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中國高速傳動設備集團有限公司*
China High Speed Transmission Equipment Group Co., Ltd.

(incorporated in the Cayman Islands with limited liability)
(Stock code: 658)

Announcement
Unaudited interim results
for the six months ended 30 June 2016

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2016 *RMB'000* *(Unaudited)*	**Six months ended 30 June 2015** *RMB'000* *(Unaudited & restated)*	**Change**
Revenue	**4,532,454**	4,751,493	-4.6%
Gross profit	**1,530,825**	1,408,909	8.7%
Profit for the period attributable to the owners of the Company	**575,843**	524,168	9.9%
Basic earnings per share (RMB)	**0.352**	0.321	9.7%
	As at 30 June 2016 *RMB'000* *(Unaudited)*	**As at 31 December 2015** *RMB'000* *(Audited)*	**Change**
Total assets	**27,315,100**	25,292,081	8.0%
Total liabilities	**17,108,684**	15,317,343	11.7%
Net asset	**10,206,416**	9,974,738	2.3%
Net asset per share (RMB)	**6.2**	6.1	1.6%
Gearing ratio* (%)	**62.6**	60.6	

* *Gearing ratio = total liabilities/total assets*

The board (the "**Board**") of directors (the "**Director**") of China High Speed Transmission Equipment Group Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016, together with the comparative figures are as follows. The interim financial statements are unaudited, but have been reviewed by the Company's audit committee and Deloitte Touche Tohmatsu, the Company's auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	**Six months ended 30 June 2016** *RMB'000* *(Unaudited)*	**30 June 2015** *RMB'000* *(Unaudited & restated)*
Revenue	2	**4,532,454**	4,751,493
Cost of sales		**(3,001,629)**	(3,342,584)
Gross profit		**1,530,825**	1,408,909
Other income		**112,077**	77,185
Other gains and losses	3	**(36,496)**	11,361
Distribution and selling costs		**(142,828)**	(139,097)
Administrative expenses		**(315,876)**	(292,420)
Research and development costs		**(136,782)**	(74,499)
Finance costs		**(286,305)**	(317,489)
Share of results of associates		**3,178**	(7,875)
Share of results of joint ventures		**2,101**	6,981
Profit before taxation		**729,894**	673,056
Taxation	4	**(178,876)**	(163,853)
Profit for the period	5	**551,018**	509,203
Other comprehensive expense for the period:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		**(396)**	—
Fair value loss on available-for-sale financial assets		**—**	(3,195)
Other comprehensive expense for the period		**(396)**	(3,195)
Total comprehensive income for the period		**550,622**	506,008

	NOTES	Six months ended 30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited & restated)
Profit for the period attributable to:			
Owners of the Company		**575,843**	524,168
Non-controlling interests		**(24,825)**	(14,965)
		551,018	509,203
Total comprehensive income attributable to:			
Owners of the Company		**575,447**	520,973
Non-controlling interests		**(24,825)**	(14,965)
		550,622	506,008
EARNINGS PER SHARE	7		
Basic (RMB)		**0.352**	0.321

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	NOTES	**30 June 2016** *RMB'000* *(Unaudited)*	**31 December 2015** *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,278,923**	5,520,057
Prepaid lease payments		**707,249**	669,923
Goodwill		**2,991**	2,991
Intangible assets		**143,910**	163,800
Interests in associates		**160,455**	157,277
Interests in joint ventures		**98,692**	96,591
Other receivable		**535,656**	519,874
Available-for-sale investments		**485,313**	196,174
Deposit for land lease		**191,800**	191,800
Prepayment for acquisition of property, plant and equipment		**336**	3,656
Deferred tax assets		**206,529**	232,385
Amounts due from an associate		**—**	226,278
		7,811,854	7,980,806
CURRENT ASSETS			
Inventories		**2,186,125**	2,075,239
Prepaid lease payments		**16,689**	15,276
Trade and other receivables	8	**8,395,098**	8,650,502
Amounts due from associates		**536,446**	247,016
Amounts due from joint ventures		**30,489**	39,270
Tax asset		**—**	3,459
Structured bank deposits		**372,000**	1,755,000
Pledged bank deposits		**4,609,785**	2,403,640
Bank balances and cash		**3,356,614**	2,121,873
		19,503,246	17,311,275

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	9	**7,065,178**	6,408,813
Amounts due to associates		**14,716**	1,888
Amount due to a joint venture		**889**	510
Tax liabilities		**234,529**	329,772
Borrowings	10	**7,449,968**	5,618,194
Financial liabilities at fair value through profit or loss		**—**	596,656
Dividend payable		**318,944**	—
Warranty provision		**99,808**	100,342
Obligation under finance leases		**86,173**	158,556
		15,270,205	13,214,731
NET CURRENT ASSETS		**4,233,041**	4,096,544
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,044,895**	12,077,350
NON-CURRENT LIABILITIES			
Borrowings	10	**1,698,596**	1,948,126
Deferred tax liabilities		**51,160**	51,319
Deferred income		**88,723**	96,651
Obligation under finance leases		**—**	6,516
		1,838,479	2,102,612
		10,206,416	9,974,738
CAPITAL AND RESERVES			
Share capital		**119,218**	119,218
Reserves		**9,896,387**	9,639,884
Equity attributable to owners of the Company		**10,015,605**	9,759,102
Non-controlling interests		**190,811**	215,636
		10,206,416	9,974,738

NOTES

1. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("**IFRSs**") issued by IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

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

2. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for goods sold, net of sales taxes and return, for the period. The Group's major operation is the manufacture and sale of gear products.

The Group is organised in one business division only. The Group's chief operating decision maker (the "CODM"), being the Company's Board of Directors, makes decisions according to the revenue and operating results of each geographical area by location of customers and the related reports on the aging analysis of trade receivables for the purposes of resources allocation and performance assessment. Accordingly the Group's operating segments are based on geographical location of customers.

No information of liabilities is provided to CODM for the assessment of performance of different geographical area while there is no significant change in segment assets during the current period. Therefore, only segment revenue and segment results are presented.

The People's Republic of China (the "**PRC**"), the United States of America (the "**USA**") and Europe are three major operating segments reviewed by the CODM while the remaining market locations are grouped together to report to CODM for analysis.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments for the period under review.

	Six months ended	
	30 June 2016	**30 June 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited & restated)*
Segment revenue		
- PRC	**2,962,740**	3,825,165
- USA	**1,121,819**	883,088
- Europe	**421,500**	30,583
- Others	**26,395**	12,657
	4,532,454	4,751,493
Segment profit		
- PRC	**755,005**	957,941
- USA	**506,899**	318,612
- Europe	**145,967**	11,696
- Others	**2,556**	2,530
	1,410,427	1,290,779
Other income, gains and losses	**53,151**	67,579
Finance costs	**(286,305)**	(317,489)
Share of results of associates	**3,178**	(7,875)
Share of results of joint ventures	**2,101**	6,981
Unallocated expenses	**(452,658)**	(366,919)
Profit before taxation	**729,894**	673,056

Segment profit represents the gross profit (including depreciation of production plants), government grants, sales of scraps and materials, and distribution and selling costs earned/incurred by each segment. The remaining items in the profit or loss are unallocated.

3. OTHER GAINS AND LOSSES

	Six months ended 30 June 2016 *RMB'000* *(Unaudited)*	Six months ended 30 June 2015 *RMB'000* *(Unaudited & restated)*
(Loss) gain on disposal of property, plant and equipment	**(83)**	888
Changes in fair value of financial liabilities at fair value through profit or loss	**—**	(6,508)
(Loss) gain on disposal of subsidiaries	**(2,305)**	53,536
Net exchange gains (losses)	**33,408**	(15,433)
Impairment losses on intangible assets	**(5,094)**	(5,653)
Impairment losses on property, plant and equipment	**—**	(532)
Impairment losses on trade and other receivables	**(51,561)**	(14,937)
Impairment losses on available for sales investments	**(10,861)**	—
	(36,496)	11,361

4. TAXATION

	Six months ended 30 June 2016 *RMB'000* *(Unaudited)*	Six months ended 30 June 2015 *RMB'000* *(Unaudited)*
Current tax		
- PRC Enterprise Income Tax	**139,892**	151,017
- USA Corporate Income Tax	**—**	497
	139,892	151,514
Under provision in prior years		
- PRC Enterprise Income Tax	**13,287**	18,787
Deferred tax charge (credit)	**25,697**	(6,448)
	178,876	163,853

No provision for Hong Kong Profits Tax and Singapore income tax has been made as the Group has no assessable profit arising in Hong Kong and Singapore, respectively.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2015: 25%).

The following subsidiaries satisfied the conditions as high technology development enterprises and are thus subject to a preferential tax rate of 15% for 3 years from the date of approval:

Name of company	Year-end during which approval was obtained	Year ending during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd. ("Nanjing High Speed")	31 December 2014	31 December 2016
Nanjing High Accurate Marine Equipment Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2014	31 December 2016
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd.	31 December 2015	31 December 2017
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd.	31 December 2015	31 December 2017

At 30 June 2016, the Group has unused tax losses of RMB889,352,000 (31 December 2015: RMB677,528,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB25,129,000 (31 December 2015: RMB23,901,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB864,223,000 (31 December 2015: RMB653,626,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Other than the PRC withholding income tax provided in respect of undistributed profits of PRC subsidiaries of approximately RMB644 million (31 December 2015: approximately RMB644 million), no deferred taxation has been provided for the remaining profits of approximately RMB5,631 million as at 30 June 2016 (31 December 2015: RMB4,798 million), which was derived from the PRC subsidiaries, as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future. The Group has applied the preferential rate of 5% as all the Company's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

There is no other significant unprovided deferred taxation for the period or at the end of the reporting period.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended	
	30 June 2016	**30 June 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Allowance for inventories (included in cost of sales)	**65,894**	37,024
Amortisation of intangible assets	**21,316**	42,090
Bank interest income	**(59,142)**	(29,838)
Depreciation of property, plant and equipment	**280,519**	290,471
Release of prepaid lease payments	**7,494**	10,243
Exchange (gains) losses (included in other gains and losses)	**(33,408)**	15,433
Loss (gain) on disposal of subsidiaries (included in other gains and losses)	**2,305**	(53,536)
Loss (gain) on disposal of property, plant and equipment (included in other gains and losses)	**83**	(888)
Impairment loss on trade and other receivables, net (included in other gains and losses)	**51,561**	14,937
Impairment loss on intangible assets (included in other gains and losses)	**5,094**	5,653
Impairment loss on property, plant and equipment (included in other gains and losses)	**—**	532
Impairment loss on available-for-sale investments (included in other gains and losses)	**10,861**	—

6. DIVIDENDS

During the current interim period, 2015 final dividend amounting to HK23 cents (approximately RMB19.5 cents) per share was proposed by the Company's directors on 18 March 2016, and subsequently approved at the annual general meeting on 17 June 2016. The aggregated amount of the 2015 final dividend declared amounted to approximately RMB318,944,000.

The directors of the Company have determined that no dividend will be declared in respect of the interim period (six-month period ended 30 June 2015: nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 June 2016	**30 June 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the period attributable to owners of the Company)	**575,843**	524,168

	30 June 2016	**30 June 2015**
	'000	*'000*
	(Unaudited)	*(Unaudited)*
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	**1,635,291**	1,635,291

No diluted earnings per share is presented for the six months ended 30 June 2016 and 2015 as there is no potential dilutive shares in issue.

8. TRADE AND OTHER RECEIVABLES

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Accounts receivable	**4,621,883**	4,107,314
Bills receivable	**2,543,938**	3,248,346
Less: allowance for doubtful debts	**(468,736)**	(418,288)
Total trade receivables	**6,697,085**	6,937,372
Advances to suppliers	**1,203,275**	1,232,041
Value-added tax recoverable	**140,084**	165,099
Other receivables (Note)	**357,184**	318,520
Less: allowance for doubtful debts of other receivable	**(2,530)**	(2,530)
Total trade and other receivables	**8,395,098**	8,650,502

Note: At 30 June 2016, the balance of approximately RMB62,003,000 (at 31 December 2015: RMB77,504,000), included in the Group's other receivables, was the consideration for disposal of Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd.. The balance was subsequently settled.

The Group generally allows a credit period of 180 days to its trade customers. The following is an aged analysis of the trade receivables based on invoice date, net of allowance for doubtful debts, at the end of the reporting period which approximated the respective revenue recognition dates:

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 - 90 days	**4,442,224**	3,991,092
91 - 120 days	**380,160**	867,774
121 - 180 days	**281,551**	614,221
181 - 365 days	**1,061,380**	1,072,427
1 - 2 years	**382,502**	261,436
Over 2 years	**149,268**	130,422
	6,697,085	6,937,372

9. TRADE AND OTHER PAYABLES

	30 June 2016 *RMB'000* *(Unaudited)*	**31 December 2015** *RMB'000* *(Audited)*
Accounts payable	**1,955,006**	1,630,110
Notes payable (note)	**3,629,134**	3,142,814
Total trade payables	**5,584,140**	4,772,924
Advances from customers	**460,572**	365,432
Purchase of property, plant and equipment	**145,173**	160,477
Payroll and welfare payables	**78,290**	152,200
Accrued expenses	**86,609**	123,266
Value-added and other tax payable	**101,037**	50,261
Deferred income	**11,204**	10,326
Other payables and payment received from government	**598,153**	773,927
Total trade and other payables	**7,065,178**	6,408,813

Note: Notes payable are secured by certain of the Group's assets as set out in note 12.

The following is an aged analysis of the Group's trade payables based on invoice date at the end of the reporting period:

	30 June 2016 *RMB'000* *(Unaudited)*	**31 December 2015** *RMB'000* *(Audited)*
0 - 30 days	**906,288**	1,107,968
31- 60 days	**1,110,173**	927,507
61 - 180 days	**2,656,317**	2,478,526
181 - 365 days	**741,243**	85,440
Over 365 days	**170,119**	173,483
	5,584,140	4,772,924

10. BORROWINGS

During the period, the Group obtained new borrowings in the amount of approximately RMB5,421,023,000 (six months ended 30 June 2015: RMB2,610,908,000). At 30 June 2016, the borrowings bear fixed or floating interest at interest rates ranging from 1.48% to 9.77% per annum (at 31 December 2015: fixed or floating interest at interest rates ranging from 1.48% to 9.77%) and are repayable within 1 to 5 years (at 31 December 2015: repayable within 1 to 6 years). The Group also repaid borrowings of approximately RMB3,844,169,000 (six months ended 30 June 2015: RMB5,511,207,000) during the period.

Certain borrowings are secured by certain of the Group's own assets as set out in note 12.

11. CAPITAL COMMITMENTS

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Commitments contracted for but not provided in the condensed consolidated financial statements in respect of:		
- prepaid lease payment	**83,400**	83,400
- property, plant and equipment	**120,419**	209,416
	203,819	292,816

12. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to the Group and pledged to suppliers to settle its notes payable:

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Pledged bank deposits	**4,609,785**	2,403,640
Trade receivables	**61,143**	596,245
Bills receivable	**844,786**	960,656
Property, plant and equipment	**127,500**	127,500
Prepaid lease payments	**338,747**	348,411
Structured bank deposits	**—**	100,000
	5,981,961	4,536,452

At 30 June 2016 and 31 December 2015, the Group also pledged its 25% equity interest in Nanjing High Speed which is the Company's wholly-owned subsidiary, for banking facilities granted to the Group.

13. CONTINGENT LIABILITIES

The Group entered an agreement (the "Agreement") with a third party (the "Subcontractor"), pursuant to which effective from 1 January 2013, the Group assigns the Subcontractor and the Subcontractor agrees to repair certain of the wind gear products sold for the Group at a fixed fee at 2.5% of annual sales of those wind gear products of the Group (the "Fixed Fee"). The Group is not liable for any additional cost incurred by the Subcontractor in relation to the repair of those wind gear products, other than the Fixed Fee.

The Subcontractor however has not entered into any agreements with the wind gear products' customers for the repair services. In the event of closure, liquidation, or inability of the Subcontractor to provide those repair services, the Group is still liable for such repair obligations should those customers claim for that against the Group. In the opinion of the directors, based on their experience, the financial position of the Subcontractor and their assessment of the current economic environment, the possibility of the default or inability by the Subcontractor to carry out the obligation is remote. Accordingly, no provision for the repair obligation has been made in the condensed consolidated financial statements at the end of the reporting period.

14. RESTATEMENT OF COMPARATIVE FIGURES

During the period, certain comparative figures in respect of the six months ended 30 June 2015 have been reclassified to conform with the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China High Speed Transmission Equipment Group Co., Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") are principally engaged in research, design, development, manufacture and distribution of various types of mechanical transmission equipment for a broad range of applications in wind power generation and industrial use. During the six months ended 30 June 2016 (the "**Period Under Review**"), the Group recorded sales revenue of approximately RMB4,532,454,000 (30 June 2015: RMB4,751,493,000), representing a decrease of 4.6% as compared with the corresponding period of 2015. The gross profit margin was approximately 33.8% (30 June 2015: 29.7%). Profit attributable to the owners of the Company was approximately RMB575,843,000 (30 June 2015: RMB524,168,000), representing an increase of 9.9% as compared with the corresponding period of 2015. Basic earnings per share were RMB0.352 (30 June 2015: RMB0.321), representing an increase of 9.7% as compared with the corresponding period of 2015.

Principal business review

1. Gear segment

(i) Wind gear transmission equipment

Large, diversified and overseas development

The wind gear transmission equipment is a major product that has been developed by the Group. During the Period Under Review, sales revenue of wind power gear transmission equipment business increased by approximately 3.2% to approximately RMB3,863,558,000 (30 June 2015: RMB3,744,553,000) as compared with the corresponding period last year. The increase was attributable to the fact that there were an increasing overall demands for wind power equipment from customers and the PRC government had successively launched policies encouraging the development of renewable energy and offshore wind power through energy structure reform, as well as the increase in product delivery due to customers' confidence in the stable quality and comprehensive service of wind power generation products supplied by the Group.

The Group is a leading supplier of wind gear transmission equipment in the PRC. By leveraging its strong research, design and development capabilities, the Group has a range of products including 750KW, 1.5MW, 2MW and 3MW wind gear transmission equipment which have been provided to domestic and overseas customers in bulk. The product technology has reached an internationally advanced technical level and is well recognised by customers in general. In addition to the provision of diversified large wind gear transmission equipment to customers, the Group has also successfully developed 5 MW and 6 MW wind gear transmission equipment with a technological level comparable to its international peers, thus enabling us to have the capability and technology to produce those products.

Currently, the Group maintains a strong customer portfolio. Customers of the wind power business include the major wind turbine manufacturers in the PRC, as well as renowned international wind turbine manufacturers such as GE Renewable Energy, Nordex, Senvion, etc. With the Group's increasingly globalised operation, major overseas wind power equipment manufacturers such as Alstom Wind, Unison, Suzlon and Inox Wind have also become the overseas customers of the Group. To accelerate expansion into overseas markets, the Group has set up wholly-owned subsidiaries in Germany, Singapore, India and Canada to support the sustainable development strategy of the Group in order to have closer communication and discussion with potential overseas customers and to provide further diversified services.

(ii) Industrial gear transmission equipment

Enhance market competitiveness through changes in production mode and sales strategies

The Group's traditional gear transmission equipment products are mainly supplied to customers in industries such as metallurgy, construction materials, traffic, transportation, petrochemical, aerospace and mining.

Owing to the uncertainty of global economic environment and in light of the PRC government's conservative views on the future growth of the national economy, the equipment industry in the PRC remained in overcapacity during the Period Under Review, the Group therefore adjusted the development strategy for traditional industrial gear transmission equipment. Above all, by leveraging its self -developed technologies, the Group focused on the development of energy-saving and environmentally-friendly products, and facilitated sales growth by standardizing and modularizing its products. Meanwhile, the Group strengthened its efforts to provide and sell parts and components of relevant products to its customers, helping them enhance their current production efficiency without increasing capital expenditure, thereby maintaining its position as a major supplier in the traditional industrial transmission product market.

During the Period Under Review, in respect of transmission equipment for high-speed rails, metro lines, urban train and tram segments, the Group received orders of metro gear boxes continuously from metro lines of various cities in China and secured more orders of metro gear boxes from metro lines in Sydney. The Group has obtained International Railway Industry Standard (IRIS) certificate for its rail transportation products, which has laid a solid foundation for the Group's rail transportation products to expand into high-end international railway markets. Locomotive tractive gears manufactured by Nanjing High Speed Gear Manufacturing Co., Ltd. ("**Nanjing High Speed**"), a wholly-owned subsidiary of the Group, successfully passed the certification of China Railway Test & Certification Centre (CRCC), signaling that the Group has formally become a qualified supplier of China Railway Corporation. Currently its products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Qingdao, Dalian, Suzhou, Lanzhou, Nanchang, Shijiazhuang, Hong Kong, Singapore, Brazil, India, Mexico and Australia. The Group will continue to actively expand the transmission equipment business for high-speed rails, metro lines, urban train and tram segments, and accelerate the research and development of rail transportation gear equipment products. During the Period Under Review, we had successfully developed two types of gear boxes for train segments, and received the initial orders; and three types of gear boxes for 160km/h urban train, one of which has been awarded domestic bulk orders. This type of gear boxes applies the unique gear modification technology and advanced heat treatment technical process, which meets the high reliability requirements during complex conditions. As a new platform, it will add new energy to the future development of the Company. During the Period Under Review, such business generated sales revenue of approximately RMB37,267,000 (30 June 2015: RMB81,663,000), representing a decrease of 54.4% as compared with the corresponding period last year.

During the Period Under Review, the industrial gear business segment generated sales revenue of approximately RMB473,051,000 for the Group (30 June 2015: RMB724,379,000), representing a decrease of 34.7% as compared with the corresponding period last year.

2. Marine gear transmission equipment

Actively expand domestic and foreign markets

Although the current shipbuilding market goes downturn as a result of the decrease in oil price and international political and economic factors, Nanjing High Accurate Marine Equipment Co., Ltd. ("**NGC-MARINE**"), a wholly-owned subsidiary of the Group, still achieved great performance in high, accurate and advanced products and major domestic project supporting. Recently, NGC-MARINE has equipped China

Communications Construction Company Limited with the offshore wind power installation platform propeller system and the worldwide biggest cutter-suction dredger with gear box. At present, with the aim to be better, NGC-MARINE is playing a more and more important role in the domestic and international marine industry.

The Group continued to focus on research and development of new products and market expansion, and nine series of marine products have been applied in all equipment of overall ship propulsion system. During the Period Under Review, the Group participated in the Asia Pacific Maritime on 16 March 2016, which was held in Marina Bay Sands Convention and Exhibition Center, Singapore and lasted for 3 days. NGC-MARINE and NGC MARINE PROPULSION SOUTH EAST ASIA PTE. LTD joined the exhibition together with a local partner, AME2 PTE LTD. NGC-MARINE demonstrated various propulsion and transmission products with proprietary intellectual property rights to exhibitor and customers from over 60 countries and districts, attracting a significant amount of visitors to consult and negotiate. The Group will continue to promote the diversity of its marine gear transmission equipment products in order to leverage the momentum of market recovery to lay a solid foundation for its future development.

During the Period Under Review, sales revenue of marine gear transmission equipment was approximately RMB79,934,000 (30 June 2015: RMB145,514,000), representing a decrease of 45.1% as compared with the corresponding period last year.

3. Computer numerical controlled ("CNC") machine tool products

Machine tool is the core equipment of the equipment manufacturing industry. The modernisation of equipment manufacturing industry of China depends on the development of its machine tool industry. We must enhance the manufacturing capacity of our machine tool to support the development of equipment manufacturing industry. Besides, the price for heavy machine tools is very high as the international market is dominated by few manufacturers. The Group intends to take the opportunity to develop heavy, precise and efficient machine tool products to establish a presence in the heavy and high-end market and provide advanced machine tools for the equipment manufacturing industry.

During the Period Under Review, China's economy had no obvious improvement, and the equipment industry still oversupplied, thus, the machine tool products business of the Group was also exposed to challenges.

During the Period Under Review, the Group provided CNC machine tool products to customers through various subsidiaries and recorded sales revenue of approximately RMB49,096,000 (30 June 2015: RMB73,628,000), representing a decrease of 33.3% as compared with the corresponding period last year.

4. ***Diesel engine product***

In order to optimise the application of marine gear transmission equipment, the Group acquired Nantong Diesel Engine Co., Ltd. ("**Nantong Diesel**"), which is located in Nantong city of Jiangsu province that lies in the developed Yangtze delta area.

The products of Nantong Diesel cover a wide range of models, including marine diesel engines, diesel engines for power generation and gas engines.

Its products possess proprietary intellectual property rights and have been recognised as "Famous Brand Product of the Fishery Vessel & Machine Field in China", "National Key New Product", "Key Protective Product of Jiangsu Province" and "Reliable Product of Jiangsu Province". It was also awarded "Scientific & Technological Progress Prize of State Mechanical Industry".

The global economy remained uncertain, which gave direct impact on the recovery of the shipping industry, the Group's sales of diesel engine products were therefore inevitablely affected.

During the Period Under Review, the Group's sales revenue from diesel engines amounted to approximately RMB66,815,000 (30 June 2015: RMB63,419,000), representing an increase of 5.4% as compared with the corresponding period last year.

LOCAL AND EXPORT SALES

During the Period Under Review, the Group maintained its position as the leading supplier of mechanical transmission equipment in the PRC. During the Period Under Review, the overseas sales amounted to approximately RMB1,569,714,000 (30 June 2015: RMB926,328,000), an increase of 69.5% as compared with the corresponding period last year, accounting for 34.6% of total sales (30 June 2015: 19.5%) and representing an increase of 15.1 percentage point to total sales over the corresponding period last year. At present, the overseas customers of the Group are mainly from the U.S., and there are also customers from other countries including India, Japan and Europe. As the economies in Europe and the U.S. were yet to be fully recovered during the Period Under Review, the Group also explored overseas market with different types of products.

PROSPECTS

In the first half of 2016, as for international market, the global economy underwent sluggish recovery. Among the major economies, US economic recovery slowed down and there were uncertainties for the Federal Reserve to raise interest rates. The Eurozone economy was still in weak recovery with uneven development in industrial structure. British's exit from the European Union and other "black swan" events continued to occur. For emerging economies, the economy of South Africa, Russia and Brazil have suffered decline in different degrees. Despite the grim international economic environment, with the implementation of a series of structural reform policies, the PRC maintained a steady growth in economy in the first half of 2016.

At present, the PRC actively implemented energy structure reform policies to develop renewable energy and promote green economy. Under China's definite direction to lower wind power tariff, wind power will be more competitive. However, the issue of "Wind Power Curtailment (棄風限電)" emerged with the rapid growth of wind power. To protect the development of wind power industry, National Development and Reform Commission and National Energy Administration jointly issued a document, clearly setting out minimum annual utilization hour of protective buyout in key regions. This means that after experiencing rapid development, the wind power industry will enter into a stage with more focus on efficiency and quality.

In the first half of 2016, the Group followed the wind power development strategy of the PRC and continued to supply quality wind power generation gear transmission equipment to customers, actively facilitated research and development of wind power transmission equipment and optimized the production technical process to strengthen the development of wind power equipment business, a large number of orders and substantial delivery volume were recorded in the first half of 2016. During the Period Under Review, sales revenue from wind power products of the Company was approximately RMB3.86 billion, representing an increase of 3.2% as compared with the corresponding period last year. The Company continued to lead domestic wind power equipment industry by focusing on customers' need, keeping up with market demand, and optimizing product mix and cost control to sharpen its core competitive edge. As a result, remarkable results was achieved for the first half of 2016.

In the PRC wind power market, the Group possesses the most advanced technologies with a market share of approximately 60% in the double-fed wind turbine market. Our customers include leading wind turbine equipment manufacturers both at home and abroad. In addition, we have expanded to American market with GE Renewable Energy as our largest overseas customer. In the future, the Group will further expand to Vietnam, India, South Korea, France and other international markets in Asia and

Europe through our own technology platform and services. The Group will also focus on strengthening technology research and development, product quality control and market position, aiming to be well prepared for our wind power segment to expand to global market.

Industrial gear market is closely linked with the PRC economy development. The company will seize opportunities arise in the critical moment of the PRC economic recovery, follow the pace of national development and promote the development of standardized products industry by improving production processes, strengthening scientific and technological research and development and enhancing customer communication. We aimed to compete with overseas product suppliers in the next five years.

In addition, the Company will continue to adhere to its centralized control management program. We will devote main resources to gear transmission equipment segment and gradually strip non-core business with unsatisfactory performance, so as to facilitate our future development and maintain our position as the gear supplier with best quality in the industry all over the world.

Looking forward the second half of the year, wind power industry will flourish in different aspects with more investment opportunities emerging. National Energy Administration issued a document, stipulating that by 2020, non-water renewable energy power production shall account for more than 15% of thermal power production, while the current proportion is only 5.3%, which reflected great development potential in wind power industry. The PRC government has always stressed to improve the implementation of the approval plan, and support the approval for projects in non-restricted regions, in order to optimize the rational distribution of wind power from a macro perspective. The Group will continue to follow movements in the product market closely, adapt to the new form of economic development actively, enhance product quality and economies of scale, as well as to enlarge market shares in the international markets at the same time, boosting profitability of the Group's core business to a new high level.

FINANCIAL PERFORMANCE

Sales revenue of the Group for the Period Under Review decreased by 4.6% to approximately RMB4,532,454,000.

	Revenue		
	Six months ended 30 June		
	2016	**2015**	**Change**
	RMB'000	*RMB'000*	
Gear Segment	4,336,609	4,468,932	-3.0%
— Wind Gear Transmission Equipment	3,863,558	3,744,553	3.2%
— Industrial Gear Transmission Equipment	473,051	724,379	-34.7%
Marine Gear Transmission Equipment	79,934	145,514	-45.1%
CNC machine tool Products	49,096	73,628	-33.3%
Diesel Engine Products	66,815	63,419	5.4%
Total	4,532,454	4,751,493	-4.6%

Revenue

During the Period Under Review, the Group's sales revenue was approximately RMB4,532,454,000, representing a decrease of 4.6% as compared with the corresponding period last year. The decrease was mainly due to the uncovered economic condition which affected Group's business other than the wind power business and in turn caused the decrease of sales. Both customer orders for and shipments of wind gear transmission equipment rebounded during the Period Under Review. The average selling price of wind gear transmission equipment remained stable during the Period Under Review. Sales revenue from wind gear transmission equipment increased from approximately RMB3,744,553,000 for the corresponding period last year to approximately RMB3,863,558,000 for the Period Under Review, representing an increase of 3.2%.

During the Period Under Review, sales revenue from industrial gear transmission equipment was approximately RMB473,051,000, representing a decrease of 34.7% as compared with the corresponding period last year. The Group's sales revenue from marine gear transmission equipment was approximately RMB79,934,000, representing a decrease of 45.1% as compared with the corresponding period last year. During the Period Under Review, the Group's sales revenue from CNC machine tool products and diesel engine products were approximately RMB49,096,000 and RMB66,815,000, representing a decrease of 33.3% and an increase of 5.4% as compared with the corresponding period last year, respectively.

Gross profit margin and gross profit

During the Period Under Review, the Group's consolidated gross profit margin was approximately 33.8% (30 June 2015: 29.7%), representing an increase of 4.1 percentage point as compared with the corresponding period last year. Consolidated gross profit for the Period Under Review amounted to approximately RMB1,530,825,000 (30 June 2015: RMB1,408,909,000), representing an increase of 8.7% as compared with the corresponding period last year. The increases in both consolidated gross profit margin and consolidated gross profit were mainly due to the increase in sales revenue of wind gear transmission equipment during the Period Under Review, which also indicated that the Group reached the stage of economies of scale.

Other income, other gains and losses

During the Period Under Review, the total amount of other income of the Group was approximately RMB112,077,000 (30 June 2015: RMB77,185,000), representing an increase of 45.2% as compared with the corresponding period last year. Other income is mainly comprised of bank interest income, investment income and income from sales of scraps.

During the Period Under Review, other gains and losses recorded a net loss of approximately RMB36,496,000 (30 June 2015: a net gain of RMB11,361,000), mainly comprised of impairment loss on intangible assets, impairment loss on trade and other receivables, impairment loss on investments available for sale and foreign exchange gains.

Distribution and selling costs

During the Period Under Review, the distribution and selling costs of the Group were approximately RMB142,828,000 (30 June 2015: RMB139,097,000), representing an increase of 2.7% as compared with the corresponding period last year. The expenses mainly represented product packaging expenses, transportation expenses and staff costs. The percentage of distribution and selling costs to sales revenue for the Period Under Review was 3.2% (30 June 2015: 2.9%), representing an increase of 0.3 percentage point as compared with the corresponding period last year.

Administrative expenses

During the Period Under Review, administrative expenses of the Group were approximately RMB315,876,000 (30 June 2015: RMB292,420,000), representing an increase of 8.0% as compared with the corresponding period last year, mainly due to the increase in maintenance fee and staff costs. The percentage of administrative expenses to sales revenue increased by 0.8 percentage point to 7.0% as compared with the corresponding period last year.

Finance costs

During the Period Under Review, the finance costs of the Group were approximately RMB286,305,000 (30 June 2015: RMB317,489,000), representing a decrease of 9.8% as compared with the corresponding period last year, which was mainly due to the decrease in borrowing costs.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2016, the equity attributable to owners of the Company amounted to approximately RMB10,015,605,000 (31 December 2015: RMB9,759,102,000). The Group had total assets of approximately RMB27,315,100,000 (31 December 2015: RMB25,292,081,000), an increase of 8.0% as compared with that at the beginning of the year. Total current assets were approximately RMB19,503,246,000 (31 December 2015: RMB17,311,275,000), representing an increase of 12.7% as compared with that at the beginning of the year and accounting for 71.4% of the total assets (31 December 2015: 68.4%). Total non-current assets were approximately RMB7,811,854,000 (31 December 2015: RMB7,980,806,000), representing a decrease of 2.1% as compared with that at the beginning of the year and accounting for 28.6% of the total assets (31 December 2015: 31.6%).

As at 30 June 2016, total liabilities of the Group were approximately RMB17,108,684,000 (31 December 2015: RMB15,317,343,000), representing an increase of approximately RMB1,791,341,000, or 11.7% as compared with that at the beginning of the year. Total current liabilities were approximately RMB15,270,205,000 (31 December 2015: RMB13,214,731,000), representing an increase of 15.6% as compared with that at the beginning of the year. Total non-current liabilities were approximately RMB1,838,479,000 (31 December 2015: RMB2,102,612,000), representing a decrease of 12.6% as compared with that at the beginning of the year.

As at 30 June 2016, the net current assets of the Group were approximately RMB4,233,041,000 (31 December 2015: RMB4,096,544,000), representing an increase of approximately RMB136,497,000, or 3.3%, as compared with that at the beginning of the year.

As at 30 June 2016, total cash and bank balances of the Group were approximately RMB8,338,399,000 (31 December 2015: RMB6,280,513,000), representing an increase of approximately RMB2,057,886,000, or 32.8%, as compared with that at the beginning of the year. Total cash and bank balances include pledged bank deposits of RMB4,609,785,000 (31 December 2015: RMB2,403,640,000) and structured bank deposits of RMB372,000,000 (31 December 2015: RMB1,755,000,000).

As at 30 June 2016, the Group had total bank loans of approximately RMB9,148,564,000 (31 December 2015: RMB7,566,320,000), representing an increase of approximately RMB1,582,244,000, or 20.9%, as compared with that at the beginning of the year, of which loans within one year were RMB7,449,968,000 (31 December 2015: RMB5,618,194,000), accounting for approximately 81.4% (31 December 2015: 74.3%) of the total bank loans. The fixed or floating interest rates of the Group's bank loans ranged from 1.48% to 9.77% per annum during the Period Under Review.

Taking into account of the internal financial resources of and the banking facilities available to the Group, and the net current assets of RMB4,233,041,000, the Directors believe that the Group will have sufficient funds to meet its working capital requirements and foreseeable capital expenditure.

Gearing Ratio

The Group's gearing ratio, which is defined as the percentage of total liabilities to total assets after deducting cash, increased from 60.6% as at 31 December 2015 to 62.6% as at 30 June 2016, mainly due to some of the borrowings were not due during the Period Under Review, which caused a slight increase in the borrowings.

Capital structure

The Group's operations were financed mainly by shareholder's equity, banking facilities available to the Group and internal resources. The Group will continue to adopt its treasury policy of placing its cash and cash equivalents as interest bearing deposits.

The Group's loans and cash and cash equivalents were mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars. The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 30 June 2016 amounted to approximately HK$223,756,000 and US$68,217,000, respectively.

During the Period Under Review, the Group's borrowings with fixed interest rates accounted for approximately 72.56% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in note 12 to the condensed consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2016.

OTHER SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

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

FOREIGN EXCHANGE RISK

The Group's operations are mainly conducted in the PRC. With the exception of export sales and the imported equipment, spare parts and materials which are transacted in U.S. dollars and Euros, most of the Group's revenue and expense are denominated in Renminbi. Therefore, the Board is of the view that the Group's operating cash flow and liquidity during the Period Under Review are not subject to significant foreign exchange rate risks. The Group has not used any foreign currency derivatives to hedge against the exposure in foreign exchange.

The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 30 June 2016 amounted to approximately HK$223,756,000 and US$68,217,000, respectively. Therefore, the Group may be exposed to certain foreign exchange rate risks.

The net gain on foreign exchange recorded by the Group for the Period Under Review was approximately RMB33,408,000 (30 June 2015: net loss of RMB15,433,000), which was due to gains from the Group's export business transacted in US dollars as a result of the depreciation of RMB against US dollars during the Period Under Review. The Group will actively manage the net amount of its foreign currency assets and liabilities by formulating foreign currency control measures and strategies, with a view to reducing its exposures to foreign exchange rate risks in 2016.

INTEREST RATE RISK

During the Period Under Review, the loans of the Group are mainly sourced from bank loans and medium term notes. Therefore, the benchmark lending rate announced by the People's Bank of China, the London Interbank Offered Rate and the Hong Kong Interbank Offered Rate will have a direct impact on the Group's cost of debt and future changes in interest rate will also have certain impacts on the Group's cost of debt. The Group will strive to reduce the finance cost by actively monitoring the changes in credit policies, taking pre-emptive actions, strengthening capital management and expanding financing channels.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had approximately 8,247 employees (30 June 2015: 8,398). Staff costs of the Group for the first half of 2016 were approximately RMB750,600,000 (30 June 2015: RMB683,542,000). The costs included basic salaries, discretionary bonuses and staff benefits such as medical and insurance plans, pension schemes, unemployment insurance plans, etc.

CORPORATE GOVERNANCE

The Board recognises the importance of corporate governance practices to the success of a listed company. The Company is committed to achieving a high standard of corporate governance in the interest of the shareholders of the Company.

For the six months ended 30 June 2016, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") except for the deviation from code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and code provision A.6.7 which states that non-executive directors should attend general meetings of shareholders of the Company.

Mr. Hu Yueming is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person is beneficial to the business development and management of the Group. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this arrangement will enable the Company to make and implement decisions promptly and efficiently.

The Company's Chairman and Chief Executive Officer, part of the independent non-executive Directors, Chairman of the Audit Committee, Chairman of the Nomination Committee and external auditors have attended the 2015 Annual General Meeting of the Company, except Mr. Zhu Junsheng and Mr. Chen Shimin, independent non-executive Directors, who were absent from the 2015 Annual General Meeting due to other important committment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**") as its internal code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months period ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant event took place subsequent to 30 June 2016.

By order of the Board
China High Speed Transmission Equipment Group Co., Ltd.
HU YUEMING
Chairman

Hong Kong, 19 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Gou Jianhui, Mr. Wang Zhengbing, Mr. Zhou Zhijin and Mr. Hu Jichun; and the independent non-executive directors are Mr. Jiang Xihe, Mr. Zhu Junsheng, Mr. Chen Shimin and Ms. Jiang Jianhua.

* *For identification purposes only*