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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 OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2021 *RMB' 000* **(Unaudited)**	Six months ended 30 June 2020 *RMB' 000* (Unaudited)	**Change**
Revenue from contracts with customers	**10,601,507**	5,468,796	93.9%
Gross profit	**1,805,980**	1,173,169	53.9%
Profit for the period attributable to owners of the Company	**722,802**	302,429	139.0%
Basic and diluted earnings per share *(RMB)*	**0.442**	0.185	138.9%

	As at 30 June 2021 *RMB' 000* **(Unaudited)**	As at 31 December 2020 *RMB' 000* (Audited)	**Change**
Total assets	**28,623,283**	25,851,099	10.7%
Total liabilities	**15,466,691**	13,227,891	16.9%
Net assets	**13,156,592**	12,623,208	4.2%
Net assets per share *(RMB)*	**8.0**	7.7	3.9%
Gearing ratio*(%)	**54.0**	51.2	2.8 percentage points

* *Gearing ratio = total liabilities/total assets*

* *For identification purpose only*

The board (the "**Board**") of directors (the "**Director(s)**") 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 2021, together with the comparative figures as follows. The interim financial information is unaudited, but has been reviewed by the audit committee of the Company and Baker Tilly Hong Kong Limited, the auditor of the Company.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue from contracts with customers	3	**10,601,507**	5,468,796
Cost of sales		**(8,795,527)**	(4,295,627)
Gross profit		**1,805,980**	1,173,169
Selling and distribution expenses		**(205,170)**	(153,158)
Administrative expenses		**(243,894)**	(270,990)
Research and development costs		**(451,007)**	(230,093)
Net impairment losses recognised on financial assets		**(28,974)**	(142,534)
Other income	4	**135,641**	106,909
Other (losses)/gains – net	5	**(38,339)**	37,186
Operating profit		**974,237**	520,489
Finance income	7	**30,634**	41,209
Finance costs	7	**(135,550)**	(195,217)
Finance costs – net		**(104,916)**	(154,008)
Share of results of associates and joint ventures accounted for using the equity method		**10,847**	17,053
Profit before income tax		**880,168**	383,534
Income tax expenses	8	**(119,350)**	(85,314)
Profit for the period		**760,818**	298,220
Profit/(loss) for the period attributable to:			
– Owners of the Company		**722,802**	302,429
– Non-controlling interests		**38,016**	(4,209)
		760,818	298,220
Earnings per share for profit attributable to owners of the Company (expressed in RMB)			
Basic and diluted earnings per share	9	**0.442**	0.185

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Profit for the period	**760,818**	298,220
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
– Changes in the fair value of debt investments at fair value through other comprehensive income	**3,207**	2,833
– Exchange differences on translation of foreign operations	**(3,715)**	(9,230)
– Income tax relating to these items	**(507)**	(2,203)
	(1,015)	(8,600)
Items that will not be reclassified to profit or loss		
– Changes in the fair value of equity instruments at fair value through other comprehensive income	**(141,575)**	73,693
– Income tax relating to these items	**35,156**	(17,782)
	(106,419)	55,911
Other comprehensive (loss)/income, net of tax	**(107,434)**	47,311
Total comprehensive income for the period	**653,384**	345,531
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	**616,094**	349,740
– Non-controlling interests	**37,290**	(4,209)
	653,384	345,531

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	**Unaudited 30 June 2021** *RMB'000*	Audited 31 December 2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**4,185,851**	3,832,318
Right-of-use assets		**639,075**	646,930
Goodwill		**26,414**	26,414
Investments accounted for using the equity method		**357,067**	346,220
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**2,185,717**	2,480,576
Financial assets at fair value through profit or loss ("**FVPL**")		**351,402**	340,000
Other financial assets at amortised cost		**592,538**	576,421
Deposits for land leases		**56,620**	5,890
Deferred tax assets		**312,015**	258,122
		8,706,699	8,512,891
Current assets			
Inventories		**4,018,762**	3,703,960
Trade receivables	11	**4,997,486**	3,100,118
Other receivables	11	**1,178,706**	1,642,832
Prepayments		**1,242,232**	1,115,896
Financial assets at fair value through other comprehensive income		**2,168,784**	3,422,363
Financial assets at fair value through profit or loss		**511,381**	515,126
Income tax prepaid		**217**	355
Pledged bank deposits		**2,827,702**	1,653,224
Cash and cash equivalents		**2,971,314**	2,184,334
		19,916,584	17,338,208
Current liabilities			
Trade payables	12	**3,240,968**	3,114,085
Bills payable	12	**4,445,463**	3,250,469
Other payables	12	**1,960,540**	767,311
Contract liabilities		**1,156,963**	2,203,973
Borrowings	13	**3,054,575**	2,378,970
Deferred income		**17,124**	19,654
Income tax payable		**212,821**	231,952
Warranty provision		**646,541**	578,595
		14,734,995	12,545,009

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 June 2021

	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Net current assets	**5,181,589**	4,793,199
Total assets less current liabilities	**13,888,288**	13,306,090
Non-current liabilities		
Deferred income	**172,907**	177,551
Warranty provision	**479,772**	372,480
Deferred tax liabilities	**79,017**	132,851
	731,696	682,882
Net assets	**13,156,592**	12,623,208
Capital and reserves		
Share capital	**119,218**	119,218
Reserves	**12,712,210**	12,096,116
Equity attributable to owners of the Company	**12,831,428**	12,215,334
Non-controlling interests	**325,164**	407,874
Total equity	**13,156,592**	12,623,208

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

This interim condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the Group's 2020 annual consolidated financial statements, except for the adoption of amendments to accounting policies, as set out in Note 2.

The preparation of interim condensed consolidated financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim condensed consolidated financial information for the six months ended 30 June 2021 contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's 2020 annual consolidated financial statements. This interim condensed consolidated financial information and notes thereon do not include all of the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

This interim condensed consolidated financial information is unaudited, but has been reviewed by the Audit Committee. It has also been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants.

2. CHANGES IN ACCOUNTING POLICIES

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

In the current period, the Group has applied Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" (the "Amendments") issued by IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021.

The Amendments provide practical expedients to address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes in the basis for determining the contractual cash flows and hedge accounting as a result of interest rate benchmark reform. The Amendments also set out the disclosure requirements.

The application of the Amendments has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in this condensed consolidated financial information.

A number of new standards and amendments to standards are effective for annual period beginning on or after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing this interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group's operating and reporting segments have been identified on the basis of internal management reports that are regularly reviewed by the Company's Board of Directors, being the chief operating decision maker ("CODM") of the Group, in order to allocate resources to segments and to assess their performances.

In prior period, the Group's operating segments were based on geographical location of customers, there were four operating segments namely (i) The People's Republic of China (the "PRC"); (ii) the United States of America (the "USA"); (iii) Europe; and (iv) other countries.

In recent years, the Group began to undertake an expansion of its trading business. During the current period, owing to the growing size of trading business, and considering the Group's internal restructuring last year, the CODM revised the basis and presentation of the segment as detailed below. The CODM believes the current reportable segments could provide better summary to them in reviewing the Group's operating performance and making decision in resource allocation. Accordingly, the comparative figures of the reportable segments have been re-presented for the purpose of presenting segment information.

For management purposes, the Group is now organised into business units based on the type of products and services and has four reportable operating segments as follows:

(a) wind and industrial gear transmission equipment segment: design, develop, manufacture and distribution of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications;

(b) rail transportation gear transmission equipment segment: engages in manufacture and distribution of gear transmission equipment used in rail transportation fields;

(c) trading business segment: focuses on bulk commodity and steel industry chain;

(d) the "others" segment comprises principally services on lighting project, municipal landscape project and engineering procurement construction project.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax from operations is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/losses from the Group's financial instruments, gains/losses on disposal of subsidiaries, foreign exchange gains/losses, share of results of associates and jointed ventures as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, structured bank deposits, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss/other comprehensive income, other financial assets at amortised cost, certain other receivables and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, dividend payable to non-controlling interests, consideration received for partial disposal of a subsidiary, tax payable, deferred tax liabilities, financial guarantee liability and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(a) Segment information

	Wind and industrial gear transmission equipment *RMB'000*	Rail transportation gear transmission equipment *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2021 (unaudited)					
Segment revenue					
Total segment revenue	7,219,641	203,254	3,149,579	31,670	10,604,144
Inter-segment revenue	(2,129)	(508)	–	–	(2,637)
Revenue from external customers	7,217,512	202,746	3,149,579	31,670	10,601,507
Timing of revenue recognition					
At a point in time	7,217,512	202,746	3,149,579	31,670	10,601,507
Segment results	900,916	59,495	41,634	(24,178)	977,867
Reconciliation:					
Finance costs – net					(104,916)
Dividend income					23,604
Foreign exchange losses, net					(31,325)
Fair value gains on financial assets at FVPL					13,549
Share of results of associates and joint ventures					10,847
Corporate and other unallocated expenses					(9,458)
Profit before income tax					880,168
Other segment information					
Write-down of inventories	140,610	1,666	–	–	142,276
Net impairment losses on financial assets	21,239	3,541	805	2,981	28,566
Impairment losses on property, plant and equipment	22,100	–	–	–	22,100
Impairment losses on prepayments	427	–	–	–	427
Depreciation and amortisation	184,580	1,933	19	254	186,786
Capital expenditure	565,853	17,377	48	22	583,300
As at 30 June 2021 (unaudited)					
Segment assets	14,257,408	466,169	2,003,869	681,533	17,408,979
Reconciliation:					
Corporate and other unallocated assets					11,214,304
Total assets					28,623,283
Segment liabilities	10,491,164	178,236	214,249	15,098	10,898,747
Reconciliation:					
Corporate and other unallocated liabilities					4,567,944
Total liabilities					15,466,691

(a) Segment information (continued)

	Wind and industrial gear transmission equipment *RMB'000*	Rail transportation gear transmission equipment *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2020 (unaudited and restated)					
Segment revenue					
Total segment revenue	5,320,119	133,333	–	17,988	5,471,440
Inter-segment revenue	(694)	(1,950)	–	–	(2,644)
Revenue from external customers	5,319,425	131,383	–	17,988	5,468,796
Timing of revenue recognition					
At a point in time	5,319,425	131,383	–	17,988	5,468,796
Segment results	498,965	24,001	–	(9,984)	512,982
Reconciliation:					
Finance costs – net					(154,008)
Dividend income					8,719
Foreign exchange gains, net					25,210
Fair value gains on financial assets at FVPL					21,468
Share of results of associates and joint ventures					17,053
Corporate and other unallocated expenses					(47,890)
Profit before income tax					383,534
Other segment information					
Write-down of inventories	32,593	656	–	–	33,249
Net impairment losses on financial assets	89,624	3,192	–	1,365	94,181
Impairment losses on property, plant and equipment	6,500	–	–	–	6,500
Impairment losses on prepayments	6,191	–	–	–	6,191
Depreciation and amortisation	203,559	2,176	–	262	205,997
Capital expenditure	93,483	11,004	–	16	104,503
As at 31 December 2020 (audited and restated)					
Segment assets	13,659,316	393,453	1,727,815	75,788	15,856,372
Reconciliation:					
Corporate and other unallocated assets					9,994,727
Total assets					25,851,099
Segment liabilities	10,091,647	140,033	141,671	14,768	10,388,119
Reconciliation:					
Corporate and other unallocated liabilities					2,839,772
Total liabilities					13,227,891

(b) Geographical information

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue from external customers		
PRC	**8,905,795**	4,099,548
USA	**1,007,732**	801,366
Europe	**86,490**	190,430
Other countries	**601,490**	377,452
	10,601,507	5,468,796

4. OTHER INCOME

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Dividend income from financial assets at FVOCI	**23,604**	8,719
Interest income from other financial assets at amortised cost	**16,117**	27,040
Government grants (Note)		
– Deferred income recognised	**9,909**	8,562
– Other government subsidies	**28,431**	17,568
Sale of scraps and materials	**41,622**	41,249
Gross fixed rental income	**6,755**	2,667
Others	**9,203**	1,104
	135,641	106,909

Note:

Government grants mainly represented grants from the PRC's local authority to support local companies.

5. OTHER (LOSSES)/GAINS – NET

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Gains/(losses) on disposal of property, plant and equipment, net	**1,126**	(2,992)
Gains on disposal of subsidiaries	**411**	–
Foreign exchange (losses)/gains, net	**(31,325)**	25,210
Net fair value gains on financial assets at FVPL	**13,549**	21,468
Impairment losses on property, plant and equipment	**(22,100)**	(6,500)
	(38,339)	37,186

6. EXPENSES BY NATURE

	Unaudited Six months ended 30 June 2021 *RMB'000*	2020 *RMB'000*
Cost of inventories sold	**8,133,022**	3,610,598
Employee benefits expenses	**760,035**	647,770
Depreciation of property, plant and equipment	**192,139**	212,854
Depreciation of right-of-use assets	**7,785**	7,680
Write-down of inventories	**142,276**	33,249
Other expenses	**460,341**	437,717
Total cost of sales, selling and distribution expenses, research and development costs and administrative expenses	**9,695,598**	4,949,868

7. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2021 *RMB'000*	2020 *RMB'000*
Finance income		
Bank interest income	**30,634**	41,209
Finance costs		
Interest expenses	**(135,550)**	(195,217)
Finance costs – net	**(104,916)**	(154,008)

8. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June 2021 *RMB'000*	2020 *RMB'000*
Current income tax – charge for the period		
– PRC	**154,658**	69,437
– Hong Kong	**12,537**	11,440
– Others	**300**	62
	167,495	80,939
Deferred tax	**(48,145)**	4,375
Income tax expenses	**119,350**	85,314

(a) PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%).

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

Name of company	Year ended during which approval was obtained	Year ending during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd. ("Nanjing High Speed")	31 December 2020	31 December 2022
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2020	31 December 2022
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2020	31 December 2022

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2021 (six months ended 30 June 2020: 16.5%).

(c) Other corporate income tax

Other corporate income tax has been provided at the rates of 8.5% to 18.5% on the estimated assessable profits arising from the jurisdictions at which the entities are operated (six months ended 30 June 2020: 8.5%).

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Net profit attributable to owners of the Company	**722,802**	302,429
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**1,635,291**	1,635,291
Basic earnings per share (RMB per share)	**0.442**	0.185

No adjustment is made to the diluted earnings per share for the six months ended 30 June 2021 and 2020 as there was no potential dilutive shares in issue.

10. DIVIDENDS

The directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Trade receivables		
– Amounts due from third parties	**5,532,820**	3,673,273
– Amounts due from a joint venture	**60,040**	5,215
	5,592,860	3,678,488
Less: Loss allowances	**(595,374)**	(578,370)
	4,997,486	3,100,118
Other receivables		
– Amounts due from third parties	**1,486,268**	1,947,272
– Amounts due from associates	**30,951**	26,713
– Amount due from a joint venture	**1,925**	1,925
	1,519,144	1,975,910
Less: Loss allowances	**(424,040)**	(421,170)
	1,095,104	1,554,740
Value-added tax recoverable	**83,602**	88,092
	1,178,706	1,642,832
	6,176,192	4,742,950

The ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of impairment provision, is as follows:

	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Less than 90 days	**3,533,154**	2,695,596
90 to 180 days	**1,077,682**	193,705
181 to 365 days	**238,623**	104,940
1 to 2 years	**102,599**	68,272
Over 2 years	**45,428**	37,605
	4,997,486	3,100,118

12. TRADE, BILLS AND OTHER PAYABLES

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Trade payables		
– Amounts due to third parties	**3,239,697**	3,112,705
– Amounts due to an associate	**144**	253
– Amounts due to a joint venture	**1,127**	1,127
	3,240,968	3,114,085
Bills payable	**4,445,463**	3,250,469
	7,686,431	6,364,554
Other payables		
– Accruals	**241,910**	65,984
– Other tax payables	**34,772**	36,742
– Purchases of property, plant and equipment	**93,629**	93,574
– Payroll and welfare payables	**102,021**	192,811
– Financial guarantee liability (Note 14(i))	**6,730**	7,103
– Consideration received for partial disposal of a subsidiary (Note)	**1,000,000**	–
– Amounts due to third parties	**392,063**	370,995
– Dividends payable to non-controlling interests	**89,302**	–
– Amounts due to a joint venture	**113**	102
	1,960,540	767,311
	9,646,971	7,131,865

Note:

As at 30 June 2021, the Group has received RMB1,000,000 thousands as the first instalment of the consideration for its disposal of 43% equity interest in Nanjing High Speed, details of which are set out in Note 17.

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

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
0 to 30 days	**3,521,545**	3,062,192
31 to 60 days	**187,459**	558,016
61 to 180 days	**3,214,512**	873,572
181 to 365 days	**621,175**	1,428,972
Over 365 days	**141,740**	441,802
	7,686,431	6,364,554

13. BORROWINGS

	Unaudited 30 June 2021		Audited 31 December 2020	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	*%*	*RMB'000*
Current				
Bank loans – Unsecured	**3.00-5.22**	**2,681,385**	3.45 – 5.44	1,828,970
Bank loans – Secured	**3.40-4.20**	**373,190**	3.69 – 5.44	550,000
		3,054,575		2,378,970

Note:

The secured borrowings at the end of the reporting period were secured by pledge of assets, details of which are set out in Note 16.

14. CONTINGENT LIABILITIES

(i) Financial guarantees

As at 30 June 2021, the Group issued financial guarantees to banks in respect of bank loans of RMB232,014 thousands granted to one of the Group's associates and RMB20,000 thousands granted to an independent third party (31 December 2020: RMB290,012 thousands granted to one of the Group's associates and RMB442,000 thousands granted to two independent third parties). This amount represented the balance that the Group could be required to be paid if the guarantees were called upon in its entirety. At the end of the reporting period, an amount of RMB6,730 thousands (31 December 2020: RMB7,103 thousands) has been recognised in the interim condensed consolidated statement of financial position as liabilities.

(ii) Outstanding litigation

On 12 November 2015, Nanjing High Speed and NGC Transmission Europe GmbH (collectively referred to as "NGC Parties") jointly entered into a strategic cooperation agreement (the "Cooperation Agreement") with Sustainable Energy Technologies GmbH ("SET") on the development and sale of certain electromechanical differential gearboxes for the use in industrial plants and wind mills, including its production and marketing (the "Project"). The Cooperation Agreement was terminated prematurely by SET on 23 February 2018.

In 2019, NGC Transmission Europe GmbH received a claim (the "Claim") filed by SET with a total amount of EUR11,773 thousands (equivalent to RMB92,012 thousands) (the "Claimed Amount") against NGC Parties for breaches of contractual obligations under the Cooperation Agreement relating to the Project.

Upon the date of the approval of this interim condensed consolidated financial information, the Claim was under trial and has not yet been judged. The independent lawyers engaged by the Group believe that there are solid arguments to rebut the Claim on the merits and is of a view that the settlement value to this case which would be substantially below 50% of the total Claimed Amount. As at 30 June 2021, based on the assessment of the independent lawyers, a provision amounting to RMB8,066 thousands (31 December 2020: RMB8,066 thousands) was accrued by management.

15. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Contracted, but not provided for:		
Plant and machinery	**1,078,582**	438,377

16. ASSETS PLEDGED AS SECURITY

At the end of the reporting period, certain assets of the Group were pledged to secure certain banking and other facilities granted to the Group as follows:

	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Bills receivable	**952,416**	1,202,626
Property, plant and equipment	**552,280**	600,754
Land use rights	**144,272**	146,068
Pledged bank deposits	**2,827,702**	1,653,224
	4,476,670	3,602,672

17. PARTIAL DISPOSAL OF INTEREST IN A SUBSIDIARY WITHOUT LOSS OF CONTROL

On 30 March 2021, Nanjing Gear Enterprise Management Co., Ltd. ("Nanjing Gear"), a wholly-owned subsidiary of the Group, and Nanjing High Speed entered into an equity transfer agreement (the "Equity Transfer Agreement") with Shanghai Wensheng Asset Management Co., Ltd. (the "Purchaser"), an independent third party, to dispose 43% of the equity interests of Nanjing High Speed at a consideration of RMB4,300,000 thousands (the "Disposal"). Pursuant to the Equity Transfer Agreement, if the transferee is not the Purchaser itself, the identity of the transferee is restricted to be a legal entity controlled or jointly controlled directly or indirectly by the Purchaser. The transferee is not the Purchaser itself and the transferee is Shanghai Qiwo Enterprise Management Partnership (Limited Partnership) (the "**Transferee**"). As a part of the Equity Transfer Agreement, Nanjing Gear grants a put option to the Transferee, which the Transferee could request Nanjing Gear to repurchase all the equity interest of Nanjing High Speed acquired by the Transferee during the 3 years from the completion date of the Disposal under certain conditions, at the Transferee's discretion, at an exercise price as set out in the Equity Transfer Agreement. After the completion of the Disposal, the Group's equity interest in Nanjing High Speed will decrease to approximately 50.02%, Nanjing High Speed will continue to be a subsidiary of the Group.

As at 30 June 2021, Nanjing Gear has received RMB1,000,000 thousands as the first instalment of the consideration.

On 15 July 2021, a supplemental agreement to the Equity Transfer Agreement was entered, which extended the payment schedule of the second and the remaining instalments of the consideration for the Disposal.

As at the date of approval of this interim condensed consolidated financial information, the Disposal has not yet been completed.

Details of the Disposal are set out in the Company's announcements dated 30 March 2021 and 15 July 2021 and the Company's circular dated 26 May 2021.

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 the research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications and trade of goods. During the six months ended 30 June 2021 (the "**Period under Review**"), the Group recorded sales revenue of approximately RMB10,601,507,000 (30 June 2020: RMB5,468,796,000), representing an increase of 93.9% as compared with the corresponding period of 2020, and the gross profit margin was approximately 17.0% (30 June 2020: 21.5%). Profit attributable to owners of the Company was approximately RMB722,802,000 during the Period under Review (30 June 2020: RMB302,429,000), representing an increase of 139.0% as compared with the corresponding period of 2020, and basic earnings per share was RMB0.442 during the Period under Review (30 June 2020: RMB0.185), representing an increase of 138.9% as compared with the corresponding period of 2020.

Principal Business Review

1. Wind gear transmission equipment

Diversified, large and overseas market development

The Group is a leading supplier of wind gear transmission equipment in China (the "**PRC**" or "**China**"). By leveraging on its strong research, design and development capabilities, the Group has a range of products including 1.5MW, 2MW, 3MW, 4MW, 5MW, 6MW, 7MW and 8MW wind power transmission equipment whose technology have reached an internationally advanced technical level and which have been provided to domestic and overseas customers in bulk and are well recognised by customers in general. With the product platform NGC StanGearTM and our core technology platform, we continue to upgrade our product design and computation analysis technology, process manufacturing technology, heat treatment and control technology and the processing technology of precise tooth profiles for the reserve of solid technology foundation for the manufacturing of equipment in MW. In light of market development trend, the Group is actively developing gear boxes in MW and introducing technologies of status monitoring, big data analysis and mobile terminal technology and strives to establish an integrated product and service system of intelligent gear boxes.

Currently, the Group maintains a strong customer portfolio. Customers of its wind power business include the major wind turbine manufacturers in the PRC, as well as the renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Vestas and Suzlon. With our quality products and good services, the Group has received a wide range of recognition and trust from customers at home and abroad. The Group has subsidiaries in the United States, Germany, Singapore, Canada and India to support the sustainable development strategy of the Group and to have closer communication and discussion with potential overseas customers with a view to providing further diversified services for global customers.

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 gear transmission equipment business increased by approximately 32.1% to approximately RMB6,192,952,000 (30 June 2020: RMB4,687,524,000) as compared with the corresponding period of last year.

2. *Industrial gear transmission equipment*

Enhanced market competitiveness through changes in production modes and sales strategies

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

In recent years, the Group continues to adhere to the strategy for green development of the industrial gear transmission equipment business. With technology as its competitive advantage, the Group has upgraded the technology of the heavy products with a focus on energy-saving and environmentally-friendly products and explored in-depth the heavy-duty transmission field. Meanwhile, the Group has developed modular, serialized and intelligent products which are internationally competitive. Through the characteristics of "complete range, clear layers and precise subdivision" as our products positioning and market positioning, the Group would be able to facilitate its change in sales strategies and to explore new markets and industries. In particular, the Group aims to focus on the research and development of the standard gear box and planetary gear box segment and to explore new markets of the same segment. At the same time, the Group strengthened its efforts to provide and sell parts and components of relevant products as well as comprehensive system solutions to its customers, helping them to enhance their current production efficiency without increasing capital expenditure and satisfying the diverse and differentiated needs of customers, thereby maintaining the Group's position as a major supplier in the industrial gear transmission equipment market.

During the Period under Review, the industrial gear transmission equipment business generated sales revenue of approximately RMB1,024,560,000 (30 June 2020: RMB631,901,000) for the Group, representing an increase of 62.1% over the corresponding period of last year.

3. *Rail transportation gear transmission equipment*

Featured by environmentally-friendly through design technology, sealing technology and effective control

The Group's rail transportation gear transmission equipment is widely used in the rail transportation fields such as high-speed rails, metro lines, urban train and tram. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry. The Group has obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry for its rail transportation gear transmission equipment products, which has laid a solid foundation for further expansion in the international rail transportation market. Currently the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and other cities in China and have also been successfully applied to rail transportation transmission equipment in multiple countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia, Canada and France. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, the Company's rail transportation gear transmission equipment is more environmentally friendly, and the products are well received by users.

During the Period under Review, the rail transportation gear transmission equipment business generated sales revenue of approximately RMB202,746,000 (30 June 2020: RMB131,383,000) for the Group, representing an increase of 54.3% over the corresponding period of last year.

4. *Trading business*

Explore and expand trading business through resource integration

The trading business of the Group mainly focuses on bulk commodity and steel industry chain. The bulk commodity trading business mainly involves the procurement and wholesale of refined oil and electrolytic copper. During the Period under Review, the bulk commodity trading business accounted for approximately 70% in the trading business. The trading business in steel industry chain mainly involves the procurement and wholesale of coal and coke (the raw material of steel), and the procurement and wholesale of steel. During the Period under Review, the trading business in steel industry chain accounted for approximately 30% in the trading business. The Group's trading business in steel industry chain takes core resources of its trade system as a key point in expanding its system. At present, the Group has completed the preliminary resource integration of the steel industry from the upstream raw material to special steel, which promotes the development of the trading business.

During the Period under Review, the sales revenue of the trading business amounted to approximately RMB3,149,579,000 (30 June 2020: nil).

LOCAL AND EXPORT SALES

During the Period under Review, the Group maintained its position as the leading supplier of the mechanical transmission equipment in the PRC. During the Period under Review, the overseas sales amounted to approximately RMB1,695,712,000 (30 June 2020: RMB1,369,248,000), representing an increase of 23.8% over the corresponding period of last year. Overseas sales accounted for 16.0% (30 June 2020: 25.0%) of the total sales, representing a decrease of 9 percentage points over the corresponding period of last year. At present, the overseas customers of the Group are based mainly in the U.S. and other countries and regions such as Europe, India and Brazil.

PROSPECTS

In the first half of 2021, the world economy was significantly affected by the COVID-19 pandemic. With Delta variant raging around in Europe and America, there are also considerable uncertainties about the global economic development. However, the global economy is recovering gradually as the lockdown measures taken by several countries and regions have been eased and the COVID-19 vaccination work has been carried out globally. The International Monetary Fund (IMF) expects that the global economy will increase by 6% in 2021. With comprehensive implementation of prevention and protection measures against COVID-19 such as "combating inbound cases and domestic resurgences" and implementation of free COVID-19 vaccination for the entire population, the pandemic prevention and control has become normalized, social activities has been resumed to a certain degree and the economic development has been growing steadily. Recently, however, cluster infection fell to several places in China, which was mainly due to the imported cases. At present, the situation in foreign countries is not optimistic. The world is facing new challenges due to the spread of new mutant, and the outlook of the economy is full of uncertainties. Facing the complex global situation, China plans to set up a new development pattern of dual circulation internationally and domestically and contribute to high-quality economic development under the "dual carbon" goals of reaching carbon peak by 2030 and carbon neutrality by 2060.

Looking back at the first half of the year, the wind power industry maintained an overall growth trend against the backdrop of economy recovery. The year 2021 marks the beginning of the "14th Five-Year" Strategic Plan of China, building of a modern energy system and implementation of energy resource security strategies will become the keynote in the upcoming stage. According to the latest data released by the National Energy Administration of the PRC, from January to June of 2021, the new grid-connected installed wind power capacity nationwide was approximately 10.84 million kilowatts, of which, onshore wind increased by 8.694 million kilowatts and offshore wind power increased by 2.146 million kilowatts. The installed wind power generation capacity nationwide was approximately 290 million kilowatts, representing a year-on-year increase of 34.7%. Against the backdrop of energy transformation, wind power is indispensable in China's energy structure and will grow in the long term. According to the 2021-2022 Renewable Energy Prospect Report, the International Energy Agency (IEA) expects that the growth rate of the global installed wind power capacity market will slow down in 2021 and 2022, but will remain 50% higher than the average of 2017 to 2019. In particular, the global offshore installed wind power capacity in 2021 is expected to increase by 60%, and China is expected to account for nearly 60% of the expansion of offshore wind power.

The Group is a leading supplier of wind power transmission equipment, with diversified, large and overseas market development. Leveraging on its strong research, design and development capabilities, the Group has a range of products including 1.5MW, 2MW, 3MW, 4MW, 5MW, 6MW, 7MW and 8MW wind power transmission equipment which can be provided to domestic and overseas customers in bulk. The product technology has reached an internationally advanced technical level. Currently, the Group continues to maintain a strong customer portfolio. The customers of wind power business include the major wind turbine manufacturers in the PRC, as well as the renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Vestas and Suzlon, etc. With our quality products and good services, the Group has gained extensive recognition and trust from customers at home and abroad. The Group has subsidiaries in the United States, Germany, Singapore, Canada and India to support the sustainable development strategy of the Group. The Group strives to have closer communication and discussion with potential customers and to grasp the opportunities in emerging markets so as to enhance production capacity and to further diversify services for global customers.

The Group's business in industrial gear transmission equipment segment continues to adhere to its development strategy. By adhering to the concept of energy conservation and environmental protection, the Group consolidated its industrial heavy equipment market advantages, strengthened research and development and innovation, and exported standard, modular and intelligent products with international competitiveness. Besides, the Group has also been actively developing and expanding the application of industrial gear transmission equipment such as standard gear boxes and industrial planetary gear boxes in new markets and new industries, building an intelligent product application system, and giving products greater added value and longer life cycles. At the same time, the Group strengthened its efforts to provide and sell parts and components of relevant products as well as system solutions to its customers, helping them to enhance their current production efficiency without increasing capital expenditure, and satisfying their diversified and differentiated needs, thereby maintaining the Group's position as a major supplier in the industrial gear transmission equipment product market.

The Group's rail transportation gear transmission equipment is widely used in the rail transportation fields such as high-speed rails, metro lines, urban train and tram. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry. The Group has obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry for its rail transportation gear box products, which has laid a solid foundation for further expansion in the international rail transportation market. Currently the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and other cities in China and have also been successfully applied to rail transportation transmission equipment in multiple countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia, Canada and France. With optimized gear box design technology, excellent sealing technology and effective control of the production process, the Group's rail transportation gear transmission equipment are more environmentally friendly, and the products are well received by users.

Looking forward to the second half of the year, under the guidance of “dual carbon” goals, the Chinese government is making full efforts to support the development of clean energy from various aspects such as finance, technology, policy and industry norms. Domestic wind power and other clean energy industries benefited from a variety of favorable policies. In April this year, the National Energy Administration issued the Guiding Opinions on Energy Work in 2021 (《2021年能源工作指導意見》), which put forward the expected target in respect of quality efficiency for 2021, i.e., the goal that the allocation of energy resources will be more reasonable, the utilization efficiency will be greatly improved, and the utilization rate of renewable energy such as wind power and photovoltaic power generation will maintain at a high level, and the average utilization hours of cross-regional transmission channels will increase to about 4,100 hours. At the executive meeting of the State Council presided by Premier Li Keqiang on 7 July 2021, the financial support for the real economy was determined to increase, and measures supporting carbon emission reduction were introduced to promote green and low-carbon development, and establish monetary policy tools to support carbon emission reduction. On 16 July 2021, as a policy tool, the national carbon emissions trading market was officially launched. The National Development and Reform Commission and the National Energy Administration issued the Guiding Opinions on Accelerating the Development of New Energy Storage (《關於加快推動新型儲能發展的指導意見》) in July this year, setting the future development targets for new energy storage. It is planned to realize the transformation of new energy storage from the stage of initial commercialization to scale development by 2025, and realize a comprehensive market-driven development of new energy storage by 2030. In August 2021, the National Development and Reform Commission and the National Energy Administration issued another notice, encouraging power generation enterprises to increase the scale of renewable energy power generation installation and grid connection through self-built or purchase of peak shaving energy storage capacity, so as to promote the vigorous development and full consumption of renewable energy such as wind power and solar power. Driven by various policies, as one of the renewable energy sources, the wind power is expected to achieve larger-scale development with higher proportion in the future. The further increase of utilization of wind power and stable investment and growth of the industry will propel the optimization of the wind power layout and effectively help the development of the Group’s wind power gear transmission equipment business.

In the second half of 2021, the Group will adhere to the four core competitive strengths of “innovative thinking, zero defects, professional services, and customer orientation”, and make full efforts to develop businesses such as wind power gear transmission equipment, industrial gear transmission equipment, rail transportation transmission equipment and robotic reducer. By leveraging on its advantages in technology, management, market and brand, the Group will further improve product quality while maintaining its leading market position, so as to continue to provide products with better quality and more comprehensive services to customers. In addition, the Group will keep up with market policy trends, and outperform the average market development by the visionary market strategy, continue to invest in innovation, advanced manufacturing technologies, promote the management concept of zero defects, inject high-level investments in human resources and build an excellent corporate culture, etc., to achieve a development speed higher than the market average, and to be a stable and sustainable industry leader.

FINANCIAL PERFORMANCE

Sales revenue of the Group for the Period under Review increased by 93.9% to approximately RMB10,601,507,000.

	Revenue Six months ended 30 June		
	2021	2020	Change
	RMB' 000	*RMB' 000*	
Wind Gear Transmission Equipment	**6,192,952**	4,687,524	32.1%
Industrial Gear Transmission Equipment	**1,024,560**	631,901	62.1%
Rail Transportation Gear Transmission Equipment	**202,746**	131,383	54.3%
Trading Business	**3,149,579**	–	N/A
Other Products	**31,670**	17,988	76.1%
Total	**10,601,507**	5,468,796	93.9%

Revenue

During the Period under Review, the Group's sales revenue was approximately RMB10,601,507,000, representing an increase of 93.9% as compared with the corresponding period of last year. This was mainly due to the increase in the market demand for wind gear transmission equipment products and commodity under trading business.

During the Period under Review, sales revenue from wind gear transmission equipment was approximately RMB6,192,952,000 (30 June 2020: RMB4,687,524,000), representing an increase of 32.1% as compared with the corresponding period of last year; sales revenue from industrial gear transmission equipment was approximately RMB1,024,560,000 (30 June 2020: RMB631,901,000), representing an increase of 62.1% as compared with the corresponding period of last year; sales revenue from rail transportation gear transmission equipment was approximately RMB202,746,000 (30 June 2020: RMB131,383,000), representing an increase of 54.3% as compared with the corresponding period of last year; and sales revenue from trading business was approximately RMB3,149,579,000 (30 June 2020: nil).

Gross profit margin and gross profit

During the Period under Review, the Group's consolidated gross profit margin was approximately 17.0% (30 June 2020: 21.5%), representing a decrease of 4.5 percentage points as compared with the corresponding period of last year. Consolidated gross profit for the Period under Review amounted to approximately RMB1,805,980,000 (30 June 2020: RMB1,173,169,000), representing an increase of 53.9% as compared with the corresponding period of last year. The decrease of 4.5 percentage points in consolidated gross profit margin in the first half of 2021 was mainly due to the increase in the proportion of trading business with low gross profit margin. The increase in consolidated gross profit was mainly due to the increase in sales revenue.

Other income

During the Period under Review, the Group's other income was approximately RMB135,641,000 (30 June 2020: RMB106,909,000), representing an increase of 26.9% as compared with the corresponding period of last year. Other income mainly comprised of dividend income, interest income, government grants and income from sales of scraps and materials. The main reason for the increase was the increase in government grants and dividend income.

Other (losses)/gains – net

During the Period under Review, the Group's other net loss was approximately RMB38,339,000 (30 June 2020: net gain of RMB37,186,000). Other net loss mainly included foreign exchange losses and impairment losses on property, plant and equipment.

Selling and distribution expenses

During the Period under Review, the Group's selling and distribution expenses were approximately RMB205,170,000 (30 June 2020: RMB153,158,000), representing an increase of 34.0% as compared with the corresponding period of last year. Selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses, staff costs and business expenses. Selling and distribution expenses represented 1.9% (30 June 2020: 2.8%) of sales revenue for the Period under Review, representing a decrease of 0.9 percentage points as compared with the corresponding period of last year, which was mainly due to the increase in sales revenue.

Administrative expenses

During the Period under Review, the Group's administrative expenses were approximately RMB243,894,000 (30 June 2020: RMB270,990,000), representing a decrease of 10.0% as compared with the corresponding period of last year. The decrease in the administrative expenses was mainly due to the business restructuring of one of the Company's subsidiaries last year. Its staff costs and depreciation were included in administrative expenses during the corresponding period of last year, while these expense items were included in production cost during the Period under Review as it has resumed normal operation.

Research and development costs

During the Period under Review, the Group's research and development costs amounted to approximately RMB451,007,000 (30 June 2020: RMB230,093,000), representing an increase of 96.0% as compared with the corresponding period of last year, which was mainly due to the increased efforts in research and development of new products.

Net impairment losses recognised on financial assets

During the Period under Review, the net impairment losses on financial assets of the Group amounted to approximately RMB28,974,000 (30 June 2020: RMB142,534,000), which are comprised of impairment losses on trade receivables amounting to RMB26,101,000 and impairment losses on other receivables amounting to RMB2,873,000, the decrease in impairment losses were mainly due to individual provision for bad debts of trade receivables and other receivables of specific customers in the corresponding period of last year based on evaluation of credit risk.

Finance costs

During the Period under Review, the Group's finance costs were approximately RMB135,550,000 (30 June 2020: RMB195,217,000), representing a decrease of 30.6% as compared with the corresponding period of last year, which was mainly due to the decrease in corporate bonds during the Period under Review as compared with the corresponding period of last year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2021, the equity attributable to owners of the Company amounted to approximately RMB12,831,428,000 (31 December 2020: RMB12,215,334,000). The Group had total assets of approximately RMB28,623,283,000 (31 December 2020: RMB25,851,099,000), representing an increase of 10.7% as compared with the beginning of the year. Total current assets were approximately RMB19,916,584,000 (31 December 2020: RMB17,338,208,000), representing an increase of 14.9% as compared with the beginning of the year. Total non-current assets were approximately RMB8,706,699,000 (31 December 2020: RMB8,512,891,000), representing an increase of 2.3% as compared with the beginning of the year.

As at 30 June 2021, total liabilities of the Group were approximately RMB15,466,691,000 (31 December 2020: RMB13,227,891,000), representing an increase of approximately RMB2,238,800,000, or 16.9%, as compared with the beginning of the year. Total current liabilities were approximately RMB14,734,995,000 (31 December 2020: RMB12,545,009,000), representing an increase of 17.5% as compared with the beginning of the year. Total non-current liabilities were approximately RMB731,696,000 (31 December 2020: RMB682,882,000), representing an increase of 7.1% as compared with the beginning of the year.

As at 30 June 2021, the net current assets of the Group were approximately RMB5,181,589,000 (31 December 2020: RMB4,793,199,000), representing an increase of approximately RMB388,390,000, or 8.1%, as compared with the beginning of the year.

As at 30 June 2021, total cash and bank balances of the Group were approximately RMB6,026,516,000 (31 December 2020: RMB4,157,603,000), representing an increase of approximately RMB1,868,913,000, or 45.0%, as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB2,827,702,000 (31 December 2020: RMB1,653,224,000) and the structured bank deposits included in the financial assets at fair value through profit or loss amounting to RMB227,500,000 (31 December 2020: RMB320,045,000).

As at 30 June 2021, the Group had total borrowings of approximately RMB3,054,575,000 (31 December 2020: RMB2,378,970,000), representing an increase of approximately RMB675,605,000, or 28.4%, as compared with the beginning of the year, which were due within one year. The fixed or floating interest rates of the Group's borrowings as at 30 June 2021 ranged from 3.00% to 5.22% per annum.

Taking into account the capital generated within and the banking credit available to the Group, and the net current assets of approximately RMB5,181,589,000 as at 30 June 2021, the Directors believe that the Group will have sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

Gearing ratio

The Group's gearing ratio (defined as total liabilities as a percentage of total assets) increased from 51.2% as at 31 December 2020 to 54.0% as at 30 June 2021.

Capital structure

The Group's operations were financed mainly by shareholders' equity, banking and other credits 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 cash and cash equivalents were mainly denominated in Renminbi and U.S. dollars. The Group's bank borrowings denominated in U.S. dollars as at 30 June 2021 amounted to approximately USD 2,500,000.

As at 30 June 2021, the Group's borrowings with fixed interest rates accounted for approximately 100% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in note 16 to the interim condensed consolidated financial information, the Group has made no further pledge of assets as at 30 June 2021.

INTERIM DIVIDEND

The Board of the Company did not recommend to declare any interim dividend in respect of the six months ended 30 June 2021.

FOREIGN EXCHANGE RISK

The Group's operations are mainly conducted in the PRC. With the exception of export sales and imported equipment which are transacted mainly in U.S. dollars and Euro, the Group's domestic revenue and expenses 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 were likely to face certain exchange rate risks. The Group does not use any foreign currency derivatives to hedge against the exposure in foreign exchange.

The net loss of foreign exchange (included in "other losses – net") recorded by the Group during the Period under Review was approximately RMB31,325,000 (30 June 2020: net gain of RMB25,210,000), mainly including loss from our export business denominated in U.S. dollars due to the fluctuation of Renminbi against U.S. dollars during the Period under Review.

The Group have formulated foreign exchange risk management measures and strategies and will actively manage the net amount of foreign currency assets and liabilities to reduce its exposures to exchange rate risks in 2021.

INTEREST RATE RISK

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

EMPLOYEES AND REMUNERATION

As at 30 June 2021, the Group employed approximately 5,964 employees (30 June 2020: 5,826). Staff costs of the Group for the Period under Review amounted to approximately RMB760,035,000 (30 June 2020: RMB647,770,000). The costs included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

SIGNIFICANT INVESTMENTS DURING THE PERIOD UNDER REVIEW

Set out below is the significant investment held by the Group which was classified as financial assets at fair value through other comprehensive income as at 30 June 2021:

Name of the investee company	Percentage of capital contribution paid up by the Group	Cost of investment *(RMB' 000)*	Fair value as at 30 June 2021 *(RMB' 000)*	Percentage of total assets of the Group	Accumulated change in unrealized losses in fair value *(RMB' 000)*	Dividends received during the Period under Review *(RMB' 000)*
Zhejiang Zheshang Chanrong Investment Partnership (Limited Partnership)* (浙江浙商產融投資合夥企業(有限合夥)) *(note)*	6.47%	2,000,000	1,985,308	6.94%	14,692	23,604

Note: Zhejiang Zheshang Chanrong Investment Partnership (Limited Partnership)*(浙江浙商產融投資合夥企業(有限合夥))(formerly known as "Zhejiang Zheshang Chanrong Share Investment Fund LLP*" 浙江浙商產融股權投資基金合夥企業(有限合夥)), a limited partnership established and registered under the PRC laws in accordance with a limited partnership agreement, is primarily engaged in, among other things, private equity investment, investment management and investment consultation. As at 30 June 2021, the total paid up capital contribution was RMB30,930,080 thousands, of which RMB2,000,000 thousands was contributed by Group.

The Directors believe that the future performance of the significant investments held by the Group will be affected by the overall economic environment, market condition and the business performance of the investee company. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies in due course.

SIGNIFICANT ACQUISITIONS AND DISPOSALS DURING THE PERIOD UNDER REVIEW

On 30 March 2021 (after trading hours of the Hong Kong Stock Exchange), Nanjing Gear Enterprise Management Co., Ltd.* (南京高齒企業管理有限公司) (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, and Nanjing High Speed Gear Manufacturing Co., Ltd.* (南京高速齒輪製造有限公司) ("**Nanjing High Speed**"), a direct non-wholly owned subsidiary of the Vendor and an indirect non-wholly owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Shanghai Wensheng Asset Management Co., Ltd. (上海文盛資產管理股份有限公司) (the "**Purchaser**"), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase an aggregate of 43% of the equity interest of Nanjing High Speed at the consideration of RMB4.3 billion (the "**Disposal**"). Pursuant to the Equity Transfer Agreement, if the transferee is not the Purchaser itself, the identity of the transferee is restricted to be a legal entity controlled or jointly controlled directly or indirectly by the Purchaser. The transferee is not the Purchaser itself and the transferee is Shanghai Qiwo Enterprise Management Partnership (Limited Partnership)* (上海其沃企業管理合夥企業(有限合夥)) (the "**Transferee**"). Also, pursuant to the Equity Transfer Agreement, the Vendor grants a put option to the Transferee, which the Transferee could request the Vendor to repurchase all the equity interest of Nanjing High Speed acquired by the Transferee under certain conditions, at the Transferee's discretion, at an exercise price as set out in the Equity Transfer Agreement. Upon completion of the Disposal, the equity interest in Nanjing High Speed to be held by our Group will decrease to approximately 50.02%, Nanjing High Speed will continue to be a subsidiary of the Group.

As at 30 June 2021, the Vendor has received RMB1,000,000,000 as the first instalment of the consideration in accordance with the Equity Transfer Agreement.

On 15 July 2021, the Purchaser, the Vendor, Nanjing High Speed and the Transferee entered into a supplemental agreement to the Equity Transfer Agreement (the "**Supplemental Agreement**"). Pursuant to the Supplemental Agreement, the payment schedule of the second and the remaining instalments of the consideration for the Disposal has been extended.

As at the date of this announcement, the industrial and commerce registration for the transfer of the 37% of the equity interest in Nanjing High Speed (the "**First Batch Sale Interest**") to the Transferee was completed and the remaining 6% of the equity interest in Nanjing High Speed will be transferred to the Transferee upon receiving the second and remaining instalments as specified in the Equity Transfer Agreement and the Supplemental Agreement. To secure the payment obligations of the Transferee, a pledge of First Batch Sale Interest was made in favour of the Vendor by the Transferee. The Disposal constituted a major transaction for the Company under Chapter 14 of the Listing Rules.

For further details of the Disposal, please refer to the joint announcements of Fullshare Holdings Limited and the Company dated 30 March 2021 and 15 July 2021 and the circular of the Company dated 26 May 2021.

Save as the Disposal disclosed above, during the Period under Review, the Group did not conduct significant acquisition or disposal of subsidiaries and associates.

CORPORATE GOVERNANCE

During the Period under Review, 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 Hong Kong Stock Exchange ("**Corporate Governance Code**"), except for the deviation from code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Hu Jichun is the chairman of the Board and the chief executive officer of the Company. The Board considers that vesting the roles of both chairman of the Board and chief executive officer of the Company in Mr. Hu Jichun is beneficial to the business development and management of the Group, enabling the Company to formulate and implement decisions promptly and efficiently while the balance of functions and power will not be impaired. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company from time to time in light of the prevailing circumstances of the Company.

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 contained 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 on all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code during the Period under Review. The Company will continue to ensure the compliance with the Model Code.

EVENTS AFTER THE REPORTING PERIOD

Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.* (南京高精傳動設備製造集團有限公司), an indirect wholly-owned subsidiary of the Company and Nanjing High Speed, disposed an aggregate of 26,099,071 shares of Riyue Heavy Industry Co., Ltd. (日月重工股份有限公司) (the "**Riyue Shares**"), a company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603218.SH), through open market and block trade in a series of transactions conducted during the period between 3 August 2020 and 20 July 2021 at a consideration of approximately RMB599,865,000 (after deducting transaction costs) (the "**Disposal of Listed Securities**"). The Disposal of Listed Securities constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

For further details of the Disposal of Listed Securities, please refer to the announcement of the Company dated 20 July 2021.

Saved as disclosed above, there was no significant event that took place after 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Group has not purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

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

Hong Kong, 27 August 2021

As at the date of this announcement, the executive Directors are Mr. Hu Jichun, Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Wang Zhengbing, Mr. Zhou Zhijin, Ms. Zheng Qing, Mr. Gu Xiaobin and Mr. Fang Jian; and the independent non-executive Directors are Mr. Jiang Xihe, Ms. Jiang Jianhua, Dr. Chan Yau Ching, Bob and Mr. Nathan Yu Li.