30 June 2020 to RMB746.06 million for the six months ended 30 June 2021, primarily due to the increase in cost resulted from the increase in revenue scale.

GROSS PROFIT

In light of the foregoing, the Group's gross profit increased by RMB98 million from RMB151.33 million for the six months ended 30 June 2020 to RMB249.33 million for the six months ended 30 June 2021. The Group's gross profit margin decreased from 33.37% for the six months ended 30 June 2020 to 25.05% for the six months ended 30 June 2021. The change in gross profit margin was mainly due to the change of gross profit structure of each business segments.

OTHER GAINS

The Group's other gains increased by RMB8.1 million from RMB2.64 million for the six months ended 30 June 2020 to RMB10.74 million for the six months ended 30 June 2021. The increase in other gains was primarily due to the increase of government grant.

SELLING EXPENSES

The Group's selling expenses increased by RMB31.43 million from RMB28.10 million for the six months ended 30 June 2020 to RMB59.53 million for the six months ended 30 June 2021, primarily due to the increase in the Group's after service fees and less frequent travel by the sales staff affected by the pandemic during the same period last year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB3.60 million from RMB81.54 million for the six months ended 30 June 2020 to RMB85.14 million for the six months ended 30 June 2021, primarily due to the decrease in administrative expenses affected by the pandemic during the same period last year.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses increased by RMB21.99 million from RMB63.58 million for the six months ended 30 June 2020 to RMB85.57 million for the six months ended 30 June 2021, primarily due to the increase in the number of research and development staff and increase in investment in research for this period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE GAINS

The Group's finance gains increased by RMB3.29 million from RMB9.00 million for the six months ended 30 June 2020 to RMB12.29 million for the six months ended 30 June 2021. The increase in finance gains was mainly due to the increase in interest income.

IMPAIRMENT LOSSES

The Group's impairment losses decreased by RMB8.60 million from RMB19.04 million for the six months ended 30 June 2020 to RMB10.44 million for the six months ended 30 June 2021. The decrease of impairment losses was mainly because the recovery of long aged receivables.

NET OTHER BUSINESS EXPENSES

The Group's net other business expenses decreased by RMB3.53 million from RMB1.06 million for the six months ended 30 June 2020 to RMB(2.47) million for the six months ended 30 June 2021. The decrease in net other business expenses was mainly due to the return of the Group's "three supply and one property management" subsidy funding balance provided by the superior.

PROFIT (LOSS) BEFORE TAX

The Group's profit before tax increased by RMB51.10 million from RMB(32.07) million for the six months ended 30 June 2020 to RMB19.03 million for the six months ended 30 June 2021. The increase in profit before tax was mainly due to the increase in aggregate gross profit.

INCOME TAX EXPENSE

The Group's income tax expense increased by RMB5.20 million from RMB(5.93) million for the six months ended 30 June 2020 to RMB(0.73) million for the six months ended 30 June 2021. 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 mainland China were subject to the enterprise income tax rate of 25%.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by RMB45.90 million from RMB(26.15) million for the six months ended 30 June 2020 to RMB19.75 million for the six months ended 30 June 2021. The increase in the profit attributable to owners of the Company was mainly due to the increase in operating revenue.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests was nil for the six months ended 30 June 2021, which was unchanged as compared with the same period of last year.

BASIC EARNINGS (LOSS) PER SHARE

Basic earnings per share increased from RMB(0.02) for the six months ended 30 June 2020 to RMB0.01 for the six months ended 30 June 2021.

LIQUIDITY AND SOURCE OF CAPITAL

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. For the six months ended 30 June 2021, the closing balance of the Group's cash and cash equivalents amounted to RMB1,381.85 million and the net decrease in cash and cash equivalents was RMB326.49 million, which was mainly due to the increase in cash paid for the acceptance of services and the purchase of goods in the first half of 2021.

Net cash outflow from operating activities

For the six months ended 30 June 2021, the Group's net cash outflow from operating activities was RMB322.53 million, which was mainly due to the increase in cash paid for the acceptance of services and the purchase of goods in the first half of 2021.

Net cash outflow from investing activities

For the six months ended 30 June 2021, the Group's net cash outflow from investing activities was RMB3.77 million. The cash outflow from investing activities was mainly due to the amount paid for the purchase of equipment.

Net cash outflow from financing activities

For the six months ended 30 June 2021, the Group's net cash outflow from financing activities was nil.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity

The Board considers that the Group has sufficient liquidity to meet the Group's present requirements for liquid funds.

COMMITMENTS

The Group's commitments as at the dates indicated are set out as follows:

Capital commitments

	30 June 2021 (RMB million)	31 December 2020 (RMB million)
Contracted but not provided for	43.77	43.23

INDEBTEDNESS

The Group has no interest-bearing debts as at 30 June 2021.

PLEDGE

The Group has no pledge as at 30 June 2021.

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 borrowings and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the parent. The Group's gearing ratio was 0.81% as at 31 December 2020 and 13.41% as at 30 June 2021.

CONTINGENT LIABILITIES

The Group has no material contingent liability as at 30 June 2021.

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 the PRC and most of the transactions are settled in RMB, with certain sales, procurement and German subsidiaries settled in foreign currencies including USD, 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.

CHANGE OF ACCOUNTING STANDARDS AND APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

In order to enhance efficiency and reduce costs of disclosure, the Company has changed the basis for preparing its overseas financial statements to the China Accounting Standards for Business Enterprises, and the Company shall adopt the China Accounting Standards for Business Enterprises for preparation of financial statements and disclosure of related financial information starting from the interim financial report and interim results of 2021. As approved by the annual general meeting of the Company held on 28 June 2021, the Company changed its international auditor from Deloitte Touche Tohmatsu to Deloitte Touche Tohmatsu Certified Public Accountants LLP. Deloitte Touche Tohmatsu Certified Public Accountants LLP became the only auditor auditing the financial statements of the Company in accordance with the China Accounting Standards for Business Enterprises, and undertook the role of the international auditor in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). Deloitte Touche Tohmatsu Certified Public Accountants LLP is responsible for the audit of the Company's financial statements for the six month period ended 30 June 2021 in accordance with the China Accounting Standards for Business Enterprises. For details, please refer to the announcement of the Company dated 6 May 2021, the circular of the Company dated 13 May 2021 and the announcement of the Company dated 28 June 2021 disclosed in the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

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 2021 (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

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

As at the date of this report, the Board consisted of eight Directors, of which Mr. Liu Feixiang, Mr. Zhao Hui, Mr. Tong Pujiang and Mr. Chen Yongxiang were appointed as the executive Directors of the CRCCE upon the nomination by the nomination committee, and the consideration and approval at the twenty-second meeting of the first session of the Board and the 2017 annual general meeting of the Company. Mr. Liu Feixiang was elected as the chairman of the second session of the Board, upon the nomination by the controlling Shareholder and the consideration and approval at the first meeting of the second session of the Board. Mr. Zhao Hui, an executive Director of the Company, was designated as a non-executive Director, upon the consideration and approval at the seventh meeting of the second session of the Board.

The Board of the Company received a resignation letter from Mr. Wu Zhixu on 3 August 2020, and Mr. Wu Zhixu ceased to serve as a non-executive director of the Company with effect from 3 August 2020. The Company currently has two non-executive Directors, namely Mr. Zhao Hui and Mr. Sha Mingyuan, and three independent non-executive Directors, namely Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing.

OTHER INFORMATION

All Directors have entered into service contracts with the Company respectively with a term of three years. A Director may be re-elected and re-appointed at a general meeting after his/her term of office expires.

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 of the Company consisted of three supervisors, including Mr. Yu Qiuhua as the chairman of the Supervisory Committee and the employee supervisor, Mr. Zhong Xiangjun and Mr. Wang Huaming as the representative supervisors of shareholders.

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

On 29 June 2018, Mr. Yu Qiuhua was elected as the chairman of the second session of the Supervisory Committee of the Company 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 of the Company.

On 7 May 2020, the Supervisory Committee of the Company received the resignation letter from Mr. Wang Shuchuan, a supervisor. 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.

On 23 October 2020, the election of Mr. Zhong Xiangjun as a representative supervisor of Shareholders was approved on the second extraordinary general meeting of 2020 held by the Company, with his term of office commencing from the date of the election on the extraordinary general meeting until the expiry of the term of the second session of the Supervisory Committee of the Company.

OTHER INFORMATION

5. Audit and Risk Management Committee

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

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

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.

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 2021 prepared under the China Accounting Standards for Business Enterprises, 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 12 April 2021, the Company convened the eighteenth meeting of the second session of the Board, on which Mr. Huang Zhaoxiang and Mr. Chen Yongxiang ceased to serve as deputy general managers of the Company, and Mr. Li Guo, Mr. Zhou Huipeng and Mr. Li Hongda were appointed as deputy general managers of the Company, with their terms of office commencing from the date of approval of the Board resolution until the beginning of the third session of the Board and the date of the election of a new session of senior management.

OTHER INFORMATION

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 2021, 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.

OTHER INFORMATION

IV. STRUCTURE OF THE SHARE CAPITAL

The share capital structure of the Company as at 30 June 2021 was as follows:

Shareholders	Type	Number of Shares	Percentage of issued share capital as at 30 June 2021
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 of the Company, as of 30 June 2021, 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 Shareholders	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) 19,759,680 (L)	Beneficial owner Interest of controlled corporation	98.00% 2.00%	– –	63.70% 1.30%
China Railway Construction Group Corporation ^{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% (L)	2.91%
CRRC Zhuzhou Institute Co., Ltd ^{Note 4}	44,285,500 (L)	Interest of controlled corporation	–	8.33% (L)	2.91%
CRRC Corporation Limited ^{Note 4}	44,285,500 (L)	Interest of controlled corporation	–	8.33% (L)	2.91%
CRRC Group Co., Ltd. ^{Note 4}	44,285,500 (L)	Interest of controlled corporation	–	8.33% (L)	2.91%

OTHER INFORMATION

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

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 2021, 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 2021, CRRC Zhuzhou 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. held 51.35% shares of CRRC Corporation Limited. CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited held 44,285,500 H Shares of the Company. Thus, CRRC Zhuzhou Institute Co., Ltd., CRRC Corporation Limited and CRRC Group Co., Ltd. were deemed to be interested in these shares.

Note 5: 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).

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. 2020 Final Dividend Distribution Plan and Implementation

For the results for the year ended 31 December 2020 of the Company prepared in accordance with International Financial Reporting Standards, please refer to the audited financial statements contained in this report. The annual results of the Company for the year ended 31 December 2020 have been reviewed by the audit and risk management committee of the Company.

As at 31 December 2020, the Group's retained profits (before the final dividend distribution) totaled RMB488 million. Upon consideration and approval of the shareholders of the Company at the 2020 annual general meeting, the Company will not distribute final dividend for the year ended 31 December 2020.

2. 2021 Interim Dividend Distribution Plan

The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2021.

OTHER INFORMATION

VIII. EMPLOYEES AND TRAINING

As at 30 June 2021, the Company has a total number of 2,015 employees. Total remunerations (including wages and surcharges) for the six months ended 30 June 2021 amounted to approximately RMB216.3 million. The remuneration policies of the Group are determined based on the position, performance, qualifications and capability of staff members.

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

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

De Shi Bao (Yue) Zi (21)No. R00050

To the shareholders of CRCC High-Tech Equipment Corporation Limited

We have reviewed the accompanying financial statements of CRCC High-Tech Equipment Corporation Limited, which comprise the consolidated and company statements of financial position as at 30 June 2021, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the six months ended 30 June 2021, and the notes to the financial statements. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express a report on review of these financial statements based on our review.

We conducted our review in accordance with China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statements. This Standard requires us to plan and perform the review to obtain limited assurance about whether these financial statements are free from material misstatements. A review is limited primarily to procedures as enquiry of the personnel and analytical review of CRCC High-Tech Equipment Corporation Limited procedures applied to the financial information and thus provides less assurance than an audit. We have not performed an audit, and therefore we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not prepared in accordance with the requirements of Accounting Standards for Business Enterprises No. 32 – Interim Financial Report and cannot present fairly, in all material respects, the consolidated and company financial position as at 30 June 2021, and operating performance and cash flows for the six months ended 30 June 2021.

Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai China

Chinese Certified Public Accountant: Yin Lili

Chinese Certified Public Accountant: Li Bin

13 August 2021

The Report on Review of Interim Financial Statements and the accompanying financial statements are English translations of the Chinese Report on Review of Interim Financial Statements and the interim financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and operating performance and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. Where the English version does not conform to the Chinese version, the Chinese version prevails.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

RMB

ASSETS	Note V	30 June 2021 (unaudited)	31 December 2020
Current assets			
Cash and bank balances	1	1,381,846,536.93	1,708,335,768.84
Bills receivable	2	211,476,966.75	24,377,500.00
Receivables at FVTOCI	3	131,314,061.75	206,316,536.04
Trade receivables	4	1,952,581,105.78	1,808,132,938.89
Advances to suppliers	5	53,639,289.32	176,625,023.48
Other receivables		36,225,946.10	21,707,860.07
Inventories	6	2,183,097,118.67	1,448,021,930.28
Contract assets		22,151,581.38	2,594,424.55
Current portion of non-current assets		10,394,000.00	10,394,000.00
Other current assets		77,138,399.59	23,835,088.99
Total current assets		6,059,865,006.27	5,430,341,071.14
Non-current assets			
Other equity instrument investments	7	243,286,046.64	181,210,141.84
Long-term receivables	8	221,397,501.74	220,809,420.73
Fixed assets	9	787,810,755.84	808,513,316.13
Construction in progress	9	171,688,336.85	167,173,138.85
Intangible assets	10	397,414,400.41	405,845,957.42
Goodwill	11	67,132,466.28	67,132,466.28
Deferred tax assets		18,672,767.71	24,379,053.00
Other non-current assets		19,152,330.00	19,152,330.00
Total non-current assets		1,926,554,605.47	1,894,215,824.25
TOTAL ASSETS		7,986,419,611.74	7,324,556,895.39

The accompanying notes form part of the financial statements.

The financial statements from page 19 to page 119 have been signed by :

Legal representative:
Liu Feixiang

CFO:
Wang Shuchuan

Head of the Finance Department:
Kong Deming

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

RMB

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	30 June 2021 (unaudited)	31 December 2020
Current liabilities			
Bills payable	12	921,471,084.86	760,571,374.89
Trade payables	13	1,031,409,713.48	662,085,036.64
Advances from customers		678,134.55	2,009,955.84
Contract liabilities	14	167,284,733.58	84,249,167.11
Employee benefits payable		20,340,276.21	15,142,700.73
Taxes payable		17,231,261.07	7,408,299.00
Other payables	15	284,081,907.07	330,271,019.07
Provisions		20,023,908.24	10,853,556.45
Other current liabilities		—	292,285.82
Total current liabilities		2,462,521,019.06	1,872,883,395.55
Total liabilities		2,462,521,019.06	1,872,883,395.55
Shareholders' equity			
Share capital		1,519,884,000.00	1,519,884,000.00
Capital reserve		3,224,727,994.03	3,224,727,994.03
Other comprehensive income	16	151,299,596.85	98,829,224.68
Surplus reserve		122,382,178.39	119,814,594.37
Retained earnings	17	505,604,823.41	488,417,686.76
Total equity attributable to owners of the Company		5,523,898,592.68	5,451,673,499.84
Total shareholders' equity		5,523,898,592.68	5,451,673,499.84
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,986,419,611.74	7,324,556,895.39

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

RMB

ITEM	Note V	January to June 2021 (unaudited)	January to June 2020 (unaudited)
Revenue	18	995,394,775.23	453,461,401.90
Less: Cost of sales	18	746,060,131.84	302,130,854.44
Taxes and surcharges		10,173,604.91	7,638,841.90
Selling and distribution expenses	19	59,526,840.81	28,102,665.24
General and administrative expenses	20	85,137,090.19	81,543,331.65
Research and development expenses	21	85,566,140.52	63,578,318.70
Finance costs	22	(12,288,766.41)	(9,002,655.63)
Including: Interest income		18,078,549.88	11,910,193.34
Add: Other income		10,736,397.02	2,639,901.00
Investment income		–	3,787,585.78
Impairment losses on assets		(2,073,043.39)	(177,915.11)
Impairment of credit losses	23	(8,368,442.85)	(18,861,740.65)
(Losses)/gains on disposal of assets		(19,283.55)	5,466.44
Operating profit/(losses)		21,495,360.60	(33,136,656.94)
Add: Non-operating income		1,757,066.42	1,630,404.97
Less: Non-operating expenses		4,226,194.57	566,421.60
Profit/(losses) before tax		19,026,232.45	(32,072,673.57)
Less: Income tax expenses	24	(728,488.22)	(5,925,649.03)
Net profit/(losses)		19,754,720.67	(26,147,024.54)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

ITEM	Note V	January to June 2021 (unaudited)	January to June 2020 (unaudited)
Classified by the continuity of operation			
Net profit/(losses) from continuing operations		19,754,720.67	(26,147,024.54)
Net profit from discontinued operations		—	—
Classified by the ownership			
Net profit/(losses) attributable to owners of the Company		19,754,720.67	(26,147,024.54)
Other comprehensive income/(expense), net of tax		52,470,372.17	(35,989,136.65)
Other comprehensive income/(expense) attributable to owners of the Company, net of tax		52,470,372.17	(35,989,136.65)
Other comprehensive income/(expense) not to be reclassified to profit or loss		52,764,519.08	(39,350,311.91)
1. Changes in fair value of other equity instrument investments		52,764,519.08	(39,350,311.91)
Other comprehensive (expense)/income to be reclassified to profit or loss		(294,146.91)	3,361,175.26
1. Changes in fair value of receivables at FVTOCI		1,016,411.23	4,298,723.05
2. Exchange differences on translation of foreign operations		(1,310,558.14)	(937,547.79)
Total comprehensive income/(losses)		72,225,092.84	(62,136,161.19)
Including:			
Total comprehensive income/(losses) attributable to owners of the Company		72,225,092.84	(62,136,161.19)
Earnings/(losses) per share:			
Basic earnings/(losses) per share	25	0.01	(0.02)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

RMB

ITEM	Note V	January to June 2021 (unaudited)	January to June 2020 (unaudited)
1. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from the sale of goods or rendering of services		818,589,279.98	637,232,703.06
Refunds of tax		6,746.91	45,983.78
Cash received from other operating activities		14,956,341.05	47,146,252.99
Subtotal of cash inflows from operating activities		833,552,367.94	684,424,939.83
Cash paid for goods and services		720,717,903.35	643,574,138.40
Cash paid to and on behalf of employees		264,232,445.90	183,847,718.91
Cash paid for all taxes		28,790,728.30	40,363,655.58
Cash paid for other operating activities		142,342,252.56	124,721,193.55
Subtotal of cash outflows from operating activities		1,156,083,330.11	992,506,706.44
Net cash flows used in operating activities	26	(322,530,962.17)	(308,081,766.61)
2. CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash received from disposal of fixed assets, intangible assets and other long term assets		265,400.00	46,902.66
Subtotal of cash inflows from investing activities		265,400.00	46,902.66
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		4,032,192.44	17,848,488.67
Subtotal of cash outflows from investing activities		4,032,192.44	17,848,488.67
Net cash flows used in investing activities		(3,766,792.44)	(17,801,586.01)
3. CASH FLOWS FROM FINANCING ACTIVITIES:			
Net cash flows generated from financing activities		—	—
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(191,477.30)	(30,680.79)
5. NET DECREASE IN CASH AND CASH EQUIVALENTS		(326,489,231.91)	(325,914,033.41)
Add: Cash and cash equivalents at beginning of the period	26	1,708,335,768.84	1,832,773,363.46
6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	26	1,381,846,536.93	1,506,859,330.05

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

RMB

ITEM	January to June 2021 (unaudited)						
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. As at 1 January 2021	1,519,884,000.00	3,224,727,994.03	98,829,224.68	-	119,814,594.37	488,417,686.76	5,451,673,499.84
II. Increase/(decrease) during the period	-	-	52,470,372.17	-	2,567,584.02	17,187,136.65	72,225,092.84
(I) Total comprehensive income	-	-	52,470,372.17	-	-	19,754,720.67	72,225,092.84
(II) Profit distribution	-	-	-	-	2,567,584.02	(2,567,584.02)	-
1. Appropriation to statutory surplus reserve	-	-	-	-	2,567,584.02	(2,567,584.02)	-
(III) Special reserve	-	-	-	-	-	-	-
1. Appropriated in current period	-	-	-	4,475,447.62	-	-	4,475,447.62
2. Used in current period	-	-	-	(4,475,447.62)	-	-	(4,475,447.62)
III. As at 30 June 2021	1,519,884,000.00	3,224,727,994.03	151,299,596.85	-	122,382,178.39	505,604,823.41	5,523,898,592.68

ITEM	January to June 2020 (unaudited)						
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. As at 1 January 2020	1,519,884,000.00	3,224,727,994.03	77,060,657.16	-	110,814,059.60	536,056,858.75	5,468,543,569.54
II. Increase/(decrease) during the period	-	-	(35,989,136.65)	-	88,225.56	(87,030,610.10)	(122,931,521.19)
(I) Total comprehensive income	-	-	(35,989,136.65)	-	-	(26,147,024.54)	(62,136,161.19)
(II) Profit distribution	-	-	-	-	88,225.56	(60,883,585.56)	(60,795,360.00)
1. Appropriation to statutory surplus reserve	-	-	-	-	88,225.56	(88,225.56)	-
2. Distribution to shareholders (Note V.17)	-	-	-	-	-	(60,795,360.00)	(60,795,360.00)
(III) Special reserve	-	-	-	-	-	-	-
1. Appropriated in current period	-	-	-	3,398,942.47	-	-	3,398,942.47
2. Used in current period	-	-	-	(3,398,942.47)	-	-	(3,398,942.47)
III. As at 30 June 2020	1,519,884,000.00	3,224,727,994.03	41,071,520.51	-	110,902,285.16	449,026,248.65	5,345,612,048.35

THE COMPANY'S STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

RMB

		30 June 2021 (unaudited)	31 December 2020
ASSETS	<i>Note XII</i>		
Current assets			
Cash and bank balances		1,302,208,282.30	1,599,972,445.98
Bills receivable	1	210,979,466.75	23,880,000.00
Receivables at FVTOCI		130,314,061.75	163,017,176.23
Trade receivables	2	1,789,217,434.85	1,646,943,891.52
Advances to suppliers	3	51,734,861.89	173,740,917.78
Dividend receivables		11,128,023.05	71,829,173.28
Other receivables	4	234,797,548.01	220,496,253.10
Contract assets		12,411,090.47	–
Inventories	5	1,944,432,817.57	1,130,725,849.57
Current portion of non-current assets		10,394,000.00	10,394,000.00
Other current assets		76,752,415.49	23,479,837.77
Total current assets		5,774,370,002.13	5,064,479,545.23
Non-current assets			
Long-term equity investments	6	381,876,012.32	381,876,012.32
Other equity instrument investments	<i>Note V.7</i>	243,286,046.64	181,210,141.84
Long-term receivables		221,397,501.74	220,809,420.73
Fixed assets		669,536,246.08	685,676,490.82
Construction in progress		171,688,336.85	167,173,138.85
Intangible assets		234,975,077.14	240,616,829.62
Deferred tax assets		10,454,801.19	16,784,173.97
Other non-current assets		19,152,330.00	19,152,330.00
Total non-current assets		1,952,366,351.96	1,913,298,538.15
TOTAL ASSETS		7,726,736,354.09	6,977,778,083.38

THE COMPANY'S STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

RMB

		30 June 2021 (unaudited)	31 December 2020
LIABILITIES AND SHAREHOLDERS' EQUITY	Note XII		
Current liabilities			
Bills payable	7	899,871,084.86	702,097,741.46
Trade payables	8	985,650,521.83	522,984,576.56
Advances from customers		261,467.89	1,343,289.18
Contract liabilities		114,677,453.78	72,054,537.98
Employee benefits payable		15,997,094.69	10,365,760.41
Taxes payable		667,109.77	1,336,879.52
Other payables		280,381,838.34	326,540,791.69
Provisions		17,753,660.42	8,816,993.41
Total current liabilities		2,315,260,231.58	1,645,540,570.21
Total liabilities		2,315,260,231.58	1,645,540,570.21
Shareholders' equity			
Share capital		1,519,884,000.00	1,519,884,000.00
Capital reserve		3,271,445,482.07	3,271,445,482.07
Other comprehensive income		150,459,760.59	96,896,991.41
Surplus reserve		122,382,178.39	119,814,594.37
Retained earnings		347,304,701.46	324,196,445.32
Total shareholders' equity		5,411,476,122.51	5,332,237,513.17
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,726,736,354.09	6,977,778,083.38

THE COMPANY'S STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

RMB

ITEM	Note XII	January to June 2021 (unaudited)	January to June 2020 (unaudited)
Revenue	9	948,293,559.98	391,293,240.42
Less: Cost of sales	9	724,827,463.25	304,048,250.34
Taxes and surcharges		8,086,135.82	6,732,914.11
Selling and distribution expenses	10	52,551,357.65	21,889,126.43
General and administrative expenses	11	62,642,563.81	58,045,140.25
Research and development expenses		85,566,140.52	57,460,743.02
Finance costs		(12,717,816.51)	(8,820,803.67)
Including: Interest income		17,910,043.48	11,459,260.75
Add: Other income		10,730,032.00	2,639,901.00
Investment income		—	47,185,952.10
Impairment losses on assets		(1,717,464.53)	(520,336.56)
Impairment of credit losses		(10,054,071.63)	(9,592,430.95)
(Losses)/gains on disposal of assets		(19,283.55)	5,466.44
Operating profit/(losses)		26,276,927.73	(8,343,578.03)
Add: Non-operating income		476,881.11	437,324.17
Less: Non-operating expenses		4,200,849.29	226,755.41
Profit/(losses) before tax		22,552,959.55	(8,133,009.27)
Less: Income tax expenses		(3,122,880.61)	(9,015,264.88)
Net profit		25,675,840.16	882,255.61
Classified by the continuity of operation			
Net profit from continuing operations		25,675,840.16	882,255.61
Net profit from discontinued operations		—	—
Other comprehensive income/(expense), net of tax		53,562,769.18	(35,009,840.02)
(I) Other comprehensive income/(expense) not to be reclassified to profit or loss		52,764,519.08	(39,350,311.91)
Changes in fair value of other equity instrument investments		52,764,519.08	(39,350,311.91)
(II) Other comprehensive income to be reclassified to profit or loss		798,250.10	4,340,471.89
Changes in fair value of receivables at FVTOCI		798,250.10	4,340,471.89
Total comprehensive income/(losses)		79,238,609.34	(34,127,584.41)

THE COMPANY'S STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

RMB

ITEM	Note XII	January to June 2021 (unaudited)	January to June 2020 (unaudited)
1. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from the sale of goods or rendering of services		665,726,136.66	501,496,414.43
Refunds of tax		—	38,762.51
Cash received from other operating activities		16,744,027.87	63,441,095.98
Subtotal of cash inflows from operating activities		682,470,164.53	564,976,272.92
Cash paid for goods and services		646,127,229.55	571,577,588.59
Cash paid to and on behalf of employees		199,588,772.90	129,382,537.19
Cash paid for all taxes		12,714,276.66	16,271,537.69
Cash paid for other operating activities		134,423,459.46	129,519,133.75
Subtotal of cash outflows from operating activities		992,853,738.57	846,750,797.22
Net cash flows used in operating activities	12	(310,383,574.04)	(281,774,524.30)
2. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from investment income		16,379,066.29	—
Cash received from disposal of fixed assets, intangible assets and other long-term assets		265,400.00	46,902.66
Subtotal of cash inflows from investing activities		16,644,466.29	46,902.66
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,938,236.29	17,240,964.77
Subtotal of cash outflows from investing activities		3,938,236.29	17,240,964.77
Net cash flows generated from (used in) investing activities		12,706,230.00	(17,194,062.11)
3. CASH FLOWS FROM FINANCING ACTIVITIES:			
Net cash flows generated from financing activities		—	—
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(86,819.64)	5,319.21
5. NET DECREASE IN CASH AND CASH EQUIVALENTS		(297,764,163.68)	(298,963,267.20)
Add: Cash and cash equivalents at beginning of the period	12	1,599,972,445.98	1,666,914,757.79
6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	12	1,302,208,282.30	1,367,951,490.59

THE COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

RMB

ITEM	January to June 2021 (unaudited)						
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. As at 1 January 2021	1,519,884,000.00	3,271,445,482.07	96,896,991.41	-	119,814,594.37	324,196,445.32	5,332,237,513.17
II. Increase/(decrease) during the period	-	-	53,562,769.18	-	2,567,584.02	23,108,256.14	79,238,609.34
(I) Total comprehensive income	-	-	53,562,769.18	-	-	25,675,840.16	79,238,609.34
(II) Profit distribution	-	-	-	-	2,567,584.02	(2,567,584.02)	-
1. Appropriation to statutory surplus reserve	-	-	-	-	2,567,584.02	(2,567,584.02)	-
(III) Special reserve	-	-	-	-	-	-	-
1. Appropriated in current period	-	-	-	1,689,848.46	-	-	1,689,848.46
2. Used in current period	-	-	-	(1,689,848.46)	-	-	(1,689,848.46)
III. As at 30 June 2021	1,519,884,000.00	3,271,445,482.07	150,459,760.59	-	122,382,178.39	347,304,701.46	5,411,476,122.51

ITEM	January to June 2020 (unaudited)						
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. As at 1 January 2020	1,519,884,000.00	3,271,445,482.07	74,239,077.47	-	110,814,059.60	303,986,992.43	5,280,369,611.57
II. Increase/(decrease) during the period	-	-	(35,009,840.02)	-	88,225.56	(60,001,329.95)	(94,922,944.41)
(I) Total comprehensive income	-	-	(35,009,840.02)	-	-	882,255.61	(34,127,584.41)
(II) Profit distribution	-	-	-	-	88,225.56	(60,883,585.56)	(60,795,360.00)
1. Appropriation to statutory surplus reserve	-	-	-	-	88,225.56	(88,225.56)	-
2. Distribution to shareholders (Note V.17)	-	-	-	-	-	(60,795,360.00)	(60,795,360.00)
(III) Special reserve	-	-	-	-	-	-	-
1. Appropriated in current period	-	-	-	1,424,836.59	-	-	1,424,836.59
2. Used in current period	-	-	-	(1,424,836.59)	-	-	(1,424,836.59)
III. As at 30 June 2020	1,519,884,000.00	3,271,445,482.07	39,229,237.45	-	110,902,285.16	243,985,662.48	5,185,446,667.16

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

I. CORPORATE INFORMATION

CRCC High-Tech Equipment Corporation Limited (Original name: “Kunming China Railway Large Maintenance Machinery Group Co., Ltd.”, the “**Company**”) is a joint stock limited company with limited liability registered in Kunming in the People’s Republic of China (the “**PRC**” or “**Mainland China**”), transformed from Kunming China Railway Large Maintenance Machinery Group Co., Ltd. after an overall restructuring in 2015. On 16 December 2015, the Company issued a total of 531,900,000 H shares with a nominal value of RMB1.00 in Hong Kong and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The Company The registered address of the Company is located at No. 384 Yangfangwang, Jinma Town, Guandu District, Kunming, Yunnan Province, the PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) mainly consist of repair and remanufacturing of large railway track maintenance machinery, provision of annual inspection services and extended services for track maintenance machinery; production, manufacturing and sales of accessories, repair of components, and production, manufacturing and sales of small large railway track maintenance machinery; mechanized maintenance and repair services for railway line; casting manufacturing and machining manufacturing; production and processing of railway materials, equipment and accessories, sales, import and export business of railway machinery, equipment and accessories, construction materials, hardware and electric products, mechanical and electronic equipment.

The Company’s parent and ultimate holding company are China Railway Construction Corporation Limited (“**CRCC**”) and China Railway Construction Corporation, a company registered in PRC respectively.

These financial statements were approved and authorised for issue by the board of directors of the Company on 13 August 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Basis of preparation

The Group has implemented the Accounting Standards for Business Enterprises and other relevant provisions issued by the Ministry of Finance (collectively referred to as “**Accounting Standards for Business Enterprises**”). These financial statements have been prepared in accordance with Accounting Standards for Business Enterprises No. 32 – Interim Financial Report. In addition, the financial statements are also disclosed in accordance with the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange. The financial statements have been prepared by the Group on a going-concern basis.

In accordance with the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong issued by the Hong Kong Stock Exchange in December 2010, the corresponding amendments to the Listing Rules, as well as the relevant documents issued by the Ministry of Finance and China Securities Regulatory Commission, the Company adopted the China Accounting Standards for Business Enterprises for the preparation of financial statements from the year of 2021 with the approval of the Company’s general meeting of shareholders, taking into account the disclosure requirements of the Hong Kong Companies Ordinance and the Hong Kong Listing Rules in preparing such financial reports.

Basis of accounting measurement and principal of measurement

The Group has adopted accrual basis for accounting measurement. The financial statements have been presented under the historical cost, except for certain financial assets which have been measured at fair value. If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements.

Under the historical cost method, assets were measured at the amount of cash or cash equivalents paid or the fair value of the consideration given at the time of purchase. Liabilities were measured at the amount of proceeds or assets actually received due to a present obligation assumed, or the contractual amount of the present obligation assumed, or the amount of cash or cash equivalents expected to be paid to settle the liabilities in the ordinary course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless of whether the fair value is observable or estimated using valuation technique, fair value measurement and/or disclosure in these financial statements are determined on such a basis.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

Basis of accounting measurement and principal of measurement (Continued)

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that they can access at the measurement date.
- Level 2 inputs are inputs, other than quoted process included within level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

These financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully the financial position of the Group and the Company as at 30 June 2021 and the consolidated and company financial performance, changes in equity and cash flows for the six months ended 30 June 2021 in accordance with Accounting Standards for Business Enterprises No. 32 – Interim Financial Report.

2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year. The reporting period for the financial statements starts from 1 January to 30 June 2021.

3. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company may determine their own functional currencies based on their specific economic environments. The Group adopts RMB to prepare its financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All intra-group transactions are eliminated on consolidation.

5. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Foreign currency transactions and foreign currency translations

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rate ruling at the balance sheet date. Exchange differences arising from the difference between the spot exchange rate on that day and on the date of initial recognition or the previous balance sheet date are recognised in profit or loss, except those related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation for the purpose of acquisition, construction or production of qualifying assets.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign spot exchange rates at the transaction dates and do not change the amounts of functional currency. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange spot rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates functional currencies of overseas financial statements into RMB financial statements. All assets and liabilities are translated at the spot exchange rates ruling at the balance sheet date; the shareholders' equity, with the exception of retained earnings, is translated at the spot exchange rates ruling at the transaction dates; all items in the statement of profit or loss and other comprehensive income and items reflect amounts of profit distribution are translated at the spot exchange rates at the transaction dates. The undistributed profit at the beginning of the year equals the translated undistributed profit of the previous year/period; the undistributed profit at the end of the year/period is calculated according to the translated profit distribution items. Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to profit or loss in the same period.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the spot exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash and cash equivalents are presented as a reconciled item separately in the statement of cash flows.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument. For the financial assets that are purchased and sold under regular ways, the assets to be acquired and the liabilities to be assumed are recognised on the trade days, and the assets sold are derecognised on the trade days.

On initial recognition, financial assets and financial liabilities are recognised at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss; transaction costs relating to other categories of financial assets and financial liabilities are included in the value initially recognised. For trade receivables initially recognised that do not contain a significant financing component or a financing component included in the contracts less than one year which are not considered, which are within the scope of Accounting Standard for Business Enterprises No. 14 – Revenue (“**ASBE No. 14**”), transaction prices shall be adopted on initial recognition.

The effective interest method is a method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation of the interest income or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all the contractual terms of the financial asset or financial liability (for example, prepayment, extension, call option or similar options) but shall not consider the expected credit losses.

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortisation of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative credit loss allowance (only applicable to financial assets).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Financial instruments (Continued)

7.1 *Classification and measurement of financial assets*

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortised cost, at fair value through other comprehensive income.

7.1.1 *Financial assets measured as at amortised cost*

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial assets measured at amortised cost. The Group's financial assets measured at amortised cost including cash and bank balances, bills receivable, trade receivables, other receivables and long-term receivables.

The above financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

Interest income from financial assets at amortised cost and at fair value through other comprehensive income is recognised based on the effective interest method. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial asset, unless when such financial asset subsequently becomes credit-impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets. If the credit impairment no longer exists due to an improvement in credit risk of the financial instruments subsequently and such improvement is relevant to some events occurred after applying the policies mentioned above, the Group recognises interest income based on applying effective interest rate to gross carrying amount of the financial assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Financial instruments (Continued)

7.1 Classification and measurement of financial assets (Continued)

7.1.2 Financial assets classified as at fair value through other comprehensive income (FVTOCI)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets classified as at FVTOCI are presented by the Group and receivables at FVTOCI in financial statements.

Financial assets classified as at FVTOCI's relevant loss/gain on impairment and interest income based on effective interest rate are recognised in profit or loss. Except for the above circumstances, changes in fair value of such financial assets are all recognised in other comprehensive income. Such financial assets' changes that are recognised in profit or loss in each period equal to their changes that are recognised in profit or loss in each period as they are measured at amortised cost from acquisition date. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in profit or loss.

7.1.3 Financial assets designated as at fair value through other comprehensive income

On initial recognition, the Group may irrevocably designate non-trading equity instruments as financial assets at fair value through other comprehensive income on an individual basis. Financial assets designated as at fair value through other comprehensive income are presented by the Group as other equity instrument investments in financial statements.

The fair value changes of such financial asset is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in equity instruments, dividend income is recognised in profit or loss for the period when the Group has right to collect dividend, the economic benefits associated with dividend will probably flow into the Group and the amount of dividend can be reliably measured.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Financial instruments (Continued)

7.2 *Impairment of financial instruments and other items*

The Group recognises loss allowance for financial assets measured as at amortised cost, financial assets classified as at FVTOCI, and contract assets based on expected credit losses ("ECL").

The Group measures loss allowance for contract assets and trade receivables resulting from ASBE No. 14 based on the amount of full lifetime ECL.

For other financial instruments, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group recognises loss allowance based on their full lifetime. If the credit risk of the above financial instruments has not increased significantly since initial recognition, the Group recognises loss allowance based on 12-month ECL of the financial instrument. Except for financial assets classified as at FVTOCI, the increase or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. For financial assets classified as at FVTOCI, the Group recognises credit loss allowance in other comprehensive income, includes the loss/gain on impairment in profit or loss in the current period and does not decrease the carrying amount of such financial assets in the statement of financial position.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, at each balance sheet date, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at each balance sheet date. Relevant reversal of loss allowance is included in profit or loss for the current period as gain on impairment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Financial instruments (Continued)

7.2 Impairment of financial instruments and other items (Continued)

7.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group uses available, reasonable and supportable forward looking information, to compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

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

- (1) Whether the actual or expected operating results of the debtor have changed significantly;
- (2) Whether supervisory, economic or technical environment for the debtor has significant detrimental changes;
- (3) Whether value of collateral against debt mortgage or guarantee/credit enhancement provided by a third party has changed significantly. It is expected that the aforesaid changes are economic motives that will lower the debtor's repayment based on contractual stipulation or have an impact on probability of default;
- (4) Whether the economic motives that is expected to lower the debtor's repayment based on contractual stipulation has changed significantly;
- (5) Whether the debtor's expected performance and repayment activities have changed significantly;

At the balance sheet date, the Group assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Group determines that the financial instrument is only exposed to low credit risk. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Financial instruments (Continued)

7.2 Impairment of financial instruments and other items (Continued)

7.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- (1) significant financial difficulty of the issuer or the debtor;
- (2) the debtor breaches the contract; such as default or overdue on interest or principal payment;
- (3) the creditor, for economic or contractual reasons relating to the financial difficulties of the debtor, granted to the debtor a concession that the creditor would not otherwise consider;
- (4) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Based on the Group's internal credit risk management, the Group considers an event of default occurs when information proposed internally or obtained externally indicates that the debtor of the financial instrument is unable to pay its creditors (including the Group) in full (without taking into account any guarantees obtained by the Group).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Financial instruments (Continued)

7.2 Impairment of financial instruments and other items (Continued)

7.2.3 Determination of ECL

For trade receivables and contract assets, the Group individually assesses credit losses for those individually significant and credit-impaired and uses provision matrix to assesses credit losses for the remaining. For other financial assets measured as at amortised cost and financial assets measured at fair value through other comprehensive income, the Group individually assesses credit losses for those individually significant and uses provision matrix to assess credit losses for the remaining. The Group classifies financial instruments into different groups based on similar credit risk characteristics. Similar credit risk characteristics include: type of financial instruments, credit risk rating, contractual billing period and industry of debtor etc.

ECL of financial assets is recognised based on the present value of difference between the contractual cash flows receivable and the cash flows that the Group expects to receive. For credit-impaired financial assets at the balance sheet date, credit loss is difference between the gross carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

7.2.4 Reduction in financial assets

The Group directly reduces the gross carrying amount of financial assets when ceasing to reasonably expect that the contractual cash flow of such financial assets may be fully or partially recoverable. Such reduction comprises derecognition of relevant financial assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Financial instruments (Continued)

7.3 *Transfer of financial assets*

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred and the consideration received from the transfer and the accumulated changes in fair value initially recorded in other comprehensive income is recognised in profit or loss. If the Group transfers a financial asset that belongs to non-trading equity instrument investments designated as at FVTOCI, the cumulative gains or losses previously recognised in other comprehensive income allocated to the part derecognised are transferred and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety and recognises the consideration received as a financial liability.

7.4 *Classification of financial liabilities and equity instruments*

The Group's financial instruments or their components are, on initial recognition, classified into financial liabilities or equity instruments on the basis of contractual terms for issuance and the economic substance reflected by such terms and in combination with definitions of financial liability and equity instruments, instead of only on the basis of the legal form.

7.4.1 *Classification and measurement of financial liabilities*

The financial liabilities of the Group are classified as other financial liabilities on initial recognition. Other financial liabilities of the Group are subsequently measured at amortised cost, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Financial instruments (Continued)

7.4 *Classification of financial liabilities and equity instruments (Continued)*

7.4.2 *Derecognition of financial liabilities*

The Group derecognises a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (the debtor) and the creditor to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

7.4.3 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognised as changes of equity. Changes of fair value of equity instruments is not recognised by the Group. Transaction costs related to equity transactions are deducted from equity. The Group recognises the distribution to holders of the equity instruments as distribution of profits, dividends paid do not affect total amount of shareholders' equity.

7.5 *Offsetting financial assets and financial liabilities*

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the statement of financial position. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Inventories

The Group's inventories mainly include raw materials, works in progress, finished goods, goods issued and materials in transit, etc.. Inventories are initially measured at cost, which comprises purchase costs, processing costs and other expenses incurred in bringing the inventories to their current location and condition.

The actual cost of inventories upon delivery is calculated using the weighted average method.

At the balance sheet date, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of amounts expected to be realised from their sale or use, provision for inventories is recognised in the profit or loss. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the profit or loss for the current period.

Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

Inventories are accounted for using the perpetual inventory system.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Long-term equity investments

9.1 *Determination of investment cost*

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree on the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

The long-term equity investments acquired through a business combination under the non-unitary control will be used as the initial investment cost of long-term equity investments according to the combination cost on the purchase date.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The long-term equity investments acquired other than through a business combination is initially measured at cost.

9.2 *Subsequent measurement and recognition of profit or loss*

Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Fixed assets

A fixed asset is a tangible asset whose useful life exceeds one accounting year and which is held for production of goods, rendering services, offering leases or operation and management. A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses.

The fixed assets shall be depreciated on straight-line basis over their useful life from the month after they are brought to working condition for the intended use. The useful life, estimated net residual value and annual depreciation rates of each category of fixed assets are as follows:

Category	Estimated residual value rates	Useful lives	Annual depreciation rates
Buildings and structures	5%	35 years	2.71%
Machinery	5%	10 years	9.50%
Vehicles	5%	5 years	19.00%
Production equipment	5%	5-10 years	9.50%-19.00%
Measuring and testing equipment	5%	5 years	19.00%
Others	5%	3-5 years	19.00%-31.67%

Estimated net residual value is the amount that the Group would currently obtain from disposal of fixed asset after deducting the estimated costs of disposal, assuming such asset is out of its expected useful life and in the expected condition of ending its useful life.

A fixed asset is derecognised on disposal or when no economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the book value and relevant taxes is included in profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Fixed assets (Continued)

The Group shall review the useful life, estimated net residual value and the depreciation method of a fixed asset at least at the end of each year, and account for any change as a change in accounting estimate.

11. Construction in progress

Construction in progress is recognised based on the actual construction expenditures incurred, including all expenditures necessarily incurred for construction projects and other related expenditures during the construction period. A construction in progress is not depreciated and is transferred to fixed assets when it is ready for its intended use.

12. Intangible assets

The Group's intangible assets include land use rights, software use rights, etc.

An intangible asset shall be recognised only when it is probable that the related economic benefits will flow to the Group and the costs of which can be measured reliably. Intangible assets are measured initially at cost.

The useful lives of intangible assets are assessed based on estimated economic benefit periods.

The Group accounts for its land use rights as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings acquired are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

Land use rights of the Group are amortised on the straight-line basis according to the useful lives approved in the obtained land use certificates. Software use rights are usually amortised based on the estimated useful life of 2 years.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at least at each year end and makes adjustment if necessary.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. R&D Expenditures

The Group divides the expenditure of internal R&D project into research stage expenditure and development stage expenditure. The research stage expenditure will be recorded into the profit and loss for the current period when incurred. Expenditures in the development phase may only be capitalised if the following conditions are satisfied simultaneously: it is technically feasible to complete the intangible asset and make it usable and marketable; it is intended to complete and use or sell the intangible asset; the usefulness of the intangible asset can be proved by its method to generate economic benefit, including the fact that there is market for the product manufactured using the intangible asset, there is market for the intangible asset itself, or the intangible asset will be used internally; there is sufficient technical, financial resource and other resource support to complete the development of the intangible asset, and there is the ability to use or sell the intangible asset; and the expenditures attributable to the development stage of the intangible asset can be reliably measured. Development expenses not satisfying all above conditions are recognised in profit or loss of the period as incurred.

14. Provisions

An obligation related to a contingency in respect of product quality assurance shall be recognised by the Group as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- (3) a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the end of Reporting Period. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimation.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Revenue recognition

The revenue of the Group is mainly generated from business types as follows:

- Business of sales of machinery equipment: principally including the sales of large railway track maintenance machines;
- Business of overhaul services of railway track maintenance machines: principally including the overhaul of large railway track maintenance machines;
- Business of sales of accessories: principally including the sales of parts and component of large railway track maintenance machines;
- Business of railway line maintenance services: principally including the railway line maintenance services;
- Business of machinery design services: principally including the design services of rail vehicles.

When (or as) a performance obligation in a contract is satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the revenue is recognised at the transaction price allocated to the performance obligation. A performance obligation refers to the commitment of the Group to transfer the goods or services that can be clearly distinguished to the customer in the contract. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts that the Group is expected to refund to a customer.

The Group assesses a contract at contract inception, identifies each individual performance obligation included in the contract, and determines whether the Group satisfies the performance obligation over time or at a point in time. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the customer can control the goods under construction of the Group during the performance of the contract; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has the right to receive payments for the portion of the performance that has been completed to date. Otherwise, revenue is recognised at a point in time when the customer obtains control of the relevant goods or services.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Revenue recognition (Continued)

For the businesses of sales of machinery equipment, overhaul services of railway track maintenance machines and sales of accessories, the revenue is recognised when the customer obtains control of the relevant goods or services. Obtaining control of the relevant goods or services means being able to dominate the use of the good or the provision of the service and obtains substantially all of its economic benefits.

For most of the railway line maintenance services and machinery design services, the Group will recognise them as a performance obligation satisfied over time and recognise revenue according to the progress of performance. The Group determines progress of performance in respect of the railway line maintenance services and machinery design services using the input method. When the progress of performance cannot be reasonably determined, if the costs incurred are expected to be compensated, the Group recognises revenue based on the amount of costs incurred, until the progress of performance can be reasonably determined.

Significant financing component

Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the contract consideration shall be amortised using an effective interest method over the contract term. The Group shall not take into account the existence of a significant financing component in the contract if the Group expects, at contract inception, that the period between when the customer acquires the control of a promised good or service and when the customer pays for that good or service will be one year or less.

Principal and agent

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it has the control over the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified goods or services before they are transferred to a customer, and the revenue shall be recognised based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognised based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or at the pre-determined amount or pre-determined proportion of the commission.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Revenue recognition (Continued)

Sales with quality assurance terms

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies.

Contract asset

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract asset are specified in Note III, 7.2. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received or receivable consideration from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

16. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Government grants (Continued)

For a government grant related to income, if the grant is a compensation for related costs, expenses or losses to be incurred in subsequent periods, it is recognised as deferred income, and recognised in profit or loss or offset against the related costs and expenses over the periods in which the related costs, expenses or losses are recognised; if the grant is a compensation for related costs, expenses or losses already incurred, it is recognised immediately in profit or loss or offset against the related costs and expenses for the current period.

Government grants related to the Group's daily activities shall be credited to other gains or offset against the related costs and expenses based on the economic business nature. Government grants irrelevant to the Group's daily activities shall be credited to non-operating income.

17. Income tax

The income tax expenses include current income tax and deferred income tax.

Except for that the carrying amount of goodwill adjusted by deferred income tax arising from the business combination or the current income tax and deferred income tax related to transactions or events recognised in other comprehensive income or owners' equity are included in other comprehensive income or owners' equity, the expenses or gains of other current income tax and deferred income tax are included in profit or loss for the period.

Current income tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid or recovered according to the taxation laws and regulations.

At the balance sheet date, for temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the carrying amounts of items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred income taxes are recognised using the balance sheet liability method.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Income tax (Continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (1) When the taxable temporary difference arises from: the initial recognition of goodwill or the initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward in the coming years, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except:

- (1) When the deductible temporary differences do not arise from business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses.
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

At the balance sheet date, deferred income tax assets and liabilities are measured at applicable tax rates according to the requirements of tax laws during the period that the assets are expected to be recovered or the liability expected to be settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. The reduced amount is recovered to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Income tax (Continued)

Deferred income tax assets and liabilities are offset and presented on a net basis if the Group has a legal right to settle the current tax assets and liabilities on a net basis and the deferred income taxes relate to the same taxable entity and the same taxation authority.

18. Leases

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

For contracts entered into, the Group assesses whether the contract is, or contains, a lease at inception/modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

18.1 The Group as a Lessee

For short-term leases of mechanical equipment, the Group shall choose not to recognise the right-of-use assets and lease liabilities. A short-term lease refers to a lease with a term of no more than 12 months and does not contain a purchase option at the start date of the lease term. The Group records the lease payment amount of the short-term lease into the current profit and loss or relevant costs of asset using the straight line method in each period of the lease term.

18.2 The Group as a lessor

Classification of leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other leases which are not finance leases are operating leases.

Recognition and measurement as a lessor of an operating lease

The Group recognises lease receivables from operating leases as lease income on a straight-line basis over the lease term.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Goodwill

The goodwill arising on a business combination shall be presented separately in the consolidated financial statements and measured at costs less accumulated provision for impairment.

20. Impairment of long-term assets

- ▢ The Group determines the impairment of assets, other than the impairment of inventories, deferred tax assets, financial assets and contract assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that the assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the assets and conducts a test for impairment. Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired.

The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. The recoverable amount of an asset or an asset group is the higher of its fair value less costs to disposal and the present value of its future cash flows estimated to be derived from the asset or the asset group.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the difference is recognised as a provision for impairment loss and profit or loss for the current period.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is difficult to do so, and such amount will be amortised to the relevant portfolio of asset groups. Each of relevant asset groups or portfolio of asset groups is an asset group or portfolio of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reporting segment determined by the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Impairment of long-term assets (Continued)

At the time of making an impairment test on the relevant asset groups or portfolios of asset groups containing goodwill, if any indication shows that the goodwill-related asset group or portfolio of asset groups may have been impaired, the Group will firstly conduct an impairment test on the asset groups or portfolios of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value, to recognise the corresponding impairment loss. Thereafter, the Group conducts the impairment test on the asset group or portfolio of asset groups where the goodwill is included, and compare the carrying amount of such group or portfolio with the recoverable amount of the same, if the recoverable amount is less than the carrying amount, the amount of impairment loss should firstly be used to reduce the carrying amount of the goodwill allotted to such group or portfolio, and then reduce carrying amount of other assets than the goodwill in such group or portfolio based on proportions of these carrying amounts.

The losses from impairment of the above assets cannot be reversed in subsequent accounting periods once recognised.

21. Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

21.1 Short-term benefits

In the period of employee services, short-term benefits are actually recognised as liabilities and charged to profit or loss or the related costs of assets for the current period.

21.2 Post-employment benefits (defined contribution plans)

If employees of the Group participate in the basic pension insurance and unemployment insurance plans managed by local governments and participate in the supplementary pension insurance of the Group as well, the relevant expenditures are recorded in the relevant capital costs and expenses in the period when incurred.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee benefits (Continued)

21.3 Post-employment benefits (defined benefit plans)

The Group provides benefit plans for long-term post-leaving personnel, which are considered as defined benefit plans. The Group does not put any funds in the plans; the costs of the defined benefit plans are measured using the projected cumulative unit credit method.

Any re-measurement caused by the defined benefit plans, including actuarial gains or losses, is recognised in the balance sheet immediately and recorded in equity as other comprehensive income in the accounting period the remeasurement occurred. Those losses and gains should not be reversed to profit or loss in the subsequent accounting periods.

The past service costs should be recognised as current expenses at the earlier of the following dates: when the Group modifies the defined benefit plans; and when the Group recognises relevant restructuring costs or termination benefits.

Net interest is calculated by multiplying net liabilities of the defined benefit plan by the discount rate. The Group recognises changes in net liabilities of the defined benefit plan under administrative expenses in the income statement: Service costs include current service costs, past service costs and gains or losses on settlement; net interest includes interest expenses on plan obligations.

21.4 Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates in profit or loss: when the Group can no longer unilaterally withdraw the offer of those benefits for proposals or suggestions for termination of employment; and when the Group recognises costs or expenses for restructuring and involves the payment of termination costs or expenses.

21.5 Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Distribution of profit

The cash dividends of the Company are recognised as a liability after being approved at a general meeting.

23. Production safety expenses

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation (Cai Qi [2012] No.16) and the Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and other comprehensive income and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

24. Significant accounting judgements and estimates

In the process of applying the above accounting policies, the inherent uncertainties in the Group's operations require the Group to make judgements, estimates and assumptions about the carrying amounts of items in the statements that cannot be measured accurately. These judgements, estimates and assumptions are based on the historical experience of the Group's management and the consideration of other relevant factors. Actual results may differ from the Group's estimates.

The Group reviews these judgements, estimates and assumptions on a going concern basis periodically. The effect of changes in accounting estimates is recognised in the period in which the change occurs if the change affects only the period in which the change occurs, or in future periods if the change affects both the period in which the change occurs and future periods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Significant accounting judgements and estimates (Continued)

The key assumptions and uncertainties adopted in accounting estimates

The key assumptions and uncertainties in accounting estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in future periods are mainly:

Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on the actual useful lives of fixed assets of similar nature and function in the past, based on historical experience. To determine the useful life and estimated net residual value of fixed assets, the Group regularly reviews changes in market conditions, the actual wear and tear of assets and asset maintenance. If the useful life of fixed assets is reduced, the Group will increase the depreciation rate and retire those assets that are idle or technically obsolete. The Group reviews the useful lives and estimated net residual values of fixed assets at the end of the year in the light of changes in circumstances.

Impairment of account receivables

For receivables arising from transactions governed by the income criteria, the Group measures the provision for losses at an amount equal to the expected credit loss over the entire duration of account receivables. For receivables that are individually significant and for which credit impairment has occurred, the management determines the credit loss by estimating the cash flows expected to be collected based on objective evidence that credit impairment has occurred and taking into account forward-looking information. For receivables other than those mentioned above, the Group determines credit losses using an impairment matrix based on common credit risk characteristics and the expected credit loss rate is determined based on the Group's historical actual loss rate taking into account the forward-looking information. The determination of expected credit losses involves the estimates and judgement of the management and if the re-estimated results differ from existing estimates, such differences will impact the profit and carrying value of account receivables in the period in which the estimates are changed.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Significant accounting judgements and estimates (Continued)

The key assumptions and uncertainties adopted in accounting estimates (Continued)

Impairment of goodwill

The impairment testing of goodwill requires the calculation of the present value of the estimated future cash flows of the relevant asset group comprising the goodwill and requires the estimation of the future cash flows of that asset group and the determination of a pre-tax rate that appropriately reflects the current market time value of money and the risks specific to the asset. Further impairment may occur if actual future cash flows are less than expected, or if future cash flows decline as a result of changes in facts and circumstances. The carrying value of goodwill as at 30 June 2021 was RMB67,132,466.28 (31 December 2020: RMB67,132,466.28) and no provision for impairment of goodwill has been made by the Group for the six months period ended 30 June 2021 (six months period ended 30 June 2020: nil). See notes V and 11 for details.

Fair value of investments in other equity instruments

As the Group's investment in other equity instruments is an equity interest in an H-share company listed in Hong Kong, which is a state-owned legal entity and is not directly marketable under current legislation, the Group has adjusted the fair value of this investment on the basis of quoted open market prices for outstanding shares. This requires the Group to estimate a liquidity discount rate for this investment, which involves management's estimates and judgement. If the re-estimation results in a difference from the existing estimate, the difference will impact the carrying value of the investment in other comprehensive income and other equity instruments in the period in which the estimate is changed.

Income tax and deferred tax assets

The Company and its subsidiaries are subject to enterprise income tax in their respective locations due to their geographical locations. In providing for enterprise income tax, reliable estimates and judgments are required based on current tax regulations and other relevant policies as certain matters relating to enterprise income tax have not been confirmed by the competent tax authorities. Where the final tax outcome of such matters differs from the amounts recognised, such differences will have an impact on the current income tax for the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Significant accounting judgements and estimates (Continued)

The key assumptions and uncertainties adopted in accounting estimates (Continued)

Income tax and deferred tax assets (Continued)

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised to the extent that the management believes it is probable that sufficient taxable income will be available against which deductible temporary differences or deductible losses can be utilised in the future. If the estimate differs from the original estimate, such differences will have an impact on the deferred tax assets and tax recognised in the period of change.

IV. TAXATION

1. Major categories of taxes and respective tax rates

Category	Tax basis	Tax rate
Valued-added tax	Sales, etc. under the relevant tax laws	6%, 9%, 13%
Enterprise income tax	Taxable income	The Company and its subsidiary, Beijing Ruiweitong Engineering Machinery Co., Ltd., are entitled to a preferential tax of 15% and the enterprise income tax of other subsidiaries of the Group is calculated at 25% of the taxable income.
Urban maintenance and construction tax	Based on the actual amount of turnover tax paid, such as value added tax	5%, 7%
Education surcharge	Based on the actual amount of turnover tax paid, such as value added tax	3%
Local education surcharge	Based on the actual amount of turnover tax paid, such as value added tax	2%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

IV. TAXATION (Continued)

2. Tax preferential

Deduction of research and development expenses incurred

In accordance with Article 30(1) of Chapter 4 of the Enterprise Income Tax Law of the People's Republic of China, and the Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Increasing the Percentage of Pre-tax Deduction of Research and Development Expenses (Cai Shui [2018] No. 99), the Company and its subsidiaries are entitled to a pre-tax deduction of 75% of the actual amount of research and development expenses incurred in calculating taxable income for the year 2020. Pursuant to the Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses (Announcement No. 13 of 2021 of the General Administration of Taxation of the Ministry of Finance), starting from 1 January 2021, the Company and its subsidiaries are entitled to a pre-tax deduction of 100% of the actual amount incurred for research and development expenses that meet the aforesaid requirements when calculating taxable income.

Tax preferential policy for the Western Region Development

Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58), the tax preference for the Western Region Development are valid until 2020. The document stipulates that "from 1 January 2011 to 31 December 2020, the enterprise income tax for enterprises in the encouraged industries located in the western region shall be levied at a reduced rate of 15%. The abovementioned enterprises in the encouraged industries refer to those enterprises whose main business is the industrial projects specified in the Catalogue of Encouraged Industries in the Western Region and whose main business income accounts for more than 70% of the total income of the enterprise. The "Catalogue of Industries Encouraged in the Western Region" will be published separately. The Catalogue of Industries Encouraged in the Western Region has been approved by the State Council and has been effective since 1 October 2014.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

IV. TAXATION (Continued)

2. Tax preferential (Continued)

Tax preferential policy for the Western Region Development (Continued)

Pursuant to the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for Western Development Strategies (Cai Shui [2020] No. 23), the tax preferential policy for the Western Region Development are valid until 2030. The document stipulates that “from 1 January 2021 to 31 December 2030, enterprise income tax shall be levied at a reduced rate of 15% on enterprises in the encouraged industries located in the western region. Enterprises in the encouraged industries as referred to in this article are those whose main business is in the industries specified in the Catalogue of Encouraged Industries in the Western Region and whose main business revenue accounts for more than 60% of the total revenue of the enterprise. The Catalogue of Industries Encouraged in the Western Region is formulated under the leadership of the Development and Reform Commission. If the catalogue is amended within the implementation period of this announcement, the new version will be implemented from the date of implementation of the amended version”.

The Company satisfies the condition of “being located in the western region, whose main business is the projects in the encouraged industries as stipulated by the State, and with its main business revenue accounting for more than 70% of the total revenue of the enterprise in the year” as stipulated in the aforesaid document, the Company is eligible for the preferential tax policy for the development of the western region in the year 2020. The management of the Company expects that the Company will continue to meet the above conditions in fiscal 2021. Accordingly, the Company is subject to a provisional income tax rate of 15% for the six months ended 30 June 2021.

Preferential policy for high and new technology enterprises

The Company's subsidiary, Beijing Ruiweitong Engineering Machinery Co., Ltd., applied to the Beijing Science and Technology Commission, the Ministry of Finance, and the Taxation Bureau in 2018 and was finally recognised as a high-tech enterprise, and is entitled to a preferential enterprise income tax rate of 15% from 1 January 2018 to 31 December 2020. The management of Beijing Ruiweitong Engineering Machinery Co., Ltd. expects that Beijing Ruiweitong Engineering Machinery Co., Ltd. will continue to enjoy the preferential policy for high and new technology enterprises in the year 2021. Accordingly, during the six months ended 30 June 2021, Beijing Ruiweitong Engineering Machinery Co., Ltd. is subject to a provisional income tax rate of 15%.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB		
Item	30 June 2021 (Unaudited)	31 December 2020
Cash on hand	11,377.26	8,012.59
Cash at banks	1,381,835,159.67	1,708,327,756.25
Total	1,381,846,536.93	1,708,335,768.84

As at 30 June 2021, the Group had no cash and bank balances subject to restricted ownership (31 December 2020: nil).

As at 30 June 2021, the Group had cash and bank balances deposited outside Hong Kong amounting to RMB40,286,599.53 (31 December 2020: RMB50,528,018.13), of which there were no cash and bank balances subject to repatriation restrictions (31 December 2020: Nil).

2. Bill receivables

RMB		
Item	30 June 2021 (Unaudited)	31 December 2020
Commercial acceptance bills	212,539,665.08	24,500,000.00
Less: Impairment of credit losses	1,062,698.33	122,500.00
Total	211,476,966.75	24,377,500.00

Note 1: As at 30 June 2021, the Group had no bills receivable with restricted ownership (31 December 2020: nil).

Note 2: As at 30 June 2021, the Group had no bills that were transferred to account receivables due to non-performance by the drawers (31 December 2020: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Receivables at FVTOCI

RMB

Item	30 June 2021 (Unaudited)	31 December 2020
Bank acceptance bills	131,314,061.75	206,316,536.04
Total	131,314,061.75	206,316,536.04

As at 30 June 2021, the Group had outstanding bills receivable discounted or endorsed to others with recourse amounting to RMB24,868,006.36 (31 December 2020: RMB45,360,000.00). As the creditworthiness of the acceptors is good and the risk of non-payment by the acceptors upon maturity is minimal, the Group considers that substantially all the risks and rewards of ownership of these discounted or endorsed bills receivable have been transferred and has derecognised these bills receivable.

As at 30 June 2021, the Group considered that the bank acceptance bills held by it were not subject to significant credit risk and no significant credit losses would arise from bank defaults and therefore no provision for credit losses has been made on the bank acceptance bills.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Trade receivables

Aging analysis of trade receivables is as follows:

RMB		
Aging	30 June 2021 (Unaudited)	31 December 2020
Less than one year	1,512,355,685.80	1,233,118,650.15
One to two years	180,894,087.04	384,032,268.96
Two to three years	179,276,868.80	104,289,425.83
Over three years	241,857,086.31	241,209,116.55
Sub-total	2,114,383,727.95	1,962,649,461.49
Less: Provisions for credit losses	161,802,622.17	154,516,522.60
Total	1,952,581,105.78	1,808,132,938.89

Allowance for credit losses of trade receivables are as follows:

RMB		
Item	January to June 2021 (Unaudited)	2020
Balance at the beginning of the period/year	154,516,522.60	121,179,401.93
Provided for the period/year	24,579,320.01	48,912,940.16
Less: Reversal for the period/year	17,293,220.44	15,575,819.49
Balance at the end of the period/year	161,802,622.17	154,516,522.60

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Trade receivables (Continued)

Trade receivables and provisions for credit losses by category are listed as follows:

RMB

Category	30 June 2021 (Unaudited)				
	Gross carrying amount		Provisions for credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provisions for credit losses assessed individually	129,740,000.00	6.14	68,401,400.00	52.72	61,338,600.00
Provisions for credit losses assessed collectively by credit risk characteristics	1,984,643,727.95	93.86	93,401,222.17	4.71	1,891,242,505.78
Total	2,114,383,727.95	100.00	161,802,622.17	7.65	1,952,581,105.78

RMB

Category	31 December 2020				
	Gross carrying amount		Provisions for credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provisions for credit losses assessed individually	129,760,000.00	6.61	64,619,476.92	49.80	65,140,523.08
Provisions for credit losses assessed collectively by credit risk characteristics	1,832,889,461.49	93.39	89,897,045.68	4.90	1,742,992,415.81
Total	1,962,649,461.49	100.00	154,516,522.60	7.87	1,808,132,938.89

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Trade receivables (Continued)

As at 30 June 2021, trade receivables whose provisions for credit losses were provided by credit risk characteristics are as follows:

RMB

Aging	30 June 2021 (Unaudited)			
	Gross carrying amount		Provisions for credit losses	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than one year	1,512,355,685.80	76.20	11,342,667.64	0.75
One to two years	180,894,087.04	9.12	7,687,998.70	4.25
Two to three years	179,276,868.80	9.03	15,238,533.85	8.50
Over three years	112,117,086.31	5.65	59,132,021.98	52.74
Total	1,984,643,727.95	100.00	93,401,222.17	4.71

As at 31 December 2020, trade receivables whose provisions for credit losses were provided by credit risk characteristics are as follows:

RMB

Aging	31 December 2020			
	Gross carrying amount		Provisions for credit losses	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than one year	1,233,118,650.15	67.28	9,235,681.96	0.75
One to two years	384,032,268.96	20.95	16,321,371.43	4.25
Two to three years	104,289,425.83	5.69	8,864,601.20	8.50
Over three years	111,449,116.55	6.08	55,475,391.09	49.78
Total	1,832,889,461.49	100.00	89,897,045.68	4.90

As at 30 June 2021, the Group had no trade receivables derecognised as a result of the transfer of financial assets and no assets formed as a result of the transfer of receivables and continued involvement (31 December 2020: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Advances to suppliers

An aging analysis of advances to suppliers is listed as follows:

RMB

Aging	30 June 2021 (Unaudited)		31 December 2020	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Less than one year	47,028,780.43	71.30	34,771,142.99	18.40
One to two years	6,305,531.35	9.56	153,878,918.42	81.44
Two to three years	12,330,015.47	18.69	294,305.87	0.16
Over three years	294,305.87	0.45	–	–
Sub-total	65,958,633.12	100.00	188,944,367.28	100.00
Less: Impairment allowance	12,319,343.80		12,319,343.80	
Total	53,639,289.32		176,625,023.48	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories

RMB

Item	20 June 2021 (Unaudited)		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	753,505,113.58	21,658,727.62	731,846,385.96
Work in progress	1,184,196,159.04	—	1,184,196,159.04
Finished goods	104,668,669.03	—	104,668,669.03
Goods in transit	145,838,504.10	—	145,838,504.10
Materials in transit	16,547,400.54	—	16,547,400.54
Total	2,204,755,846.29	21,658,727.62	2,183,097,118.67

RMB

Item	31 December 2020		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	632,355,316.28	20,856,724.60	611,498,591.68
Work in progress	653,674,776.36	—	653,674,776.36
Finished goods	60,334,163.65	—	60,334,163.65
Goods in transit	116,355,926.34	—	116,355,926.34
Materials in transit	6,158,472.25	—	6,158,472.25
Total	1,468,878,654.88	20,856,724.60	1,448,021,930.28

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories (Continued)

Movements in the provision for decline in value of inventories are analyzed as follows:

RMB

Item	1 January 2021	Provision in the period	Decrease in the period	30 June 2021
Raw materials	20,856,724.60	802,003.02	–	21,658,727.62
Total	20,856,724.60	802,003.02	–	21,658,727.62

RMB

Item	1 January 2020	Increase in the period	Decrease in the period	31 December 2020
Raw materials	20,063,263.35	793,461.25	–	20,856,724.60
Total	20,063,263.35	793,461.25	–	20,856,724.60

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other equity instrument investments

RMB

Item	30 June 2021 (Unaudited)	31 December 2020
Equity investments in listed companies	243,286,046.64	181,210,141.84
Total	243,286,046.64	181,210,141.84

30 June 2021 (Unaudited):

RMB

Item	1 January 2021	Changes in fair value for the period	30 June 2021
Other equity instrument investments	181,210,141.84	62,075,904.80	243,286,046.64

2020 :

RMB

Item	1 January 2020	Changes in fair value for the year	31 December 2020
Other equity instrument investments	160,916,137.20	20,294,004.64	181,210,141.84

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Long-term receivables

RMB

Item	30 June 2021 (Unaudited)		
	Gross carrying amount	Provisions for credit losses	Carrying amount
Sale of goods by instalment	232,996,141.74	1,204,640.00	231,791,501.74
Less: Non-current assets due within one year	10,653,850.00	259,850.00	10,394,000.00
Total long-term receivables due over one year	222,342,291.74	944,790.00	221,397,501.74

RMB

Item	31 December 2020		
	Gross carrying amount	Provisions for credit losses	Carrying amount
Sale of goods by instalment	232,408,060.73	1,204,640.00	231,203,420.73
Less: Non-current assets due within one year	10,653,850.00	259,850.00	10,394,000.00
Total long-term receivables due over one year	221,754,210.73	944,790.00	220,809,420.73

Expected credit losses of long-term receivables whose provisions for credit losses were assessed collectively by shared credit risk characteristics.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Long-term receivables (Continued)

Movements in provisions for credit losses of long-term receivables (including those due within one year) are as follows:

Item	RMB	
	January to June 2021 (Unaudited)	2020
Balances at the beginning of the period/year	1,204,640.00	944,790.00
Provisions for the period/year	–	259,850.00
Balances at the end of the period/year	1,204,640.00	1,204,640.00

9. Fixed assets, construction in progress

The amount of fixed assets and construction in progress purchased by the Group during the period amounted to RMB2,972,965.94 and RMB4,515,198.00 (for the six months ended 30 June 2020: RMB6,932,022.40 and RMB14,836,241.05) respectively. The amount of fixed assets disposed of by the Group during the period was RMB352,817.70 (for the six months ended 30 June 2020: nil).

As at 30 June 2021, the Group had no fixed assets and construction in progress with restricted ownership (31 December 2020: nil).

As at 30 June 2021, the Group had no buildings for which the title certificates are in the process of being applied and registered or which is going through formalities of transfer (as at 31 December 2020: nil).

10. Intangible assets

The Group did not acquire intangible assets during the period (for the six months ended 30 June 2020: RMB1,929,203.60).

As at 30 June 2021, the Group had no intangible assets subject to restricted ownership (31 December 2020: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Goodwill

For the six months ended 30 June 2021:

Original costs

RMB

Item	1 January 2021	Increase during the period	Decrease during the period	30 June 2021 (Unaudited)
Acquisition of CIDEON Company (Note)	91,368,175.03	–	–	91,368,175.03
Total	91,368,175.03	–	–	91,368,175.03

Provisions for impairment

RMB

Item	1 January 2021	Increase during the period	Decrease during the period	30 June 2021 (Unaudited)
Acquisition of CIDEON Company	24,235,708.75	–	–	24,235,708.75
Total	24,235,708.75	–	–	24,235,708.75

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Goodwill (Continued)

2020:

Original costs

RMB

Item	1 January 2020	Increase during the year	Decrease during the year	31 December 2020
Acquisition of CIDEON Company	91,368,175.03	–	–	91,368,175.03
Total	91,368,175.03	–	–	91,368,175.03

Provisions for impairment

RMB

Item	1 January 2020	Increase during the year	Decrease during the year	31 December 2020
Acquisition of CIDEON Company	15,655,708.75	8,580,000.00	–	24,235,708.75
Total	15,655,708.75	8,580,000.00	–	24,235,708.75

Note: In February 2016, the Group purchased CE cideon engineering GmbH & Co.KG, CE cideon engineering Verwaltungs GmbH (both in Germany) and CE cideon engineering Schweiz AG (in Switzerland) (collectively referred to as “**CIDEON Company**”), resulting in goodwill of RMB91,368,175.03.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Goodwill (Continued)

Provisions for impairment (Continued)

The goodwill acquired in the Business Combination has been allocated to the mechanical design services asset group for impairment testing. As at 30 June 2021, the Group assessed the recoverable amount of the asset group and no further impairment of goodwill was made in the current period (for the six months of 30 June 2020: nil).

The recoverable amount of the mechanical design services asset group was determined based on the present value of the estimated future cash flows of the asset group. The future cash flows were determined on the basis of financial budgets approved by the management for a five-year period and a discount rate of 10.38% (31 December 2020: 10.38%) was applied. The cash flow growth rate for the mechanical design services asset group over five years is 2% (31 December 2020: 2%), which is determined based on the long-term average growth rate for the relevant industry. Other key assumptions used in estimating future cash flows are: estimated sales revenue and gross margin based on past performance and management's expectations of market developments.

12. Bill payables

RMB

Item	30 June 2021 (Unaudited)	31 December 2020
Commercial acceptance bills	219,234.78	35,320,000.00
Bank acceptance bills	921,251,850.08	725,251,374.89
Total	921,471,084.86	760,571,374.89

As at 30 June 2021, the Group had no unpaid overdue bills payable (31 December 2020: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Trade payables

Aging of trade payables is listed as follows:

Item	RMB	
	30 June 2021 (Unaudited)	31 December 2020
Within 1 year	1,019,491,733.97	583,476,064.31
One to two years	10,081,591.84	71,708,489.75
Two to three years	209,320.36	4,728,318.51
Over three years	1,627,067.31	2,172,164.07
Total	1,031,409,713.48	662,085,036.64

As at 30 June 2021, trade payables aged over one year amounted to RMB11,917,979.51 (31 December 2020: RMB78,608,972.33), primarily consisted of payables for construction and materials. Since the progress of relevant projects had not reached the milestones of payments, these trade payables had not been settled.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Contract liabilities

RMB

Item	30 June 2021 (Unaudited)	31 December 2020
Advances for the sale of goods	166,517,196.96	72,158,600.21
Advances for labour	767,536.62	12,090,566.90
Total	167,284,733.58	84,249,167.11

15. Other payables

RMB

Item	30 June 2021 (Unaudited)	31 December 2020
Compensation for demolition (Note)	250,000,000.00	250,000,000.00
Others	34,081,907.07	80,271,019.07
Total	284,081,907.07	330,271,019.07

Note: The amount represents the advance payment received from the Xishan District People's Government of Kunming for demolition and relocation compensation, including related expenses incurred during the demolition and relocation period and loss incurred due to production suspension.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Other comprehensive income

Accumulated balances of other comprehensive income attributable to Parent in the consolidated statement of financial position:

	RMB				
Item	1 January 2020	Increase/(decrease)	31 December 2020	Increase/(decrease)	30 June 2021 (Unaudited)
Other comprehensive income (loss)					
not to be reclassified to profit or loss					
Changes due to remeasurement of net liability of defined benefit scheme	(12,194,703.81)	(20,000.00)	(12,214,703.81)	–	(12,214,703.81)
Effect of deferred tax from changes in remeasurement of net liability of defined benefit scheme	1,829,205.87	3,000.00	1,832,205.87	–	1,832,205.87
Changes in fair value of other equity instrument investments	107,944,334.32	20,294,004.64	128,238,338.96	62,075,904.80	190,314,243.76
Effect of deferred tax from changes in fair value of other equity instrument investments	(16,191,650.15)	(3,044,100.70)	(19,235,750.85)	(9,311,385.72)	(28,547,136.57)
Other comprehensive income (loss) to be reclassified to profit or loss					
Changes in fair value of receivables at FVTOCI	(8,546,036.10)	6,262,203.18	(2,283,832.92)	1,195,777.92	(1,088,055.00)
Effect of deferred tax from changes in fair value of receivables at FVTOCI	1,281,905.41	(939,330.48)	342,574.93	(179,366.69)	163,208.24
Exchange differences on translation of foreign operations	2,937,601.62	(787,209.12)	2,150,392.50	(1,310,558.14)	839,834.36
Total	77,060,657.16	21,768,567.52	98,829,224.68	52,470,372.17	151,299,596.85

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Other comprehensive income (Continued)

Other comprehensive income in the statement of profit or loss for the period:

For the six months ended 30 June 2021 (Unaudited):

RMB

Item	Other comprehensive income before tax	Less: Income tax effect	Net amount after tax
Other comprehensive income not to be reclassified to profit or loss	62,075,904.80	9,311,385.72	52,764,519.08
Changes in fair value of other equity instrument investments	62,075,904.80	9,311,385.72	52,764,519.08
Other comprehensive income to be reclassified to profit or loss	(114,780.22)	179,366.69	(294,146.91)
Changes in fair value of receivables at FVTOCI	1,195,777.92	179,366.69	1,016,411.23
Exchange differences on translation of foreign operations	(1,310,558.14)	–	(1,310,558.14)
Total	61,961,124.58	9,490,752.41	52,470,372.17

For the six months ended 30 June 2020 (Unaudited):

RMB

Item	Other comprehensive income before tax	Less: Income tax effect	Net amount after tax
Other comprehensive income not to be reclassified to profit or loss	(46,294,484.60)	(6,944,172.69)	(39,350,311.91)
Changes in fair value of other equity instrument investments	(46,294,484.60)	(6,944,172.69)	(39,350,311.91)
Other comprehensive income to be reclassified to profit or loss	4,110,511.50	749,336.24	3,361,175.26
Changes in fair value of receivables at FVTOCI	5,048,059.29	749,336.24	4,298,723.05
Exchange differences on translation of foreign operations	(937,547.79)	–	(937,547.79)
Total	(42,183,973.10)	(6,194,836.45)	(35,989,136.65)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Retained earnings

Item	RMB	
	January to June 2021 (Unaudited)	2020
Retained earnings at the beginning of the period/year	488,417,686.76	536,056,858.75
Net profit attributable to the owners of the Company	19,754,720.67	22,156,722.78
Less: Appropriation to statutory surplus reserve	2,567,584.02	9,000,534.77
Cash dividend declared for ordinary Shares (Note 1)	—	60,795,360.00
Retained earnings at the end of the period/year	505,604,823.41	488,417,686.76

Note 1: In accordance with the resolution at the 2020 annual general meeting of shareholders on 28 June 2021, the Company did not declare cash dividend for the year 2020 (2020: cash dividend for the year 2019 of RMB0.04 per share, based on 1,519,884,000 shares in issue, which amounted to RMB60,795,360.00 cash dividend).

18. Revenue and cost of sales

Item	January to June 2021 (Unaudited)		January to June 2020 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	990,313,708.20	744,700,971.66	450,217,176.36	301,319,103.52
Other operating revenue	5,081,067.03	1,359,160.18	3,244,225.54	811,750.92
Total	995,394,775.23	746,060,131.84	453,461,401.90	302,130,854.44

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Revenue and cost of sales (Continued)

(1) Revenue from external customers classified by products

		RMB
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Sales income of mechanical equipment	559,167,532.95	114,678,299.88
Maintenance income of railway track maintenance machinery	117,562,703.33	141,619,494.00
Sales income of accessories	247,129,982.10	131,264,079.44
Mechanical design service income	45,164,126.70	44,100,311.86
Railway track maintenance service income	21,289,363.12	18,554,991.18
Others	5,081,067.03	3,244,225.54
Total	995,394,775.23	453,461,401.90

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Revenue and cost of sales (Continued)

(2) Disaggregation of revenue

For the six months ended 30 June 2021 (unaudited):

RMB

	Sales of mechanical equipment	Maintenance of maintenance machinery	Sales of accessories	Railway track maintenance service	Mechanical design service	Other	Total
Timing of revenue recognition							
Obligation performance fulfilled over time	-	-	-	21,289,363.12	45,164,126.70	2,904,935.32	69,358,425.14
Obligation performance fulfilled at a point in time	559,167,532.95	117,562,703.33	247,129,982.10	-	-	2,176,131.71	926,036,350.09
Total	559,167,532.95	117,562,703.33	247,129,982.10	21,289,363.12	45,164,126.70	5,081,067.03	995,394,775.23

For the six months ended 30 June 2020 (unaudited):

RMB

	Sales of mechanical equipment	Maintenance of maintenance machinery	Sales of accessories	Railway track maintenance service	Mechanical design service	Other	Total
Timing of revenue recognition							
Obligation performance fulfilled over time	-	-	-	18,554,991.18	44,100,311.86	1,947,241.81	64,602,544.85
Obligation performance fulfilled at a point in time	114,678,299.88	141,619,494.00	131,264,079.44	-	-	1,296,983.73	388,858,857.05
Total	114,678,299.88	141,619,494.00	131,264,079.44	18,554,991.18	44,100,311.86	3,244,225.54	453,461,401.90

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Selling and distribution expense

RMB

Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Employee compensation costs	31,831,821.77	15,215,333.94
After-sales maintenance fees	11,731,656.01	3,542,249.95
Travelling expenses	4,301,967.53	1,856,011.50
Entertainment expense	3,544,318.16	2,175,765.97
Others	8,117,077.34	5,313,303.88
Total	59,526,840.81	28,102,665.24

20. Administrative expenses

RMB

Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Employee compensation costs	46,558,719.35	39,066,669.31
Depreciation and amortization	13,026,282.70	14,212,701.82
Intermediary evaluation and consulting fees	6,581,733.64	4,962,163.68
Property management fees	5,011,874.84	4,258,806.58
Others	13,958,479.66	19,042,990.26
Total	85,137,090.19	81,543,331.65

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Research and development expenses

RMB		
Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Employee compensation costs and material costs	68,036,732.79	48,371,238.34
Others	17,529,407.73	15,207,080.36
Total	85,566,140.52	63,578,318.70

22. Finance costs

RMB		
Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Interest expense	—	—
Less: Interest income	18,078,549.88	11,910,193.34
Exchange losses	1,991,604.85	18,383.07
Bank charges and others	3,798,178.62	2,889,154.64
Total	(12,288,766.41)	(9,002,655.63)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Credit impairment Losses

RMB

Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Losses from impairment of trade receivables	(7,286,099.57)	(18,404,437.80)
Losses from impairment of bill receivables	(940,198.33)	(69,780.73)
Losses from impairment of other receivables	(142,144.95)	(387,522.12)
Total	(8,368,442.85)	(18,861,740.65)

24. Income tax expenses

RMB

Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Current income tax expenses	3,055,978.90	3,555,346.63
Deferred income tax expenses	(3,784,467.12)	(9,480,995.66)
Total	(728,488.22)	(5,925,649.03)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Income tax expenses (Continued)

A reconciliation of the income tax expense to profit (loss) is shown as follows:

Item	RMB	
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Profit (loss) before tax	19,026,232.45	(32,072,673.57)
Income tax expense at the statutory tax rate of 25%	4,756,558.11	(8,018,168.39)
Tax effect of different tax rates	(1,021,948.92)	3,365,202.18
Effect of non-deductible expenses	1,630,600.80	2,609,086.47
Super deduction of research and development expenses	(9,271,097.63)	(3,236,266.54)
Effect of non-taxable income	—	(707,395.29)
Adjustments in respect of current income tax of prior periods	79,443.25	203,497.00
The effect of deductible losses and deductible temporary differences of unrecognized deferred income tax assets in the current period	3,142,528.06	—
Others	(44,571.89)	(141,604.46)
Income tax expense at the Group's effective tax rate	(728,488.22)	(5,925,649.03)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Earnings per share

(1) Basic earnings per share

The numerator is calculated as follows:

Item	RMB	
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Net profit (loss) attributable to ordinary shareholders	19,754,720.67	(26,147,024.54)
Numerator used to calculate basic earnings per share	19,754,720.67	(26,147,024.54)

The denominator is calculated as follows:

Item	RMB	
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Number of ordinary shares in issue at the beginning of the period	1,519,884,000.00	1,519,884,000.00
Add: Weighted number of ordinary shares issued during the period	—	—
Denominator used to calculate basic earnings per share	1,519,884,000.00	1,519,884,000.00

(2) Earnings per share

Item	RMB	
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Basic earnings per share	0.01	(0.02)

The Company has no dilutive potential ordinary shares and therefore no diluted earnings per share has been reported.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Item	RMB	
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Reconciliation of net profit to cash flows generated from operating activities:		
Net profit	19,754,720.67	(26,147,024.54)
Add: Impairment losses on assets	2,073,043.39	177,915.11
Impairment of credit losses	8,368,442.85	18,861,740.65
Depreciation of fixed assets	23,061,824.07	25,561,249.98
Amortisation of intangible assets	8,431,557.01	7,583,301.02
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	19,283.55	(5,466.44)
Disposal losses of fixed assets	1,764.53	–
Finance costs	(9,123,072.75)	(344,952.75)
Investment income	–	(3,787,585.78)
Increase in deferred tax assets	(3,784,467.12)	(9,480,995.66)
Increase in inventories	(735,877,191.41)	(267,583,127.18)
(Increase) decrease in contract assets	(20,815,159.89)	22,631,160.73
Increase in operating receivables	(201,142,948.20)	(33,945,240.04)
Decrease of pledged deposits	–	(3,615.50)
Increase (decrease) in operating payables	586,501,241.13	(41,599,126.21)
Net cash flows used in operating activities	(322,530,962.17)	(308,081,766.61)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Supplementary information to the statement of cash flows (Continued)

(1) Supplementary information to the statement of cash flows (Continued)

Net changes in cash and cash equivalents:

Item	RMB	
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Cash at the end of the period	1,381,846,536.93	1,506,859,330.05
Less: Opening balance of cash	1,708,335,768.84	1,832,773,363.46
Net decrease in cash and cash equivalents	(326,489,231.91)	(325,914,033.41)

(2) Cash and cash equivalents

Item	RMB	
	January to June 2021 (Unaudited)	31 December 2020
Cash	1,381,846,536.93	1,708,335,768.84
Including: Cash on hand	11,377.26	8,012.59
Bank deposits available for payment	1,381,835,159.67	1,708,327,756.25
Closing balance of cash and cash equivalents	1,381,846,536.93	1,708,335,768.84

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VI. EQUITY IN OTHER ENTITIES

1. Subsidiaries

(1) *Particulars of the principal subsidiaries of the Company are listed as follows:*

Subsidiaries directly held by the Company during the Reporting Period:

RMB

Company name	Principal place of business	Place of registration	Nature of business	Registered capital	Shareholding proportion %	
					Direct	Indirect
Beijing Ruiweitong Engineering Machinery Co., Ltd.	Beijing	Beijing	Manufacturing	584,370,622.18	100.00	–
Beijing Kunweitong Railway Mechanization Engineering	Beijing	Beijing	Construction	60,000,000.00	100.00	–
CRCC Yukun Limited	Hong Kong	Hong Kong	Investment holding	–	100.00	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VII. DISCLOSURE OF FAIR VALUE

1. Closing fair values of assets and liabilities measured at fair value

RMB

30 June 2021	Fair value (Unaudited)			Total
	Level 1	Level 2	Level 3	
Continuous measurement of fair value				
Receivables at FVTOCI	–	131,314,061.75	–	131,314,061.75
Other equity instrument investments	–	–	243,286,046.64	243,286,046.64
Total assets under continuous measurement of fair value				
	–	131,314,061.75	243,286,046.64	374,600,108.39

RMB

31 December 2020	Fair value			Total
	Level 1	Level 2	Level 3	
Continuous measurement of fair value				
Receivables at FVTOCI	–	206,316,536.04	–	206,316,536.04
Other equity instrument investments	–	–	181,210,141.84	181,210,141.84
Sum of assets under continuous measurement of fair value				
	–	206,316,536.04	181,210,141.84	387,526,677.88

The fair value of receivables at FVTOCI is determined using the discounted cash flow method, using market yields on other financial instruments with similar credit risk and remaining maturity as the discount rate.

The Group's equity instruments refer to state-owned legal person shares held in listed H-share companies, the fair value of which is determined based on quoted market prices, taking into account the effect of liquidity discounts.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VII. DISCLOSURE OF FAIR VALUE (Continued)

1. Closing fair values of assets and liabilities measured at fair value (Continued)

Movement of items measured at fair value at Level 3:

RMB

Item	1 January 2021	Included in other comprehensive income	30 June 2021 (Unaudited)
Financial assets designated at fair value through other comprehensive income			
Other equity instrument investments	181,210,141.84	62,075,904.80	243,286,046.64
Total	181,210,141.84	62,075,904.80	243,286,046.64

Item	1 January 2020	Included in other comprehensive income	31 December 2020
Financial assets designated at fair value through other comprehensive income:			
Other equity instrument investments	160,916,137.20	20,294,004.64	181,210,141.84
Total	160,916,137.20	20,294,004.64	181,210,141.84

During the six months ended 30 June 2021, there were no inter-transfer between levels of the Group's financial assets measured at fair value (for the six months ended 30 June 2020: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VII. DISCLOSURE OF FAIR VALUE (Continued)

2. Fair value of assets and liabilities that are not measured at fair values

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements approximate to their fair values except the following items:

RMB

Item	Carrying amount		Fair values	
	30 June 2021 (Unaudited)	31 December 2020	30 June 2021 (Unaudited)	31 December 2020
Long-term receivables	221,397,501.74	220,809,420.73	223,799,738.46	221,779,496.32

Fair value of long-term receivables is determined using discounted cash flow method, with current market yield of financial assets with similar contractual terms, credit risk and remaining maturity, which used as the discount rate and is classified as fair value at Level 2.

VIII. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

1. The parent company

Name of the parent company	Place of registration	Nature of business	Registered capital	Percentage of shareholding in the Company as at 30 June 2021 (%)	Percentage of voting rights in the Company as at 30 June 2021 (%)
China Railway Construction Corporation Limited	Beijing	Engineering construction contracting, etc.	RMB13,579.54 million	65	65

2. Subsidiaries

For details of the subsidiaries of the Company, please refer to Note VI.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VIII. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

3. Other related parties

Company name	Related party relationship
China Railway 11th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 12th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 14th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 15th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 16th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 17th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 18th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 19th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 20th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 21st Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 22nd Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 23rd Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 24th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 25th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway Construction Electrification Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway Construction Heavy Industry Corporation Limited	Controlled by the same parent company as the Company
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Civil Engineering Construction Corporation	Controlled by the same parent company as the Company
CRCC Finance Company Limited	Controlled by the same parent company as the Company
China Railway Construction South China Construction Co., Ltd.	Controlled by the same parent company as the Company
China Railway Construction Real Estate Group Co., Ltd.	Controlled by the same parent company as the Company
CRCC Financial Leasing Co., Ltd.	An associate of the parent company of the Company
CRCC Xinjiang Jingxin Expressway Co., Ltd.	An associate of the company controlled by the same parent company as the Company

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VIII. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

4. Major transactions between the Group and related parties

Item	RMB	
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
(1) Revenue from sales of machinery and equipment		
China Civil Engineering Construction Corporation	23,876,106.20	–
China Railway Construction Heavy Industry Corporation Limited	216,088,494.69	9,104,492.68
Total	239,964,600.89	9,104,492.68
(2) Revenue from sales of accessories		
China Civil Engineering Construction Corporation	1,342,509.73	4,783,789.36
China Railway 20th Bureau Group Co., Ltd.	785,886.72	–
China Railway 12th Bureau Group Co., Ltd.	–	21,810.22
Total	2,128,396.45	4,805,599.58
(3) Revenue from repair of road maintenance machinery		
China Railway 16th Bureau Group Co., Ltd.	494,101.89	–
China Railway Construction Heavy Industry Corporation Limited	240,566.04	–
China Railway 11th Bureau Group Co., Ltd.	–	4,424,778.76
Total	734,667.93	4,424,778.76
(4) Interest income from deposits		
CRCC Finance Company Limited	264,040.15	101,495.30
Total	264,040.15	101,495.30

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VIII. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

4. Major transactions between the Group and related parties (Continued)

RMB

Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
(5) Material procurement		
China Railway 20th Bureau Group Co., Ltd.	60,483,711.53	–
China Railway Construction Heavy Industry Corporation Limited	157,329.62	684,276.99
Total	60,641,041.15	684,276.99
(6) Receipt of services		
China Railway 14th Bureau Group Co., Ltd.	3,838,324.00	1,086,617.81
China Railway 23rd Bureau Group Co., Ltd.	403,663.99	–
China Railway Construction Heavy Industry Corporation Limited	328,112.07	–
Total	4,570,100.06	1,086,617.81
(7) Remuneration of key management personnel		
Remuneration of key management personnel	2,422,330.15	1,654,526.93

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VIII. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

5. Balance of receivables and payables of major related parties

RMB

	30 June 2021 (Unaudited)		31 December 2020	
	Book balance	Provisions for credit loss	Book balance	Provisions for credit loss
Cash and bank balances				
CRCC Finance Company Limited	44,974,796.85	–	40,161,933.53	–
Total	44,974,796.85	–	40,161,933.53	–
Bills receivable	Note 1			
China Civil Engineering Construction Corporation	71,154,580.14	355,772.90	–	–
China Railway Construction Heavy Industry Corporation Limited	56,363,001.00	281,815.01	–	–
China Railway 12th Bureau Group Co., Ltd.	7,462,480.00	37,312.40	–	–
Total	134,980,061.14	674,900.31	–	–
Trade receivables	Note 1			
China Railway Construction Heavy Industry Corporation Limited	170,911,321.70	1,281,834.91	180,431,321.99	1,353,234.91
China Railway 19th Bureau Group Co., Ltd.	76,346,231.00	572,596.73	–	–
China Civil Engineering Construction Corporation	45,222,137.46	339,166.03	87,879,681.60	1,157,106.93
China Railway 18th Bureau Group Co., Ltd.	33,500,000.00	251,250.00	–	–
China Railway 22nd Bureau Group Co., Ltd.	24,280,733.87	2,766,599.67	10,920,533.87	2,066,710.95
China Railway 15th Bureau Group Co., Ltd.	24,247,366.51	181,855.25	8,013,967.01	60,104.75
China Railway 17th Bureau Group Co., Ltd.	10,325,000.00	77,437.50	100,000.00	750.00
China Railway 21st Bureau Group Co., Ltd.	9,294,000.00	69,705.00	420,000.00	420,000.00
China Railway 23rd Bureau Group Co., Ltd.	8,625,289.61	1,503,814.67	1,503,993.00	1,464,427.06
China Railway 16th Bureau Group Co., Ltd.	7,499,021.44	502,566.82	7,626,443.62	324,123.85
China Railway 25th Bureau Group Co., Ltd.	6,910,000.00	51,825.00	200,000.00	1,500.00
China Railway 11th Bureau Group Co., Ltd.	5,859,798.60	61,448.49	7,259,798.60	75,812.02
China Railway 12th Bureau Group Co., Ltd.	5,402,500.00	115,768.75	10,236,475.20	434,210.36

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VIII. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

5. Balance of receivables and payables of major related parties (Continued)

RMB

	30 June 2021 (Unaudited)		31 December 2020	
	Book balance	Provisions for credit loss	Book balance	Provisions for credit loss
Trade receivables (Continued)				
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	4,678,168.00	35,086.26	–	–
China Railway 24th Bureau Group Co., Ltd.	4,587,303.39	34,404.78	–	–
China Railway Construction South China Construction Co., Ltd.	2,103,055.02	178,759.68	4,206,110.42	178,759.69
China Railway 20th Bureau Group Co., Ltd.	2,057,128.00	15,428.46	161,781.00	1,213.36
China Railway Construction Real Estate Group Co., Ltd.	1,000,000.00	7,500.00	–	–
China Railway Construction Electrification Bureau Group Co., Ltd.	276,106.19	2,070.80	291,771.19	2,188.28
Total	443,125,160.79	8,049,118.80	319,251,877.50	7,540,142.16
Receivables financing				
China Railway 16th Bureau Group Co., Ltd.	–	–	1,495,403.15	–
Total	–	–	1,495,403.15	–
Long-term receivables				
CRCC Financial Leasing Co., Ltd.	51,970,000.00	389,775.00	51,970,000.00	389,775.00
Total	51,970,000.00	389,775.00	51,970,000.00	389,775.00
Other receivables				
China Railway Construction Electrification Bureau Group Co., Ltd.	224,440.00	1,683.30	–	–
Total	224,440.00	1,683.30	–	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

VIII. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

5. Balance of receivables and payables of major related parties (Continued)

		RMB
	30 June 2021 (Unaudited)	31 December 2020
Bills payable	<i>Note 1</i>	
CRCC Finance Company Limited	21,600,000.00	58,473,633.43
China Railway 20th Bureau Group Co., Ltd.	16,669,802.91	–
Total	38,269,802.91	58,473,633.43
Trade payables	<i>Note 1</i>	
China Railway 20th Bureau Group Co., Ltd.	51,958,510.79	–
China Railway 14th Bureau Group Co., Ltd.	8,523,423.10	4,685,099.10
China Railway Construction Heavy Industry Corporation Limited	553,142.73	34,195.04
China Railway 23rd Bureau Group Co., Ltd.	463,981.60	–
Total	61,499,058.22	4,719,294.14
Contract liabilities	<i>Note 2</i>	
CRCC Xinjiang Jingxin Expressway Co., Ltd.	2,730,740.70	–
China Railway 24th Bureau Group Co., Ltd.	2,000,000.00	2,000,000.00
China Railway 14th Bureau Group Co., Ltd.	1,800,000.00	1,800,000.00
China Railway 16th Bureau Group Co., Ltd.	–	230,191.50
Total	6,530,740.70	4,030,191.50
Other payables		
China Railway Construction Heavy Industry Corporation Limited	1,137,073.44	–
Total	1,137,073.44	–

Note 1: These receivables from and payables to related parties are non-interest-bearing, unsecured and have no fixed repayment term.

Note 2: This amount is mainly related to the contract-related payments received by the Group from related parties in advance, which is non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

IX. COMMITMENTS AND CONTINGENCIES

1. Capital commitments

Contracted but not yet recognised in the financial statements:

	30 June 2021 (Unaudited)	31 December 2020
		RMB
Commitments to acquire fixed assets	43,772,580.00	43,234,000.00
Total	43,772,580.00	43,234,000.00

2. Operating lease commitments

(1) As the lessor

	30 June 2021 (Unaudited)	31 December 2020
		RMB
The 1st year after the balance sheet date	2,426,268.63	2,424,603.00
The 2nd year after the balance sheet date	2,469,821.25	2,427,934.25
The 3rd year after the balance sheet date	2,493,792.62	2,511,708.25
The 4th year after the balance sheet date	2,475,877.00	2,475,877.00
The 5th year after the balance sheet date	1,237,938.50	2,475,877.00
Total	11,103,698.00	12,315,999.50

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

X. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of approval of these financial statements, the Group has no major post-balance sheet events that need to be disclosed.

XI. OTHER IMPORTANT MATTERS

1. Segment reporting

Operating segments

The Group is mainly engaged in the manufacture of products in the large-scale road maintenance machinery industry and the provision of related services. The management determines the reporting segments based on the Group's internal organizational structure, management requirements and internal reporting system, under which, the management decides to allocate resources and evaluate the performance. Relevant internal reports are disclosed in accordance with the accounting policies and measurement basis used when reporting to the management, and such accounting policies and measurement basis are consistent with those used for the preparation of these financial statements. Since the resource allocation and performance evaluation of the Group are based on the overall operation of the manufacture of large-scale road maintenance machinery and equipment and the provision of related services, which is also the only operating segment reported internally by the Group, the separate segment reporting information is unnecessarily presented.

Other information

(1) Revenue from external transactions by product

	RMB	
	January to June of 2021 (Unaudited)	January to June of 2020 (Unaudited)
Revenue from sales of machinery and equipment	559,167,532.95	114,678,299.88
Revenue from repair of road maintenance machinery	117,562,703.33	141,619,494.00
Revenue from sales of accessories	247,129,982.10	131,264,079.44
Revenue from railway line maintenance services	21,289,363.12	18,554,991.18
Revenue from mechanical design services	45,164,126.70	44,100,311.86
Others	5,081,067.03	3,244,225.54
Total	995,394,775.23	453,461,401.90

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XI. OTHER IMPORTANT MATTERS (Continued)

1. Segment reporting (Continued)

Other information (Continued)

(2) Revenue from external transactions by origin of revenue

		RMB
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Mainland China	715,189,101.64	399,711,090.04
Other regions or countries	280,205,673.59	53,750,311.86
Total	995,394,775.23	453,461,401.90

(3) Non-current assets by location of assets

		RMB
	30 June 2021 (Unaudited)	31 December 2020
Mainland China	1,374,370,122.87	1,398,053,567.42
Other regions or countries	68,828,166.51	69,763,641.26
Total	1,443,198,289.38	1,467,817,208.68

Non-current assets are classified according to the region where the assets are located, and do not include financial assets and deferred income tax assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XI. OTHER IMPORTANT MATTERS (Continued)

1. Segment reporting (Continued)

Other information (Continued)

(4) Information about major customers

The information of customers who accounted for 10% or more of the Group's revenue for the six-month period ended 30 June 2021 is as follows:

	RMB			
	January to June 2021 (Unaudited)		January to June 2020 (Unaudited)	
	Amount	Percentage of operating income	Amount	Percentage of operating income
China Railway Construction Heavy Industry Corporation Limited	216,329,060.73	21.73%	N/A*	N/A*
GOVERNMENT OF INDIA MINISTRY OF RAILWAYS	135,344,753.54	13.60%	N/A*	N/A*
PUBLIC PROCUREMENT SERVICE, THE REPUBLIC OF KOREA	99,696,793.35	10.02%	N/A*	N/A*
Total	451,370,607.62	45.35%		

* The proportion of revenue to the Group's revenue does not exceed 10%.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Bills receivable

RMB

Item	30 June 2021 (Unaudited)	31 December 2020
Commercial acceptance bills	212,039,665.08	24,000,000.00
Less: Provisions for credit loss	1,060,198.33	120,000.00
Total	210,979,466.75	23,880,000.00

Note 1: As at 30 June 2021, the Company had no bills receivable with restricted ownership (31 December 2020: nil).

Note 2: As at 30 June 2021, the Company had no bills transferred to trade receivables due to the failure of the drawer to perform (31 December 2020: nil).

Note 3: As at 30 June 2021, the balance of bills receivable of the Company included the balance with related parties of RMB127,517,581.14 (31 December 2020: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Trade receivables

The aging analysis of trade receivables is as follows:

	RMB	
Aging	30 June 2021 (Unaudited)	31 December 2020
Within one year	1,424,162,692.64	1,212,858,155.45
One year to two years	163,828,158.59	269,124,195.72
Two years to three years	135,157,355.83	92,140,754.85
Over three years	208,218,896.99	205,991,779.08
Sub-total	1,931,367,104.05	1,780,114,885.10
Less: Provisions for credit loss	142,149,669.20	133,170,993.58
Total	1,789,217,434.85	1,646,943,891.52

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Trade receivables (Continued)

The changes in the provisions for credit loss of trade receivables are set out as follows:

Item	RMB	
	January to June 2021 (Unaudited)	2020
Balance at the beginning of the period/year	133,170,993.58	108,797,741.70
Provisions during the period/year	21,232,790.41	35,735,231.99
Less: the reversal during the period/year	12,254,114.79	11,361,980.11
Balance at the end of the period/year	142,149,669.20	133,170,993.58

The trade receivables and the provisions for credit loss are disclosed by category as follows:

RMB

Category	30 June 2021 (Unaudited)				Book value
	Book balance		Provisions for credit loss		
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Individual provisions for credit loss	129,400,000.00	6.70	68,061,400.00	52.60	61,338,600.00
Provisions for credit loss based on a group of credit risk characteristics	1,801,967,104.05	93.30	74,088,269.20	4.11	1,727,878,834.85
Total	1,931,367,104.05	100.00	142,149,669.20	7.36	1,789,217,434.85

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Trade receivables (Continued)

RMB

Category	Book balance		31 December 2020 Provisions for credit loss		Book value
	Amount	Percentage	Amount	Provision	
		(%)		ratio (%)	
Individual provisions for credit loss	129,400,000.00	7.27	64,259,476.45	49.66	65,140,523.55
Provisions for credit loss based on a group of credit risk characteristics	1,650,714,885.10	92.73	68,911,517.13	4.17	1,581,803,367.97
Total	1,780,114,885.10	100.00	133,170,993.58	7.48	1,646,943,891.52

As at 30 June 2021, the trade receivables with provisions for credit loss made based on a group of credit risk characteristics are set out as follows:

RMB

Aging	30 June 2021 (Unaudited)			
	Book balance		Provisions for credit loss	
	Amount	Percentage (%)	Amount	Provision ratio (%)
Within one year	1,424,162,692.64	79.04	10,681,220.19	0.75
One year to two years	163,828,158.59	9.09	6,962,696.75	4.25
Two years to three years	135,157,355.83	7.50	11,488,375.28	8.50
Over three years	78,818,896.99	4.37	44,955,976.98	57.04
Total	1,801,967,104.05	100.00	74,088,269.20	4.11

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Trade receivables (Continued)

As at 31 December 2020, the trade receivables with provisions for credit loss made based on a group of credit risk characteristics are set out as follows:

Aging	31 December 2020			
	Book balance		Provisions for credit loss	
	Amount	Percentage (%)	Amount	Provision ratio (%)
Within one year	1,212,858,155.45	73.48	9,096,436.00	0.75
One year to two years	269,124,195.72	16.30	11,437,778.32	4.25
Two years to three years	92,140,754.85	5.58	7,831,964.16	8.50
Over three years	76,591,779.08	4.64	40,545,338.65	52.94
Total	1,650,714,885.10	100.00	68,911,517.13	4.17

As at 30 June 2021, the balance of trade receivables of the Company included the balance with related parties of RMB448,672,059.68 (31 December 2020: RMB387,084,807.52).

3. Prepayments

The aging analysis of prepayments is as follows:

Aging	30 June 2021 (Unaudited)		31 December 2020	
	Percentage		Percentage	
	Book balance	(%)	Book balance	(%)
Within one year	45,465,999.47	87.88	32,206,073.73	18.54
One year to two years	6,268,862.42	12.12	141,534,844.05	81.46
Total	51,734,861.89	100.00	173,740,917.78	100.00

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables

The aging analysis of other receivables is as follows:

	RMB	
Aging	30 June 2021 (Unaudited)	31 December 2020
Within one year	233,319,328.88	217,935,156.28
One year to two years	1,378,876.89	2,482,836.90
Two years to three years	156,884.78	212,863.22
Over three years	593,288.00	381,029.56
Sub-total	235,448,378.55	221,011,885.96
Less: Provisions for credit loss	650,830.54	515,632.86
Total	234,797,548.01	220,496,253.10

The changes in the provisions for credit loss of other receivables are set out as follows:

	RMB	
Item	January to June of 2021 (Unaudited)	2020
Balance at the beginning of the period/year	515,632.86	395,002.16
Provisions for the period/year	233,432.07	332,373.18
Less: the reversal for the period/year	98,234.39	211,742.48
Balance at the end of the period/year	650,830.54	515,632.86

As at 30 June 2021, the balance of other receivables of the Company included the balance with related parties of RMB203,739,796.90 (31 December 2020: RMB201,037,464.97).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Inventories

RMB

Item	30 June 2021 (Unaudited)		
	Book balance	Provision for decline in value	Book value
Raw materials	573,830,783.35	14,184,646.48	559,646,136.87
Work in progress	1,116,950,556.73	—	1,116,950,556.73
Finished goods	105,450,219.33	—	105,450,219.33
Goods in transit	145,838,504.10	—	145,838,504.10
Materials in transit	16,547,400.54	—	16,547,400.54
Total	1,958,617,464.05	14,184,646.48	1,944,432,817.57

RMB

Item	31 December 2020		
	Book balance	Provision for decline in value	Book value
Raw materials	423,639,288.89	13,689,275.17	409,950,013.72
Work in progress	537,145,723.31	—	537,145,723.31
Finished goods	61,115,713.95	—	61,115,713.95
Goods in transit	116,355,926.34	—	116,355,926.34
Materials in transit	6,158,472.25	—	6,158,472.25
Total	1,144,415,124.74	13,689,275.17	1,130,725,849.57

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Inventories (Continued)

The analysis on the changes in the provisions for decline in value of inventories is set out as follows:

RMB

Item	1 January 2021	Provisions for the period	Decrease in the period	30 June 2021
Raw materials	13,689,275.17	495,371.31	–	14,184,646.48
Total	13,689,275.17	495,371.31	–	14,184,646.48

RMB

Item	1 January 2020	Provisions for the period	Decrease in the period	31 December 2020
Raw materials	12,666,552.20	1,022,722.97	–	13,689,275.17
Total	12,666,552.20	1,022,722.97	–	13,689,275.17

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments

RMB

Item	30 June 2021 (Unaudited)	31 December 2020
Equity investment accounted for using cost method	381,876,012.32	381,876,012.32
– Subsidiaries	381,876,012.32	381,876,012.32
Total	381,876,012.32	381,876,012.32

(i) Subsidiaries

RMB

Name of investee	Book value as at 31 December 2020	Changes in the period		Book value as at 30 June 2021 (unaudited)	Direct proportion of the registered capital of the investee as at 30 June 2021 (unaudited) (%)
		Transfer to/ Increase in investment	Decrease in investment		
Beijing Ruiweitong Engineering Machinery Co., Ltd.	321,876,012.32	–	–	321,876,012.32	100%
Beijing Kunweitong Railway Mechanization Engineering Co., Ltd.	60,000,000.00	–	–	60,000,000.00	100%
CRCC Yukun Limited	–	–	–	–	100%
Total	381,876,012.32	–	–	381,876,012.32	100%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Bills payable

RMB

Item	30 June 2021 (Unaudited)	31 December 2020
Commercial acceptance bills	219,234.78	35,320,000.00
Bank acceptance bills	899,651,850.08	666,777,741.46
Total	899,871,084.86	702,097,741.46

As at 30 June 2021, the balance of bills payable of the Company included the balance with related parties of RMB16,669,802.91 (31 December 2020: nil).

8. Trade payables

The aging of trade payables is set out as follows:

RMB

Item	30 June 2021 (Unaudited)	31 December 2020
Within one year	954,507,726.76	522,984,576.56
One year to two years	31,142,795.07	—
Total	985,650,521.83	522,984,576.56

Note 1: As at 30 June 2021, trade payables aged more than one year amounted to RMB31,142,795.07 (31 December 2020: nil), which were mainly payables for engineering and material purchases. As the progress of the relevant project has not reached the milestone of payment agreed in the contract, the above payment has not yet been settled.

Note 2: As at 30 June 2021, the balance of trade payables of the Company included the balance with related parties of RMB98,902,994.88 (31 December 2020: RMB4,719,294.14).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Operating income and costs

RMB

Item	January to June 2021 (Unaudited)		January to June 2020 (Unaudited)	
	Income	Costs	Income	Costs
Main business	942,899,712.78	722,864,145.91	387,308,274.52	302,632,342.26
Other businesses	5,393,847.20	1,963,317.34	3,984,965.90	1,415,908.08
Total	948,293,559.98	724,827,463.25	391,293,240.42	304,048,250.34

10. Cost of sales

RMB

Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Employees' remuneration	27,850,195.66	11,709,730.86
After-sales maintenance fees	11,731,656.01	3,542,249.95
Travel expenses	4,057,578.25	1,704,563.43
Entertainment expenses	3,411,884.54	2,061,464.58
Others	5,500,043.19	2,871,117.61
Total	52,551,357.65	21,889,126.43

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Administrative expenses

RMB

Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Employees' remuneration	34,295,689.48	28,525,347.20
Depreciation and amortization	9,141,154.45	10,372,118.13
Intermediary evaluation and consulting fees	5,930,000.98	3,954,213.61
Property management fees	5,011,874.84	4,258,806.58
Others	8,263,844.06	10,934,654.73
Total	62,642,563.81	58,045,140.25

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. Supplementary information on cash flow statement

(1) Supplementary information on the statement of cash flows

	RMB	
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Reconciliation of net profit to cash flows from operating activities:		
Net profit	25,675,840.16	882,255.61
Add: Asset impairment losses	1,717,464.53	520,336.56
Credit impairment losses	10,054,071.63	9,592,430.95
Depreciation of fixed assets	19,171,411.19	20,571,889.91
Amortization of intangible assets	5,641,752.48	4,760,497.51
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	19,283.55	(5,466.44)
Finance expenses	(9,283,338.02)	36,931.16
Investment income	—	(47,185,952.10)
Increase in deferred income tax assets	(3,122,880.61)	(15,269,190.05)
Increase in inventories	(814,202,339.31)	(224,206,634.39)
Increase in contract assets	(13,633,183.69)	—
(Increase)/decrease in operating receivables	(198,685,345.82)	20,778,967.74
Increase in pledged deposits	—	(3,615.50)
Increase/(decrease) in operating payables	666,263,689.87	(52,246,975.26)
Net cash flows used in operating activities	(310,383,574.04)	(281,774,524.30)
Major investing and financing activities that do not involve cash receipts and expenditures:		
Dividends receivable settled with bills receivable	44,322,083.94	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

XII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. Supplementary information on cash flow statement (Continued)

(1) Supplementary information on the statement of cash flows (Continued)

Net changes in cash and cash equivalents:

Item	RMB	
	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Cash at the end of the period	1,302,208,282.30	1,367,951,490.59
Less: Cash at the beginning of the period	1,599,972,445.98	1,666,914,757.79
Net decrease in cash and cash equivalents	(297,764,163.68)	(298,963,267.20)

(2) Cash and cash equivalents

Item	RMB	
	30 June 2021 (Unaudited)	31 December 2020
Cash	1,302,208,282.30	1,599,972,445.98
Including: Cash on hand	—	—
Bank deposits available for payment	1,302,208,282.30	1,599,972,445.98
Balance of cash and cash equivalents at the end of the period/year	1,302,208,282.30	1,599,972,445.98

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	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 Certified Public Accountants LLP 30/F, 222 Yan'an Road East, Huangpu District, Shanghai

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"	The 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 coming into effect on 1 January 2006, as amended, supplemented or otherwise modified from time to time and further amended on 28 December 2013 and coming into 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
"Deloitte"	Deloitte Touche Tohmatsu Certified Public Accountants LLP
"Director(s)"	director(s) of the Company
"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
"Shareholder(s)"	holder(s) of shares of the Company
"Supervisory Committee"	the supervisory committee of the Company

By Order of the Board
CRCC High-Tech Equipment Corporation Limited
Liu Feixiang
Chairman

Kunming, the People's Republic of China, 13 August 2021

As at the date of this announcement, the Board of the Company comprises Mr. Liu Feixiang, Mr. Tong Pujiang and Mr. Chen Yongxiang, as executive directors; Mr. Zhao Hui, Mr. Sha Mingyuan, as non-executive directors; and Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing, as independent non-executive directors.