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 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2019 *RMB'000* **(Unaudited)**	Six months ended 30 June 2018 *RMB'000* (Unaudited and restated)	**Change**
Continuing operations			
Revenue from contracts with customers	**4,049,859**	3,342,672	21.2%
Gross profit	**768,855**	775,966	-0.9%
Continuing operations and discontinued operation			
Profit for the period attributable to owners of the Company	**128,449**	144,016	-10.8%
– continuing operations	**198,113**	176,238	12.4%
– discontinued operation	**(69,664)**	(32,222)	116.2%
Basic and diluted earnings per share *(RMB)*	**0.078**	0.088	-11.4%

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)	**Change**
Total assets	**25,592,864**	26,748,539	-4.3%
Total liabilities	**14,638,136**	15,883,275	-7.8%
Net assets	**10,954,728**	10,865,264	0.8%
Net assets per share *(RMB)*	**6.7**	6.6	1.5%
Gearing ratio* (%)	**57.2**	59.4	-2.2 percentage points

* *Gearing ratio = total liabilities/total assets*

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 2019, together with the comparative figures as follows. The interim financial information are unaudited, but have been reviewed by the Company's audit committee.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
	Note	**2019 RMB'000**	2018 RMB'000 (Restated*)
Continuing operations			
Revenue from contracts with customers	3	**4,049,859**	3,342,672
Cost of sales	6	**(3,281,004)**	(2,566,706)
Gross profit		**768,855**	775,966
Selling and distribution expenses	6	**(148,689)**	(139,747)
Administrative expenses	6	**(253,953)**	(268,263)
Research and development costs	6	**(161,301)**	(116,800)
Net impairment reversal/(losses) on financial assets		**1,492**	(19,989)
Other income	4	**163,396**	170,208
Other gains – net	5	**15,158**	56,229
Operating profit		**384,958**	457,604
Finance income	7	**45,643**	44,060
Finance costs	7	**(287,048)**	(340,121)
Finance costs – net		**(241,405)**	(296,061)
Share of net profit of associates and joint ventures accounted for using the equity method		**3,288**	11,870
Profit before income tax		**146,841**	173,413
Income tax credit/(expenses)	8	**49,664**	(1,084)
Profit for the period from continuing operations		**196,505**	172,329
Loss for the period from discontinued operation		**(75,961)**	(34,919)
Profit for the period		**120,544**	137,410

	Note	Unaudited Six months ended 30 June **2019** **RMB'000**	 2018 RMB'000 (Restated*)
Profit/(loss) attributable to:			
Owners of the Company		**128,449**	144,016
Non-controlling interests		**(7,905)**	(6,606)
		120,544	137,410
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		**198,113**	176,238
Discontinued operation		**(69,664)**	(32,222)
		128,449	144,016
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company for the period (expressed in RMB per share)			
Basic and diluted earnings per share	9	**0.121**	0.108
Earnings per share for profit attributable to the ordinary equity holders of the Company for the period (expressed in RMB per share)			
Basic and diluted earnings per share	9	**0.078**	0.088

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000 (Restated*)
Profit for the period		**120,544**	137,410
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		**(8,197)**	865
Currency translation difference		**1,239**	1,754
Income tax relating to these items		**2,049**	(216)
		(4,909)	2,403
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		**117,990**	(50,582)
Income tax relating to these items		**(29,167)**	11,764
		88,823	(38,818)
Other comprehensive income/(loss) for the period, net of tax		**83,914**	(36,415)
Total comprehensive income for the period		**204,458**	100,995
Attributable to:			
Owners of the Company		**211,241**	108,011
Non-controlling interests		**(6,783)**	(7,016)
		204,458	100,995
Total comprehensive income for the period attributable to owners of the Company arises from:			
Continuing operations		**278,680**	139,823
Discontinued operation		**(67,439)**	(31,812)
		211,241	108,011

* The restatement is comprised of:

  i) The restatement as a result of the discontinued operation as mentioned in Note 14.

  ii) The restatement of expected credit loss impact (net of tax) of trade receivable with an amount of RMB35,315 thousands for the six months ended 30 June 2018 as the result of adoption of IFRS 9 Financial Instrument.

  iii) The restatement of fair value loss impact (net of tax) of bills receivable classified as financial assets at fair value through other comprehensive income with an amount of RMB648 thousands and fair value gain impact (net of tax) of an equity investment classified as financial assets at fair value through other comprehensive income with an amount of RMB18,843 thousands for the six months ended 30 June 2018 as the result of adoption of IFRS 9 Financial Instrument.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	**Unaudited 30 June 2019 RMB'000**	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**4,030,008**	3,815,283
Land lease prepayments		**573,036**	531,801
Goodwill		**39,747**	272
Intangible assets		**10,113**	14,825
Investments accounted for using the equity method		**290,886**	418,819
Financial asset at fair value through other comprehensive income	11	**2,555,922**	2,548,454
Financial assets at fair value through profit or loss	13	**518,198**	518,602
Other financial assets at amortised cost		**533,355**	517,327
Deposit for land lease		**46,800**	116,800
Deferred income tax assets		**348,901**	271,427
		8,946,966	8,753,610
Current assets			
Inventories		**2,564,666**	2,313,001
Land lease prepayments		**10,884**	11,486
Trade receivables	12	**3,598,937**	4,445,523
Other receivables	12	**1,185,234**	984,693
Other financial assets at amortised cost		**219,861**	205,861
Prepayments		**196,842**	361,851
Financial asset at fair value through other comprehensive income	11	**1,414,354**	1,368,456
Financial assets at fair value through profit or loss	13	**1,722,585**	1,993,594
Income tax prepaid		**45,922**	82,362
Pledged bank deposits		**3,223,460**	2,922,234
Cash and cash equivalents		**1,161,036**	2,062,624
Assets of disposal group classified as held-for-sale	14	**1,302,117**	1,243,244
		16,645,898	17,994,929
Total assets		**25,592,864**	26,748,539

	Note	**Unaudited 30 June 2019 RMB'000**	Audited 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	16	**1,105**	1,105
Corporate bonds	16	**1,514,327**	2,411,465
Deferred income		**148,594**	54,283
Warranty provision		**65,151**	72,528
Deferred tax liabilities		**175,335**	162,198
		1,904,512	2,701,579
Current liabilities			
Borrowings	16	**3,553,725**	4,960,387
Corporate bonds	16	**897,572**	–
Trade payables	15	**1,925,077**	1,716,846
Bills payable	15	**3,988,741**	4,526,958
Other payables	15	**1,236,445**	1,021,963
Contract liabilities		**299,824**	302,533
Deferred income		**15,937**	17,196
Income tax payable		**60,848**	43,125
Warranty provision		**121,178**	90,373
Liabilities of disposal group classified as held-for-sale	14	**634,277**	502,315
		12,733,624	13,181,696
Total liabilities		**14,638,136**	15,883,275
EQUITY			
Equity attributable to owners of the Company			
Share capital		**119,218**	119,218
Reserves		**10,768,861**	10,672,614
		10,888,079	10,791,832
Non-controlling interests		**66,649**	73,432
Total equity		**10,954,728**	10,865,264
Total equity and liabilities		**25,592,864**	26,748,539

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The interim condensed consolidated financial information is to be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018 as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies as a result of adopting the following standards:

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

The impact of the adoption of the IFRS 16 Leasing standard are disclosed in Note 2 below. The other standards, amendments and interpretations listed above are not significant on the condensed consolidated interim financial information.

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

- Amendments to IAS 1 'Presentation of Financial Statements', and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' definition of material, effective for the accounting period beginning on or after 1 January 2020;

- Amendments to IFRS 3 'Business Combinations', effective for the accounting period beginning on or after 1 January 2020.

- Amendments to Conceptual Framework of IASB, effective for the accounting period beginning on or after 1 January 2020.

- IFRS 17 'Insurance Contracts', effective for the accounting period beginning on or after 1 January 2021.

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation. The Group considers that the application of amendments to IFRS, amendments to IASs and the new interpretations is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in the future.

(c) Changes effective for annual periods on or after a date to be determined and have not been early adopted by the Group:

Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date of this amendment has been deferred by IASB.

There are no other IFRSs or IASs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's interim condensed consolidated financial information and discloses the new accounting policies that have been applied from 1 January 2019.

IFRS 16, 'Leases', was issued in January 2016. It results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard affects primarily the accounting for the Group's operating leases. The Group adopts the practical expedient in IFRS 16 for leases which end within 12 months from the date of initial application as short-term leases and recognises the lease cost on a straight-line basis as expenses in profit or loss.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB4,851 thousands. Of these commitments, approximately RMB2,852 thousands relate to short-term leases which is recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, it is not expected to have significant impact on the interim condensed consolidated financial information the Group and therefore the Group does not recognise right-of-use assets, lease liabilities and deferred tax assets on the interim condensed consolidated financial information of the Group.

3. OPERATING SEGMENT INFORMATION

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, make decisions according to the revenue and operating results of each geographical area by location of customers and the related reports on the ageing analysis of trade and bills receivables for the purposes of resource 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. 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

(a) Segment information

	For the six months ended 30 June 2019 (Unaudited)				
	PRC RMB'000	USA RMB'000	Europe RMB'000	Other countries RMB'000	Total RMB'000
Segment revenue					
Total segment revenue	**3,760,516**	**1,299,148**	**166,168**	**219,578**	**5,445,410**
Inter segment revenue	**(1,364,576)**	**(29,871)**	**(76)**	**(1,028)**	**(1,395,551)**
Revenue from external customers	**2,395,940**	**1,269,277**	**166,092**	**218,550**	**4,049,859**
Timing of revenue recognition at a point in time	**2,395,940**	**1,269,277**	**166,092**	**218,550**	**4,049,859**
Segment results	**408,389**	**233,985**	**28,216**	**34,211**	**704,801**
Unallocated other income					**78,761**
Unallocated other gains – net					**15,158**
Unallocated impairment reversal on financial assets					**1,492**
Finance costs – net					**(241,405)**
Share of net profits of associates and joint ventures					**3,288**
Corporation and other unallocated expenses					**(415,254)**
Profit before income tax					**146,841**

	For the six months ended 30 June 2018 (Unaudited)				
	PRC RMB'000	USA RMB'000	Europe RMB'000	Other countries RMB'000	Total RMB'000
Segment revenue					
Total segment revenue	3,901,010	632,782	269,139	1,147,101	5,950,032
Inter segment revenue	(1,703,922)	(78,818)	(11,790)	(812,830)	(2,607,360)
Revenue from external customers	2,197,088	553,964	257,349	334,271	3,342,672
Timing of revenue recognition at a point in time	2,197,088	553,964	257,349	334,271	3,342,672
Segment results	422,047	124,521	58,392	52,951	657,911
Unallocated other income					148,516
Unallocated other gains – net					56,299
Unallocated impairment losses on financial assets					(19,989)
Finance costs-net					(296,061)
Share of net profits of associates and joint ventures					11,870
Corporation and other unallocated expenses					(385,063)
Profit before income tax					173,413

4. OTHER INCOME

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Dividends (i)	**30,449**	83,176
Interest income (ii)	**30,027**	18,847
Government grants (iii)	**41,552**	4,257
– Deferred income recognised	**7,968**	2,457
– Other government subsidies	**33,584**	1,800
Sale of scraps and material	**43,083**	17,435
Gross rental income	**9,375**	3,954
Others	**8,910**	42,539
	163,396	170,208

(i) Dividends

Dividends are received from financial assets measured at fair value through profit or loss ("FVPL") (Note 13) and at fair value through other comprehensive income ("FVOCI") (Note 11).

(ii) Total interest income on financial assets that are measured at amortised cost for the period was RMB30,027 thousands (six months ended 30 June 2018: RMB18,847 thousands).

(iii) Government grants

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

There are no unfulfilled conditions or the contingencies attaching to these grants.

5. OTHER GAINS – NET

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Gains/(losses) on disposal of property, plant and equipment, net	**1,866**	(1,987)
Gains on disposal of joint ventures	**1,469**	–
Losses on disposal of an associate	**(5,093)**	(583)
Foreign exchange differences, net	**(601)**	10,489
Net fair value gains on financial assets at FVPL (Note 13)	**17,533**	51,005
Others	**(16)**	(2,695)
	15,158	56,229

6. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cost of inventories sold	**2,661,155**	1,944,625
Employee benefits expenses	**607,266**	603,080
Depreciation	**222,820**	219,825
Amortisation of other intangible assets	**11,647**	8,251
Amortisation of land lease prepayments	**5,670**	6,261
Provision recognised for decline in the value of inventories	**51,109**	11,605
Other expenses	**285,280**	297,869
Total cost of sales, selling and distribution expenses, research and development costs and administrative expenses	**3,844,947**	3,091,516

7. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Interest income	**45,643**	44,060
Finance income	**45,643**	44,060
Interest expense	**(296,904)**	(335,371)
Net exchange gains/(losses)	**9,856**	(4,750)
Finance costs	**(287,048)**	(340,121)
Finance costs – net	**(241,405)**	(296,061)

8. INCOME TAX (CREDIT)/EXPENSES

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Current income tax – charge for the period		
– PRC	**41,718**	11,573
– Hong Kong	**15,257**	5,312
– Singapore	**756**	–
Deferred taxation	**(107,395)**	(15,801)
Income tax (credit)/expense	**(49,664)**	1,084

(a) PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2018: 25%) on the taxable profits of the Group's PRC subsidiaries for the six months ended 30 June 2019.

The following subsidiaries are qualified as high technology development enterprises and thus subject 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 ended/ending during which approval will expire/expired
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2017	31 December 2019
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2017	31 December 2019
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2017	31 December 2019

(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 2019 (six months ended 30 June 2018: 16.5%).

(c) Singapore corporate income tax

Singapore corporate income tax has been provided at the rate of 17% on the estimated assessable profits arising in Singapore for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(d) Other corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(e) Withholding tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable to 5% withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008. The aggregate amount of temporary differences associated with unremitted earnings of RMB6,557 million (31 December 2018: RMB6,485 million) of investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately RMB328 million as at 30 June 2019 (31 December 2018: RMB324 million), in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

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 year.

	Unaudited Six months ended 30 June **2019** **RMB'000**	 2018 RMB'000
Profit from continuing operations attributable to owners of the Company	**198,113**	176,238
Loss from discontinued operation	**(69,664)**	(32,222)
Net profit attributable to owners of the Company	**128,449**	144,016
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)		
From continuing operations attributable to owners of the company	**0.121**	0.108
From discontinued operation	**(0.043)**	(0.020)
	0.078	0.088

No adjustment is made to the diluted earnings per share for the six months ended 30 June 2019 and 2018 as there was no potential dilutive shares in issue.

10. DIVIDENDS

The final dividend in respect of the year ended 31 December 2018 of HKD8 cents (equivalent to RMB7 cents) per share, amounting to a total dividend of HKD130,823 thousands (equivalent to RMB114,994 thousands), was proposed by the directors of the Company on 31 March 2019, and subsequently approved at the annual general meeting on 24 May 2019. It has been recognised as distribution for the six months ended 30 June 2019.

The final dividend in respect of the year ended 31 December 2017 of HKD18 cents (equivalent to RMB14.6 cents) per share, amounting to a total dividend of HKD294,352 thousands (equivalent to RMB239,103 thousands), was proposed by the directors of the Company on 29 March 2018, and subsequently approved at the annual general meeting on 18 May 2018. It has been recognised as distribution for the six months ended 30 June 2018.

The directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Equity investments at FVOCI

Equity investments at FVOCI comprise the following individual investments:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-current assets		
Listed securities (a)	**330,296**	292,507
Unlisted securities (b)	**2,225,626**	2,255,947
	2,555,922	2,548,454
Current assets		
Unlisted securities	**2,503**	2,665
	2,558,425	2,551,119

(a) Listed equity investments

The balances as at 30 June 2019 and 31 December 2018 represent the fair values of equity shares of a portfolio of Hong Kong and Shanghai listed securities based on the closing prices of these securities quoted on the stock exchange of Shanghai and Hong Kong on that date. The directors of the Company consider that the closing prices of these securities are the fair values of the investments.

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Riyue Heavy Industry Co., Ltd.	**317,958**	280,209
Guodian Technology & Environment Group Co., Ltd.	**12,338**	12,298
	330,296	292,507

(b) ***Unlisted equity investments***

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Zhejiang Zheshang Chanrong Equity Investment Fund L.P. *	**2,038,732**	2,048,879
Jiangsu Zhong Bang Business Factoring Co., Ltd.	**41,739**	119,070
Su Yin Financial Leasing Co., Ltd.	**139,144**	82,147
Others	**6,011**	5,851
	2,225,626	2,255,947

* On 17 April 2017, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive") entered into a limited partnership agreement with thirty-four other partners in respect of the establishment of a permanent investment fund in the PRC named Zhejiang Zheshang Chanrong Equity Investment Fund L.P. ("Zhejiang Zheshang Chanrong") and the subscription of interest therein. Pursuant to the limited partnership agreement, the full registered capital contribution to the investment fund is RMB65,910,000 thousands, among which, RMB2,000,000 thousands was contributed by Nanjing Drive as a limited partner. As at 31 December 2017, RMB2,000,000 thousands had been paid up by Nanjing Drive to the investment fund.

As at 30 June 2019, the investment in Zhejiang Zheshang Chanrong had a fair value of RMB2,038,732 thousands (31 December 2018: RMB2,048,879 thousands) and the fair value loss of RMB10,147 thousands was recognised in other comprehensive income for the six months ended 30 June 2019 (six months ended 30 June 2018: fair value gain of RMB25,124 thousands).

(ii) Debt investments at FVOCI

(a) ***Bills receivable carried at FVOCI***

Bills receivable that are held for collection of contractual cash flows and for selling the financial assets are measured at FVOCI.

For the six months ended 30 June 2019, fair value change of RMB8,197 thousands (six months ended 30 June 2018: RMB865 thousands) for bills receivable measured at FVOCI are recognised in other comprehensive income.

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Current assets		
Bills receivable	**1,411,851**	1,365,791

(iii) Amounts recognised in profit or loss and other comprehensive income

For the six months ended 30 June 2019 and 2018, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Gains/(losses) recognised in other comprehensive income	**109,793**	(49,717)
Dividends from equity investments held at FVOCI recognised in profit or loss in other income (Note 4)	**7,641**	46,901

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade receivable	**4,131,470**	4,981,911
– Amount due from third parties	**4,110,700**	4,949,044
– Amount due from joint ventures	**20,770**	32,867
Less: impairment provision	**(532,533)**	(536,388)
	3,598,937	4,445,523
Deposits and other receivables	**1,106,103**	980,919
– Amount due from third parties	**859,565**	779,774
– Amount due from associates	**238,538**	92,538
– Amount due from joint ventures	**8,000**	15,125
– Amount due from a fellow subsidiary	**–**	93,482
Less: impairment provision	**(11,144)**	(23,509)
	1,094,959	957,410
Value-added tax recoverable	**90,275**	27,283
	4,784,171	5,430,216

The Group generally allows a credit period of 180 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

All the amounts due from the Group's joint ventures and associates are unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

As at 30 June 2019 and 31 December 2018, deposits and other receivables comprised a deposit for land lease amounting to RMB75,000 thousands. During the year ended 31 December 2017, the Group entered into an agreement with Nanjing Yuhua Economic Development Zone Management Committee (the "Management Committee"), and the Management Committee agreed to return the land lease deposit previously paid by the Group of RMB75,000 thousands in 2019.

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade receivables based on invoice date:		
Less than 90 days	**2,232,810**	3,039,728
90 to 120 days	**105,409**	121,754
121 to 180 days	**239,679**	377,462
181 to 365 days	**627,250**	424,881
1 – 2 years	**273,604**	328,927
Over 2 years	**120,185**	152,771
	3,598,937	4,445,523

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at FVPL

Financial assets mandatorily measured at FVPL include the following:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-current assets		
Derivatives instrument measured at FVPL (a)	**518,198**	518,602
Current assets		
Structured bank deposits (b)	**574,485**	947,150
Trade receivables measured at FVPL (c)	**636,696**	551,057
Unlisted debt investments	**501,592**	485,072
Unlisted equity investments	**9,812**	10,315
	1,722,585	1,993,594
	2,240,783	2,512,196

(a) Derivatives financial instrument

On 31 August 2017, Nanjing Drive entered into a limited partnership agreement with Ningbo Zhongbang Chanrong Holding Co., Ltd. ("Ningbo Zhongbang") and Ningbo Jingbang Asset Management Co., Ltd. in respect of the establishment of an investment fund in the PRC named Shanghai Guiman Enterprise Management L.P. (the "Guiman Fund"). Nanjing Drive is a limited partner and has invested RMB500,000 thousands in the Guiman Fund. As mentioned in the investment agreement, Nanjing Drive would not bear any losses of Guiman Fund and was guaranteed with an annualised return rate no less than 9% during the 3-year investment period.

The separate derivative derived from the Guiman Fund was classified as financial assets at FVPL and non-current assets because the investment income would be guaranteed by the other limited partner Ningbo Zhongbang due to the accumulated loss of Guiman Fund as at 30 June 2019.

(b) Structured bank deposits

As at 30 June 2019, structured bank deposits of RMB574,485 thousands (31 December 2018: RMB947,150 thousands) represented financial instruments placed by the Group to three (31 December 2018: two) banks in the PRC for a term within one year. The contract guarantees principal and proceeds are related to the performance of the three-month LIBOR USD rate on the international market. Parts of the structured bank deposits amounted to RMB421,617 thousands were redeemed subsequent to the end of the reporting period.

(c) Trade receivables measured at FVPL

As at 3 September 2018, the Group entered into a two agreements with ING BANK N.V. ("ING") to sell all of its eligible trade receivables under certain customers and all right, title, interest and benefit the Group has in each such eligible trade receivables on a non-recourse basis without the need for any further action or documentation on the part of the Group or ING, at a cost of discount calculated based on the base rate and number of days for early payment as specified in the agreement.

At 30 June 2019, such trade receivables for solely selling purpose amounting to RMB636,696 thousands (31 December 2018: RMB551,057 thousands) were classified as financial assets at FVPL. For the six months ended 30 June 2019, fair value change of RMB11,243 thousands (six months ended 30 June 2018: nil) for trade receivables measured at FVPL are recognised in other gains – net.

(ii) Amounts recognised in profit or loss

For the six months ended 30 June 2019 and 2018, the following (losses)/gains were recognised in profit or loss:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Fair value (losses)/gains on equity investments at FVPL recognised in other gains – net (Note 5)	**(907)**	34,565
Fair value gains on debt investments at FVPL recognised in other gains – net (Note 5)	**18,440**	16,440
Dividends from equity investment held at FVPL (Note 4)	**22,808**	36,275
	40,341	87,280

14. ASSETS AND LIABILITIES HELD-FOR-SALE AND DISCONTINUED OPERATION

On 19 July 2018, the Group entered into an equity transfer agreement with an independent third party to dispose of its entire 75% equity interests in Beijing Shougao for a cash consideration of nominal amount RMB1. The disposal was completed on 30 November 2018.

On 23 November 2018, the Group entered into a bundle transaction of equity transfer agreements (the "Bundle Transaction") with an independent third party Ningbo Gaoguang Enterprise Management Co., Ltd. to dispose of its entire equity interests of ten subsidiaries and four associates for an aggregate cash consideration of RMB299,432 thousands. The ten subsidiaries include Zhongchuan Heavy Machine, Gaochuan Sky, Nanjing Boiler, Nantong Diesel Engine, Zhongchuan Heavy Machine Tool Nanjing Co., Ltd., Nantong City Zhenhua Hongsheng Heavy Forging Co., Ltd., Rugao City Hongmao Scrap Metal Recycling Co., Ltd., Nanjing Nanchuan Laser Equipment Co., Ltd., Nanjing Jingrui Semi-conductor Co., Ltd. and Jiangsu Jingrui Semi-conductor Co., Ltd.. The four associates include Nantong FLW, Nanjing Yijing Optoelectronics Technology Co., Ltd., Nanjing Yijing Energy Co., Ltd. and Inner Mongolia Jingjing Optoelectronics Technology Co., Ltd.. As at 30 June 2019, the Bundle Transaction was still on going and is expected to be completed near the year end of 2019.

The above companies are engaged in the manufacturing and sales of non-core business segment that the Group would discontinue and therefore were classified as discontinued operations. Accordingly, the operating results for the above companies and the gain arises from the disposal were separately presented as loss from discontinued operation on the consolidated income statement for the period ended 30 June 2019 and 2018. The assets and liabilities related to the Bundle Transaction have been presented as assets/liabilities of disposal group classified as held-for-sale. As at 30 June 2019, the assets and liabilities classified as disposal group held-for-sale were RMB1,302,117 thousands (31 December 2018: RMB1,243,244 thousands) and RMB634,277 thousands (31 December 2018: RMB502,315 thousands), respectively, excluding the amounts due from group companies of RMB17,636 thousands (31 December 2018: RMB10,989 thousands) and the amounts due to group companies of RMB1,002,494 thousands (31 December 2018: RMB990,293 thousands) eliminated in the consolidated financial information which will be disposed of upon completion of the transaction. Up to 27 August 2019, the Group had received the cash consideration amounted to RMB119,871 thousands from Ningbo Gaoguang.

15. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade payables	**1,925,077**	1,716,846
– Amount due to third parties	**1,923,806**	1,714,786
– Amount due to associates	**196**	1,605
– Amount due to joint ventures	**1,075**	455
Bills payable	**3,988,741**	4,526,958
	5,913,818	6,243,804
Accruals	**64,899**	146,632
Other tax payables	**33,538**	24,978
Purchase of property, plant and equipment	**184,688**	189,313
Payroll and welfare payables	**85,937**	135,410
Other payables	**853,615**	509,788
– Amount due to third parties	**853,615**	478,707
– Amount due to associates	**–**	1,081
– Amount due to a joint venture	**–**	30,000
Financial guarantee liability	**13,768**	15,842
	1,236,445	1,021,963
	7,150,263	7,265,767

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 2019 RMB'000	Audited 31 December 2018 RMB'000
0 – 30 days	**1,270,391**	1,423,121
31- 60 days	**831,258**	900,690
61 – 180 days	**2,943,971**	2,811,377
181 – 365 days	**662,118**	965,899
Over 365 days	**206,080**	142,717
	5,913,818	6,243,804

16. BORROWINGS AND CORPORATE BONDS

	Unaudited 30 June 2019		Audited 31 December 2018	
	Effective interest rate (%)	**RMB'000**	Effective interest rate (%)	RMB'000
Current				
Bank loans – unsecured	**4.35~6.53**	**2,272,000**	1.05~5.66	3,190,367
Bank loans – secured	**3.69~5.66**	**1,281,725**	3.91~5.10	1,270,020
Corporate bonds – unsecured	**6.47**	**897,572**	–	–
Medium-term Notes – unsecured	**–**	**–**	8.50	500,000
		4,451,297		4,960,387
Non-current				
Bank loans – secured	**8.00**	**1,105**	8.00	1,105
Corporate bonds -unsecured (a)	**6.50~7.50**	**1,514,327**	6.47~7.50	2,411,465
		1,515,432		2,412,570
		5,966,729		7,372,957

(a) In March 2017, Nanjing Drive issued a corporate bond of RMB900,000 thousands which carries an interest rate of 6.47% per annum. In July 2017, Nanjing Drive issued another corporate bond of RMB1,020,000 thousands which carries an interest rate of 6.50% per annum. In January 2018, Nanjing Drive issued another corporate bond of RMB500,000 thousands which carries an interest rate of 7.50% per annum. All corporate bonds have a period of 5 years, attached with the option of adjusting the nominal interest rate for issuer and the option of selling back to issuer at the end of the third year.

The maturity of borrowing is as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Analysed into:		
Bank loans repayable:		
On demand or within 1 year	**3,553,725**	4,460,387
Between 1 and 2 years	**368**	–
Between 2 and 5 years	**737**	1,105
	3,554,830	4,461,492
Other borrowings repayable:		
On demand or within 1 year	**897,572**	500,000
Between 1 and 2 years	**1,514,327**	1,913,317
Between 2 and 5 years	**–**	498,148
	2,411,899	2,911,465
	5,966,729	7,372,957

The secured borrowings at the end of the reporting period were secured by pledge of assets, details of which are set out in Note 19.

17. CONTINGENT LIABILITIES

As at 30 June 2019, the Group provided guarantees to one of the Group's associates and one third party in favour of its bank loans of RMB724,006 thousands (31 December 2018: RMB741,360 thousands). 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 RMB13,768 thousands (31 December 2018: RMB15,842 thousands) has been recognised in the consolidated statement of financial position as liabilities.

As at 30 June 2019, the Group had an outstanding litigation. The contingent liabilities assessed by the Group's management was amounted to RMB8,066 thousands. See Note 20(b) for more details.

18. CAPITAL COMMITMENTS

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Contracted, but not provided for:		
Plant and machinery	**259,518**	290,208

19. ASSETS PLEDGED AS SECURITY

As at 30 June 2019, certain assets of the Group were pledged to secure certain banking and other facilities granted to the Group as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Bills receivable	**740,466**	905,550
Property, plant and equipment	**329,199**	245,784
Land lease payments	**49,682**	50,205
Pledged bank deposits	**3,223,460**	2,922,234
	4,342,807	4,123,773

20 OUTSTANDING LITIGATION

(a) Jiangsu Guoyuan Power Equipment Co., Ltd. ("Jiangsu Guoyuan") is the gearing supplier to Nanjing High Speed Gear Manufacturing Co, Ltd. (the "Borrower" or "Nanjing High Speed"), a subsidiary of the Company. On 15 June 2018, the Borrower obtained a short-term loan of RMB130,000 thousands ("the Loan") from a bank (the "Lender") to settle the procurement payables to Jiangsu Guoyuan (the "Payables"). The Loan was in the form of entrusted payment which was released to Jiangsu Guoyuan's designated bank account (mutually controlled by the Borrower and Jiangsu Guoyuan) directly by the Lender on the date of draw-down. However, Jiangsu Guoyuan did not properly use the Loan to settle the Payables with the Borrower, but transferred the whole Loan out, without notification to or authorization from the Borrower, on the day upon receipt of the Loan.

On 22 June 2018, the Borrower filed a claim against Jiangsu Guoyuan on this embezzlement to Nanjing Intermediate People's Court ("Intermediate Court") and RMB130,000 thousands was still under frozen as at 30 June 2019. On 21 June 2019, the first instance judgement (the "First Instance Judgement") was issued by Intermediate Court, in which the court judged that the Borrower won the lawsuit. Later, Jiangsu Guoyuan appealed to Jiangsu Province High People's Court ("High Court") for the second instance against the result of the First Instance Judgement. Upon the date of the approval of these financial information, the second instance of this case was still awaiting for the second trial and based on the opinion of the external legal counsel of the Borrower, it is highly probable that High Court will affirm the First Instance Judgement. In such, the directors believe that there is no loss allowance to be provided nor significant implication on the interim condensed consolidated financial information of the Group.

(b) On 12 November 2015, Nanjing High Speed and NGC Transmission Europe GmbH (hereafter "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 EUR10,318 thousands (equivalent to RMB80,656 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 these financial information, the Claim was still awaiting for trial. The independent lawyers engaged by the Group believe that there are solid arguments to rebut the Claim on the merits whilst also see a certain settlement value to this case which would be substantially below 50% of the total Claimed Amount. As at 30 June 2019, based on the assessment of the independent lawyers, a contingent liability amounting to RMB8,066 thousands was accrued by management.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China High Speed Transmission Equipment Group Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") are principally engaged in design, manufacture and sales of gear transmission equipment products. During the six months ended 30 June 2019 (the "**Period under Review**"), the Group recorded sales revenue of approximately RMB4,049,859,000 in continuing operations (30 June 2018: RMB3,342,672,000), representing an increase of 21.2% as compared with the corresponding period of 2018, and the gross profit margin was approximately 19.0% (30 June 2018: 23.2%). Profit attributable to owners of the Company from continuing and discontinued operations was approximately RMB128,449,000 (30 June 2018: RMB144,016,000), representing a decrease of 10.8% as compared with the corresponding period of 2018, and basic earnings per share was RMB0.078 (30 June 2018: RMB0.088), representing a decrease of 11.4% as compared with the corresponding period of 2018.

Principal Business Review

1. Wind gear transmission equipment

Large, diversified and overseas market development

The Group is a leading supplier of wind gear transmission equipment in the People's Republic of China (the "**PRC**" or "**China**"). By leveraging its strong research, design and development capabilities, the Group has a range of products including 750kW, 1.5MW, 2MW、3MW and 5MW wind power 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 power gear boxes to customers, the Group has also successfully developed and accumulated 6MW and 7MW wind power gear box with a technological level comparable to its international peers, thus enabling it to have the capability and technology to produce those products.

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 renowned international wind turbine manufacturers such as GE Renewable Energy, Gemesa, Unison, Suzlon, etc. 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 wholly-owned subsidiaries in the United States (the "**U.S.**"), Germany, Singapore, Canada and India to support the sustainable development strategy of the Group and strive 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 23.5% to approximately RMB3,391,348,000 (30 June 2018: RMB2,746,132,000) as compared with the corresponding period of last year.

2. *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.

The Group adjusted the development strategy for traditional industrial gear transmission equipment. Above all, with the focus on energy-saving and environmentally-friendly products, the Group self-developed standardized and modular products which are internationally competitive, in order to facilitate the change in sales strategies and explore new markets and new industries; 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 enhance their current production efficiency without increasing capital expenditure, thereby maintaining the Company's position as a major supplier in the traditional industrial transmission product market.

In respect of transmission equipment for high-speed rails, metro lines, urban train and tram segments, the Group has obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry 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. Currently the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, and other cities in China and have also been successfully applied to rail transportation transmission equipment in multiple countries and regions such as Hong Kong, Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia and Canada. The Group will continue to actively extend the transmission equipment business into high-speed rails, metro lines, urban train and tram segments, and accelerate the research and development of rail transportation gear equipment products.

The metro gear boxes that are used in the metro of Shanghai, Hong Kong and Melbourne are PDM385 type two-stage metro gear box, which were developed by the Group on the basis of the assimilation of domestic and foreign standards and customer specifications and several years' experience in design and manufacturing. PDM385 type two-stage metro gear box is characterized by its compact structure, low noise, and easy maintenance, etc. With a 1.2 million km, or 10-year maintenance-free life span, the key components have a lifetime of approximately 35 years.

During the Period under Review, the industrial gear business segment generated sales revenue of approximately RMB634,370,000 (30 June 2018: RMB596,540,000) for the Group, representing an increase of 6.3% over the corresponding period of 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 RMB1,653,919,000 (30 June 2018: RMB1,145,584,000), representing an increase of 44.4% over the corresponding period of last year. Overseas sales accounted for 40.8% to total sales (30 June 2018: 34.3%), representing an increase of 6.5 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 2019, influenced by the improvement in wind power curtailment in Northeastern, Northern and Northwestern China, wind power bidding policy and the acceleration of offshore wind power, the newly installed grid-connected wind power capacity rebounded significantly. From January to June 2019, the total wind power generation of China reached 214.5 billion kWh, increased by 11.5% compared to the corresponding period last year. 1,133 average utilization hours of wind power generation of China were reported, representing a decrease of 10 hours over the same period last year. According to the published information, the newly installed grid-connected wind power capacity in China reached 9.09 million kilowatts in the first half of the year, including offshore wind power of 400,000 kilowatts, and the cumulative grid-connected installed capacity of 193GW. In addition, due to the energy structure reform continued to be promoted by the nation in an active manner and the introduction of a number of policies for ensuring the wind power consumption, as well as the improvement in the situation of wind power curtailment, the national wind power curtailment amounted to 10,500GW, decreasing by 7,700GW compared to the corresponding period last year. The average utilization rate of wind power generation of China was 95.3%, the average wind power curtailment rate was 4.7% with a year-on-year decrease of 4.0 percentage points, which continued to bring a decrease in both volume and rate of wind curtailment.

As a leader in the global wind gear transmission equipment manufacturing industry, the Group emphasizes on the four core competitiveness of "innovation, zero defect, professional service and customer orientation". It strives to provide the best value-adding solutions to global users and provide customized service. The Group is keen to procure business upgrade, transformation and high-quality growth. As a result, the Group secured one of the largest market shares in the global wind power equipment market. By leveraging the Group's outstanding research and development capabilities, the wind gear transmission equipment currently covered by its products include 750kW, 1.5MW, 2MW, 3MW and 5MW, with their technical standards reaching advanced international level. Various products could be supplied to domestic and foreign customers in large quantities. Furthermore, the Group has also successfully developed and accumulated the capabilities and technology of 6MW and 7MW wind power gear box, and in line with the development trends that the global wind gearbox market has developed towards low wind speed and high power, the Group also launched 3.8 MW high power wind gearbox with a technological level and research and development speed comparable to its international peers. Meanwhile, during the Period under Review, the industrial product of the Group's 7,800KW reducer was successfully developed and put into operation smoothly, which adopted the system dynamics analogy analysis and topology optimization technology to effectively reduce the impact from vibration of mill system on the gearbox and improve the operational reliability. In addition, this gearbox could be equipped with the Gear-Sight 3000 intelligent interconnection monitoring technology of Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. to provide customers with early warning maintenance services for product life cycle, providing a strong boost for China to accelerate the comprehensive utilization of solid waste to achieve a green circular economy.

In addition, the Group continues to maintain a strong and stable customer portfolio. Wind power business customers include the major wind turbine manufacturers in the PRC, as well as renowned international wind turbine manufacturers such as GE Renewable Energy, Nordex, Senvion, Unison, Suzlon, Inox Wind, 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 wholly-owned subsidiaries in the U.S., Germany, Singapore, Canada and India to support the sustainable development strategy of the Group, grasp the opportunities in emerging markets and strive to have closer communication and discussion with potential overseas customers with a view to providing further diversified services for global customers.

On 30 May 2019, the National Energy Administration issued the Circular on the Construction of Wind Power and Photovoltaic Power Generation Projects in 2019 (《關於2019年風電－光伏發電專案建設有關事項的通知》), specifying the priority of promoting the construction of subsidy-free grid parity projects, and then carrying out the competition allocation work for projects requiring state subsidy, which will bring a significant change on the wind power and photovoltaic industry. In the first half of this year, the development scale of wind power recorded a higher increase. It is expected that under the pattern of accelerated construction of the industry in the whole year, the newly installed grid-connected capacity will be between 25GW to 28GW. It is expected that the newly installed grid-connected capacity in 2020 will exceed the year-high in 2015 and is expected to exceed 30GW of the newly installed grid-connected capacity.

Looking forward to the second half of the year, while continuously developing its wind power gear transmission equipment business, the Group will continue to strengthen the research and development of the segment of traditional industrial gear transmission equipment, and adjust the overall profit model to enhance profits. The Group's self-developed vertical dual planetary gear reducers with power grades from 3,300kW to 6,000kW have currently been put into operation with smooth running. In the first half of 2019, the Group successfully developed and delivered MLXSS800M dual planetary vertical mill reducer with a designed power level of 7,800kW, which is the M series vertical mill gear box with the highest power level so far developed by the Group. In future, the Group will continue to keep abreast of changing market preferences to our products, and continue to provide customers with products and services with the better quality to further enhance the product quality while continuously expanding the market scale, with a view to maintain the sustainable competitive advantages of stable development of the Group's core business.

FINANCIAL PERFORMANCE (CONTINUING OPERATIONS)

Sales revenue of the Group for the Period under Review increased by 21.2% to approximately RMB4,049,859,000.

	Revenue		
	Six months ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	
Continuing operations			
Wind Gear Transmission Equipment	**3,391,348**	2,746,132	23.5%
Industrial Gear Transmission Equipment	**634,370**	596,540	6.3%
Other Products	**24,141**	–	N/A
Total	**4,049,859**	3,342,672	21.2%

Revenue

During the Period under Review, the Group's sales revenue was approximately RMB4,049,859,000, representing an increase of 21.2% as compared with the corresponding period of last year. This was mainly due to the increase in the market demand of wind gear transmission equipment which led to the increase of delivery.

During the Period under Review, sales revenue from wind gear transmission equipment was approximately RMB3,391,348,000 (30 June 2018: RMB2,746,132,000), representing an increase of 23.5% as compared with the corresponding period of last year; sales revenue from industrial gear transmission equipment was approximately RMB634,370,000 (30 June 2018: RMB596,540,000), representing an increase of 6.3% as compared with the corresponding period of last year.

Gross profit margin and gross profit

During the Period under Review, the Group's consolidated gross profit margin was approximately 19.0% (30 June 2018: 23.2%), representing a decrease of 4.2 percentage points as compared with the corresponding period of last year. Consolidated gross profit for the Period under Review amounted to approximately RMB768,855,000 (30 June 2018: RMB775,966,000), remaining at the same level as compared with the corresponding period of last year. During the Period under Review, the decrease in consolidated gross profit margin was mainly due to the effect from the decline in selling price of certain products and the increase in cost of sales. The stabilization in consolidated gross profit was mainly due to the increase in sales revenue which offset the decrease in gross profit margin.

Other income and other net gains

During the Period under Review, the Group's other income was approximately RMB163,396,000 (30 June 2018: RMB170,208,000), representing a decrease of 4.0% as compared with the corresponding period of last year. Other income mainly comprised of dividend, interest income, government grants and income from sales of scraps and materials.

During the Period under Review, the Group's other net gains was approximately RMB15,158,000 (30 June 2018: RMB56,229,000), mainly comprised of the fair value changes on financial assets at FVPL.

Selling and distribution expenses

During the Period under Review, the Group's selling and distribution expenses were approximately RMB148,689,000 (30 June 2018: RMB139,747,000), representing an increase of 6.4% 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 3.7% (30 June 2018: 4.2%) of sales revenue for the Period under Review, representing a decrease of 0.5 percentage point as compared with last year.

Administrative expenses

During the Period under Review, the Group's administrative expenses were approximately RMB253,953,000 (30 June 2018: RMB268,263,000), representing a decrease of 5.3% as compared with the corresponding period of last year, which was mainly due to the decrease in bank charges and consulting fees. Administrative expenses as a percentage of sales revenue decreased by 1.7 percentage points to 6.3% as compared with the corresponding period of last year.

Research and development costs

During the Period under Review, the Group's research and development costs amounted to approximately RMB161,301,000 (30 June 2018: RMB116,800,000), representing an increase of 38.1% as compared with the corresponding period of last year, which was mainly due to the increased efforts put on research and development of new products.

Finance costs

During the Period under Review, the Group's finance costs were approximately RMB287,048,000 (30 June 2018: RMB340,121,000), representing a decrease of 15.6% as compared with the corresponding period of last year, which was mainly due to the decrease in bank loans and medium-term notes during the Period under Review.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2019, the equity attributable to owners of the Company amounted to approximately RMB10,888,079,000 (31 December 2018: RMB10,791,832,000). The Group had total assets of approximately RMB25,592,864,000 (31 December 2018: RMB26,748,539,000), representing a decrease of 4.3% as compared with the beginning of the year. Total current assets were approximately RMB16,645,898,000 (31 December 2018: RMB17,994,929,000), representing a decrease of 7.5% as compared with the beginning of the year, which was mainly due to the decrease in trade receivables and cash and cash equivalents. Total non-current assets were approximately RMB8,946,966,000 (31 December 2018: RMB8,753,610,000), representing an increase of 2.2% as compared with the beginning of the year.

As at 30 June 2019, total liabilities of the Group were approximately RMB14,638,136,000 (31 December 2018: RMB15,883,275,000), representing a decrease of approximately RMB1,245,139,000, or 7.8%, as compared with the beginning of the year. Total current liabilities were approximately RMB12,733,624,000 (31 December 2018: RMB13,181,696,000), representing a decrease of 3.4% as compared with the beginning of the year. Total non-current liabilities were approximately RMB1,904,512,000 (31 December 2018: RMB2,701,579,000), representing a decrease of 29.5% as compared with the beginning of the year, which was mainly due to the corporate bonds due within one year were transferred to current liabilities.

As at 30 June 2019, the net current assets of the Group were approximately RMB3,912,274,000 (31 December 2018: RMB4,813,233,000), representing a decrease of approximately RMB900,959,000, or 18.7%, as compared with the beginning of the year.

As at 30 June 2019, total cash and bank balances of the Group were approximately RMB4,958,981,000 (31 December 2018: RMB5,932,008,000), representing a decrease of approximately RMB973,027,000, or 16.4%, as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB3,223,460,000 (31 December 2018: RMB2,922,234,000) and the structured bank deposits included in the financial assets at fair value through profit or loss amounting to RMB574,485,000 (31 December 2018: RMB947,150,000).

As at 30 June 2019, the Group had total borrowings of approximately RMB5,966,729,000 (31 December 2018: RMB7,372,957,000), representing a decrease of approximately RMB1,406,228,000, or 19.1%, as compared with the beginning of the year, of which borrowings within one year were approximately RMB4,451,297,000 (31 December 2018: RMB4,960,387,000), accounting for approximately 74.6% (31 December 2018: 67.3%) of the total borrowings. The fixed or floating interest rates of the Group's borrowings for the Period under Review ranged from 3.69% to 8% per annum.

Taking into account the capital generated within and the banking credit available to the Group, and the net current assets of approximately RMB3,912,274,000 for the period ended 30 June 2019, 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) decreased from 59.4% as at 31 December 2018 to 57.2% as at 30 June 2019.

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 loans and 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 2019 amounted to approximately USD50,000,000.

During the Period under Review, the Group's borrowings with fixed interest rates accounted for approximately 74.9% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in note 19 to the condensed consolidated financial information, the Group has made no further pledge of assets as at 30 June 2019.

INTERIM DIVIDEND

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

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 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 not subject to the impact of significant exchange rate risks. The Group does not need any foreign currency derivatives to hedge against the exposure in foreign exchange.

The Group's bank borrowings denominated in U.S. dollars as at 30 June 2019 amounted to approximately USD50,000,000 (equivalent to approximately RMB343,735,000). Therefore, the Group may be exposed to certain exchange rate risks in this regard.

The net gain of foreign exchange (included in "other gains – net" and "financial income and costs") recorded by the Group during the Period under Review was approximately RMB9,255,000 (30 June 2018: net gain of RMB5,739,000), including gains 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 will actively manage the net amount of foreign currency assets and liabilities by formulating foreign exchange risk management measures and strategies, with a view to reducing its exposures to exchange rate risks in 2020.

INTEREST RATE RISK

During the Period under Review, the loans of the Group are mainly sourced from bank loans and corporate bonds. Therefore, the benchmark lending rate announced by the People's Bank of China and the London Inter-bank Offer Rate 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 2019, the Group employed approximately 5,820 employees (30 June 2018: 5,489) in continuing operations. Staff cost in continuing operations of the Group for the first half of 2019 approximated to RMB607,266,000 (30 June 2018: RMB603,080,000). The cost 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

The Group did not conduct any significant investment during the Period under Review.

SIGNIFICANT ACQUISITIONS AND DISPOSALS DURING THE PERIOD UNDER REVIEW

The Group did not conduct any significant acquisition or disposal of subsidiaries and associates during the Period under Review.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

During the Period under Review, the Group did not enter into any agreement in respect of any proposed acquisitions and did not have any future plans relating to material investment or capital asset.

CORPORATE GOVERNANCE

During the Period under Review, the Company has complied with the code provisions set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the deviation from (a) 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; (b) code provision A.5.1 which states that the nomination committee should be chaired by the chairman of the board or an independent non-executive director; and (c) code provision A.6.7 which states that independent non-executive directors and other non-executive directors should attend general meetings of shareholders of the Company.

Since 24 May 2019, Mr. Hu Yueming has been re-designated from a non-executive Director to an executive Director and will relinquish his position as the chairman of the Board (the "**Chairman**"). Since 24 May 2019, Mr. Hu Jichun, an executive Director and the chief executive officer of the Company (the "**CEO**"), has been appointed as the Chairman. The Board considers that vesting the roles of both Chairman and CEO 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.

Since 24 May 2019, Mr. Hu Yueming has ceased to be the Chairman, but remained as the chairman of the nomination committee until 23 August 2019 who is replaced by Mr. Hu Jichun. Since Mr. Hu Yueming has been the chairman of the nomination committee since the establishment of nomination committee of the Company on 1 April 2012, the experience and relationship accumulated by whom can make it more effective for the Company to look for talents.

During the Period under Review, Mr. Yuen Chi Ping, a non-executive Director, was absent from the 2018 annual general meeting of the Company held on 24 May 2019 due to other important matters.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Group have not purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

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

Hong Kong, 27 August 2019

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 and Mr. Gu Xiaobin; the non-executive Director is Mr. Yuen Chi Ping; and the independent non-executive Directors are Dr. Chan Yau Ching, Bob, Ms. Jiang Jianhua, Mr. Jiang Xihe and Mr. Nathan Yu Li.

* *For identification purpose only*