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 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2020 *RMB' 000* **(Unaudited)**	Six months ended 30 June 2019 *RMB' 000* (Unaudited)	**Change**
Continuing operations			
Revenue from contracts with customers	**5,468,796**	4,049,859	35.0%
Gross profit	**1,173,169**	768,855	52.6%
Continuing operations and discontinued operations			
Profit/(loss) for the period attributable to owners of the Company	**302,429**	128,449	135.4%
－Continuing operations	**302,429**	198,113	52.7%
－Discontinued operations	**–**	(69,664)	N/A
Basic and diluted earnings per share *(RMB)*	**0.185**	0.078	137.2%

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)	**Change**
Total assets	**25,686,487**	24,858,848	3.3%
Total liabilities	**14,398,392**	13,529,450	6.4%
Net assets	**11,288,095**	11,329,398	-0.4%
Net assets per share *(RMB)*	**6.9**	6.9	–
Gearing ratio* *(%)*	**56.1**	54.4	1.7 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 2020, together with the comparative figures as follows. The interim financial information are unaudited, but have 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 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Continuing operations			
Revenue from contracts with customers	3	**5,468,796**	4,049,859
Cost of sales		**(4,295,627)**	(3,281,004)
Gross profit		**1,173,169**	768,855
Selling and distribution expenses		**(153,158)**	(148,689)
Administrative expenses		**(270,990)**	(253,953)
Research and development costs		**(230,093)**	(161,301)
Net impairment losses (recognised)/reversed on financial assets		**(142,534)**	1,492
Other income	4	**106,909**	163,396
Other gains – net	5	**37,186**	15,158
Operating profit		**520,489**	384,958
Finance income	7	**41,209**	45,643
Finance costs	7	**(195,217)**	(287,048)
Finance costs – net		**(154,008)**	(241,405)
Share of net profit of associates and joint ventures accounted for using the equity method		**17,053**	3,288
Profit before income tax		**383,534**	146,841
Income tax (expenses)/credit	8	**(85,314)**	49,664
Profit for the period from continuing operations		**298,220**	196,505
Loss for the period from discontinued operations	11	**–**	(75,961)
Profit for the period		**298,220**	120,544

	Note	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Profit/(loss) for the period attributable to:			
– Owners of the Company		**302,429**	128,449
– Non-controlling interests		**(4,209)**	(7,905)
		298,220	120,544
Profit/(loss) for the period attributable to owners of the Company arises from:			
– Continuing operations		**302,429**	198,113
– Discontinued operations		**–**	(69,664)
		302,429	128,449
Earnings per share for profit from continuing operations attributable to owners of the Company for the period (expressed in RMB)			
Basic and diluted earnings per share	9	**0.185**	0.121
Earnings per share for profit attributable to owners of the Company for the period (expressed in RMB)			
Basic and diluted earnings per share	9	**0.185**	0.078

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit for the period	**298,220**	120,544
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	**2,833**	(8,197)
– Currency translation differences	**(9,230)**	1,239
– Income tax relating to these items	**(2,203)**	2,049
	(8,600)	(4,909)
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	**73,693**	117,990
– Income tax relating to these items	**(17,782)**	(29,167)
	55,911	88,823
Other comprehensive income for the period, net of tax	**47,311**	83,914
Total comprehensive income for the period	**345,531**	204,458
Total comprehensive income/(loss) for the period attributable to:		
– Owners of the Company	**349,740**	211,241
– Non-controlling interests	**(4,209)**	(6,783)
	345,531	204,458
Total comprehensive income/(loss) for the period attributable to owners of the Company arises from:		
– Continuing operations	**349,740**	278,680
– Discontinued operations	**–**	(67,439)
	349,740	211,241

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	**Unaudited 30 June 2020** *RMB'000*	Audited 31 December 2019 *RMB'000*
Non-current assets			
Property, plant and equipment		**3,854,265**	3,973,655
Right-of-use assets		**652,441**	658,942
Goodwill		**26,414**	26,414
Investments accounted for using the equity method		**366,657**	287,011
Financial assets at fair value through other comprehensive income	13	**2,674,017**	2,597,819
Financial assets at fair value through profit or loss	14	**–**	541,900
Other financial assets at amortised cost		**566,033**	549,827
Deposits for land leases		**5,890**	11,361
Deferred tax assets		**287,355**	298,766
		8,433,072	8,945,695
Current assets			
Inventories		**2,946,944**	2,568,569
Trade receivables	12	**2,297,759**	2,378,101
Other receivables	12	**1,800,928**	2,226,429
Other financial assets at amortised cost		**–**	254,050
Prepayments		**616,100**	255,606
Financial assets at fair value through other comprehensive income	13	**2,918,719**	2,780,914
Financial assets at fair value through profit or loss	14	**1,225,362**	253,132
Income tax prepaid		**161**	33,377
Pledged bank deposits		**2,333,316**	2,642,560
Cash and cash equivalents		**3,114,126**	2,520,415
		17,253,415	15,913,153
Current liabilities			
Borrowings	16	**3,065,530**	2,824,000
Corporate bonds	16	**1,513,135**	1,914,275
Trade payables	15	**2,319,744**	2,050,701
Bills payable	15	**3,450,843**	3,884,766
Other payables	15	**937,988**	1,041,008
Contract liabilities		**2,035,301**	529,255
Deferred income		**140,367**	17,124
Income tax payable		**163,610**	76,840
Warranty provision		**265,263**	216,868
		13,891,781	12,554,837

	Note	**Unaudited 30 June 2020** ***RMB'000***	Audited 31 December 2019 *RMB'000*
Net current assets		**3,361,634**	3,358,316
Total assets less current liabilities		**11,794,706**	12,304,011
Non-current liabilities			
Borrowings	16	**736**	736
Corporate bonds	16	**–**	498,437
Deferred income		**178,102**	180,273
Warranty provision		**131,470**	97,164
Deferred tax liabilities		**196,303**	198,003
		506,611	974,613
Net assets		**11,288,095**	11,329,398
Capital and reserves			
Share capital		**119,218**	119,218
Reserves		**11,138,372**	11,087,825
Equity attributable to owners of the Company		**11,257,590**	11,207,043
Non-controlling interests		**30,505**	122,355
Total equity		**11,288,095**	11,329,398

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 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 2019 annual financial statements, except for the changes in accounting policies that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies and related impact are set out in Note 2.

The preparation of interim condensed consolidated financial information in conformity with IAS 34 requires management of the Group 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 2020 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 2019 annual 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").

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

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

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

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

The amendments listed above are not significant on the interim condensed consolidated financial information.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

Inter-segment 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 2020 (Unaudited)				
	PRC	**USA**	**Europe**	**Other countries**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue					
Total segment revenue	**5,085,569**	**845,686**	**190,430**	**379,892**	**6,501,577**
Inter segment revenue	**(986,021)**	**(44,320)**	**–**	**(2,440)**	**(1,032,781)**
Revenue from external customers	**4,099,548**	**801,366**	**190,430**	**377,452**	**5,468,796**
Timing of revenue recognition					
At a point in time	**4,099,548**	**801,366**	**190,430**	**377,452**	**5,468,796**
Segment results	**804,259**	**165,894**	**37,771**	**79,466**	**1,087,390**
Unallocated other income					**39,530**
Other gains – net					**37,186**
Impairment losses on financial assets					**(142,534)**
Finance costs – net					**(154,008)**
Share of net profit of associates and joint ventures					**17,053**
Corporate and other unallocated expenses					**(501,083)**
Profit before income tax					**383,534**

	For the six months ended 30 June 2019 (Unaudited)				
	PRC	USA	Europe	Other countries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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	218,500	4,049,859
Segment results	408,389	233,985	28,216	34,211	704,801
Unallocated other income					78,761
Other gains – net					15,158
Impairment reversal on financial assets					1,492
Finance costs – net					(241,405)
Share of net profit of associates and joint ventures					3,288
Corporate and other unallocated expenses					(415,254)
Profit before income tax					146,841

(b) Revenue from major products and services

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Wind gear transmission equipment	**4,687,524**	3,391,348
Industrial gear transmission equipment	**631,901**	534,151
Rail transportation gear transmission equipment	**131,383**	100,219
Other products and services	**17,988**	24,141
	5,468,796	4,049,859

4. OTHER INCOME

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Dividend income (Note (i))	**8,719**	30,449
Interest income (Note (ii))	**27,040**	30,027
Government grants (Note (iii))		
– Deferred income recognised	**8,562**	7,968
– Other government subsidies	**17,568**	33,584
Sale of scraps and materials	**41,249**	43,083
Gross fixed rental income	**2,667**	9,375
Others	**1,104**	8,910
	106,909	163,396

Notes:

(i) Dividend income

Dividend income is received from financial assets measured at FVPL (Note 14) and at FVOCI (Note 13).

(ii) Interest income

Interest income is derived from other financial assets at amortised cost.

(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	
	2020	2019
	RMB'000	*RMB'000*
(Losses)/gains on disposal of property, plant and equipment, net	**(2,992)**	1,866
Gains on disposal of joint ventures	**–**	1,469
Losses on disposal of an associate	**–**	(5,093)
Foreign exchange gains/(losses), net	**25,210**	(601)
Net fair value gains on financial assets at FVPL (Note 14(ii))	**21,468**	17,533
Impairment losses on property, plant and equipment	**(6,500)**	–
Others	**–**	(16)
	37,186	15,158

6. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**3,610,598**	2,661,155
Employee benefits expenses	**647,770**	607,266
Depreciation of property, plant and equipment	**212,854**	222,820
Depreciation of right-of-use assets	**7,680**	5,670
Amortisation of intangible assets	**–**	11,647
Provision recognised for decline in the value of inventories	**33,249**	51,109
Other expenses	**437,717**	285,280
Total cost of sales, selling and distribution expenses, research and development costs and administrative expenses	**4,949,868**	3,844,947

7. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**41,209**	45,643
Finance costs		
Interest expenses	**(195,217)**	(296,904)
Foreign exchange gains	**–**	9,856
	(195,217)	(287,048)
Finance costs – net	**(154,008)**	(241,405)

8. INCOME TAX EXPENSES/(CREDIT)

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current income tax – charge for the period		
– PRC	**69,437**	41,718
– Hong Kong	**11,440**	15,257
– Others	**62**	756
	80,939	57,731
Deferred tax	**4,375**	(107,395)
Income tax expenses/(credit)	**85,314**	(49,664)

(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 2020 (six months ended 30 June 2019: 25%).

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. ("Nanjing High Speed")	31 December 2017	31 December 2019 (Note)
Nanjing High Speed & Accurate Gear (Group) Co., Ltd. ("Nanjing High Accurate")	31 December 2017	31 December 2019 (Note)
Nanjing High Accurate Rail Transportation Equipment Co., Ltd. ("Rail Transportation")	31 December 2017	31 December 2019 (Note)

Note:

The approval of preferential tax rate of Nanjing High Speed, Nanjing High Accurate and Rail Transportation was issued on 27 December 2017, 17 November 2017 and 7 December 2017 respectively. The preferential tax rate was applicable for 3 years when it was first approved by the taxation authority. As at the end of the reporting period, Nanjing High Speed, Nanjing High Accurate and Rail Transportation are in the processes of applying to renew of the qualification of the high technology development enterprises.

(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 2020 (six months ended 30 June 2019: 16.5%).

(c) Other corporate income tax

Other corporate income tax has been provided at the applicable rate of 8.5% on the estimated assessable profits arising from the jurisdictions at which the entities are operated (six months ended 30 June 2019: 8.5% to 18.5%).

(d) 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 RMB6,466 million (31 December 2019: RMB6,746 million) of investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised amounted to approximately RMB323 million as at 30 June 2020 (31 December 2019: RMB337 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 period.

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit from continuing operations attributable to owners of the Company	**302,429**	198,113
Loss from discontinued operations attributable to owners of the Company	**–**	(69,664)
Net profit attributable to owners of the Company	**302,429**	128,449
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	**0.185**	0.121
– From discontinued operations attributable to owners of the Company	**–**	(0.043)
	0.185	0.078

No adjustment is made to the diluted earnings per share for the six months ended 30 June 2020 and 2019 as there was no potential dilutive shares in issue.

10. DIVIDENDS

During the current interim period, a final dividend of HKD20 cents per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: HKD8 cents per share in respect of the year ended 31 December 2018), in an aggregate amount of HKD327,058 thousands, equivalent to RMB299,193 thousands (six months ended 30 June 2019: HKD130,823 thousands, equivalent to RMB114,994 thousands), was declared and fully paid to the owners of the Company.

The directors did not recommend to declare any interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

11. DISCONTINUED OPERATIONS

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. ("Ningbo Gaoguang") 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 Duty Machine Tool Corporation Ltd., Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd., AE&E Nanjing Boiler Co., Ltd., Nantong Diesel Engine Co., Ltd., 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 Agriculture Equipment Co., Ltd., Nanjing Yijing Optoelectronics Technology Co., Ltd., Nanjing Yijing Energy Co., Ltd. and Inner Mongolia Jingjing Optoelectronics Technology Co., Ltd. The Bundle Transaction was completed in 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 were separately presented as loss from discontinued operations on the interim condensed consolidated income statement for the six months ended 30 June 2019.

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Trade receivables		
– Amounts due from third parties	**2,921,279**	2,904,710
– Amounts due from a joint venture	**3,543**	9,553
	2,924,822	2,914,263
Less: Impairment provision	**(627,063)**	(536,162)
	2,297,759	2,378,101
Other receivables		
– Amounts due from third parties	**2,165,113**	2,336,404
– Amounts due from associates	**49,866**	237,687
– Amounts due from a joint venture	**1,730**	445
	2,216,709	2,574,536
Less: Impairment provision	**(505,276)**	(472,063)
	1,711,433	2,102,473
Value-added tax recoverable	**89,495**	123,956
	1,800,928	2,226,429
	4,098,687	4,604,530

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 set up a credit control department to actively monitor the status of its outstanding receivables and take proper actions in order 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.

As at 30 June 2020, trade receivables from five customers engaged in the wind milling industry accounted for approximately 29% (31 December 2019: 24%) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk. Other than the above, there is no other concentration of credit risk on the Group's trade receivables.

All of the amounts due from the Group's joint venture 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 2020, other receivables comprised of receivables from the former subsidiaries of the bundle transaction of RMB895,543 thousands (31 December 2019: RMB1,003,834 thousands), with accumulated impairment loss of RMB400,675 thousands (31 December 2019: RMB405,239 thousands) which were considered probably not recoverable.

During the six months ended 30 June 2020, the Group received overdue beneficial interests of the trust of RMB512,813 thousands which was reclassified from financial assets at FVPL to other receivables at maturity as at 31 December 2019.

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 2020 ***RMB'000***	Audited 31 December 2019 *RMB'000*
Less than 90 days	**2,011,143**	1,826,916
90 to 180 days	**71,760**	96,585
181 to 365 days	**62,437**	217,652
1 – 2 years	**80,161**	143,111
Over 2 years	**72,258**	93,837
	2,297,759	2,378,101

Impairment losses on trade and other receivables

The loss allowance for trade receivables at 30 June 2020 and 31 December 2019 was determined as follows:

	Less than 1 year ***RMB'000***	**Between 1 and 2 years** ***RMB'000***	**Between 2 and 3 years** ***RMB'000***	**Between 3 and 4 years** ***RMB'000***	**Over 4 years** ***RMB'000***	**Total** ***RMB'000***
At 30 June 2020 (Unaudited)						
Expected credit loss rate	3%	32%	51%	73%	100%	16%
Gross carrying amount – trade receivables (excluding those debtors of which 100% allowance has been provided)	2,215,377	117,425	111,882	65,125	232,259	2,742,068
Loss allowance under ECL model	70,037	37,264	57,283	47,466	232,259	444,309
100% specifically provided	–	27,857	108,762	42,806	3,329	182,754
Loss allowance	70,037	65,121	166,045	90,272	235,588	627,063

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 3 years *RMB'000*	Between 3 and 4 years *RMB'000*	Over 4 years *RMB'000*	Total *RMB'000*
At 31 December 2019 (Audited)						
Expected credit loss rate	3%	24%	45%	83%	100%	16%
Gross carrying amount – trade receivables (excluding those debtors of which 100% allowance has been provided)	2,208,502	187,738	153,897	52,314	221,156	2,823,607
Loss allowance under ECL model	67,349	44,627	69,095	43,279	221,156	445,506
100% specifically provided	1,872	24,861	56,320	6,652	951	90,656
Loss allowance	69,221	69,488	125,415	49,931	222,107	536,162

During the six months ended 30 June 2020, provision for loss allowance of RMB79,540 thousands was made to two customers, who are the subsidiaries of the same group, for trade receivables from sales of goods. As these two customers are in the process of liquidation due to their financial difficulties, the Group considered that the amount was probably not recoverable.

The closing loss allowances for trade receivables reconcile to the opening loss allowances are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
As at 1 January	**536,162**	536,388
Provision for loss allowance recognised in profit or loss	**91,343**	10,873
Receivables written off as uncollectible	**(442)**	(16,185)
Acquisition of a subsidiary	**–**	1,457
As at 30 June (Unaudited)	**627,063**	532,533

The closing loss allowances for other receivables reconcile to the opening loss allowance are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
As at 1 January	**472,063**	23,509
Provision/(reversal) for loss allowance recognised in profit or loss	**51,191**	(12,365)
Released upon deemed disposal of a subsidiary	**(17,978)**	–
As at 30 June (Unaudited)	**505,276**	11,144

For the six months ended 30 June 2020 and 2019, the following impairment losses were recognised/(reversed) in profit or loss:

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Impairment losses recognised on trade receivables	**91,343**	10,873
Impairment losses recognised/(reversed) on other receivables	**51,191**	(12,365)
	142,534	(1,492)

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at FVOCI

Financial assets measured at FVOCI include the following:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Non-current assets		
Listed equity investments (Note (a))	**433,969**	355,231
Unlisted equity investments (Note (b))	**2,240,048**	2,242,588
	2,674,017	2,597,819
Current assets		
Unlisted equity investments	**–**	2,505
Debt investments (Note (c))	**2,918,719**	2,778,409
	2,918,719	2,780,914
	5,592,736	5,378,733

Notes:

(a) Listed equity investments

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Riyue Heavy Industry Co., Ltd.	**403,022**	326,729
Guodian Technology & Environmental Group Co., Ltd.	**8,922**	10,814
China PengFei Group Limited	**22,025**	17,688
	433,969	355,231

The balances as at 30 June 2020 and 31 December 2019 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 exchanges of Hong Kong and Shanghai on that date. The directors of the Company consider that the closing prices of these securities are the fair values of the investments.

(b) Unlisted equity investments

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Zhejiang Zheshang Chanrong Equity Investment Fund L.P.*	**2,028,000**	2,027,647
Jiangsu Zhong Bang Business Factoring Co., Ltd.	**41,990**	46,719
Su Yin Financial Leasing Co., Ltd.	**163,450**	161,740
Others	**6,608**	6,482
	2,240,048	2,242,588

* 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, which had been paid up by Nanjing Drive to the investment fund.

As at 30 June 2020, the investment in Zhejiang Zheshang Chanrong had a fair value of RMB2,028,000 thousands (31 December 2019: RMB2,027,647 thousands) and the fair value gain of RMB353 thousands was recognised in other comprehensive income for the six months ended 30 June 2020 (six months ended 30 June 2019: fair value loss of RMB10,147 thousands).

(c) ***Debt investments***

Bills receivables 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 2020, fair value gains of RMB2,833 thousands for bills receivables measured at FVOCI are recognised in other comprehensive income (six months ended 30 June 2019: fair value loss of RMB8,197 thousands).

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

For the six months ended 30 June 2020 and 2019, the following gains were recognised in profit or loss and other comprehensive income:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Gains recognised in other comprehensive income	**76,526**	109,793
Dividends from equity investments held at FVOCI recognised in profit or loss in other income (Note 4)	**8,719**	7,641

14. 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	Audited
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
Non-current asset		
Derivative financial instruments (Note (a))	**–**	541,900
Current assets		
Derivative financial instruments (Note (a))	**560,584**	–
Structured bank deposits (Note (b))	**334,605**	155,480
Trade receivables measured at FVPL (Note (c))	**320,361**	86,340
Unlisted debt investments	**–**	1,500
Unlisted equity investments	**9,812**	9,812
	1,225,362	253,132
	1,225,362	795,032

Notes:

(a) Derivative financial instruments

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. If Nanjing Drive do not choose to withdraw from the partnership at the end of the 3-year investment period, the profit or loss attributable to Nanjing Drive afterwards shall be negotiated separately.

The separate derivative derived from Guiman Fund was measured at FVPL because the investment income would be guaranteed by the other limited partner, Ningbo Zhongbang, due to the accumulated losses of Guiman Fund as at 30 June 2020 and 31 December 2019.

On 4 August 2020, Nanjing Drive chose to withdraw from the partnership, and the investment is expected to be received within 60 working days.

(b) Structured bank deposits

As at 30 June 2020, structured bank deposits of RMB334,605 thousands (31 December 2019: RMB155,480 thousands) represented financial instruments placed by the Group to four (31 December 2019: two) banks in the PRC for a term within one year. The contract guarantees principal and proceeds are related to the performance of exchange rate, interest rate or stock index on the market. Parts of the structured bank deposits amounted to RMB20,000 thousands (31 December 2019: RMB104,176 thousands) were redeemed subsequent to the end of the reporting period.

(c) Trade receivables measured at FVPL

On 3 September 2018, the Group entered into 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 discount calculated based on the base rate and number of days for early payment as specified in the agreement.

As at 30 June 2020, such trade receivables held solely for selling purpose amounting to RMB320,361 thousands (31 December 2019: RMB86,340 thousands) were classified as financial assets at FVPL. For the six months ended 30 June 2020, fair value losses of RMB1,911 thousands (six months ended 30 June 2019: RMB11,243 thousands) 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 2020 and 30 June 2019, the following gains/(losses) were recognised in profit or loss:

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Fair value gains/(losses) on equity investments at FVPL recognised in other gains – net (Note 5)	**18,684**	(907)
Fair value gains on debt investments at FVPL recognised in other gains – net (Note 5)	**2,784**	18,440
	21,468	17,533
Dividends from equity investment held at FVPL	**–**	22,808
	21,468	40,341

15. TRADE, BILLS AND OTHER PAYABLES

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Trade payables		
– Amounts due to third parties	**2,318,323**	2,049,268
– Amounts due to associates	**306**	318
– Amounts due to a joint venture	**1,115**	1,115
	2,319,744	2,050,701
Bills payable	**3,450,843**	3,884,766
	5,770,587	5,935,467
Other payables		
– Accruals	**87,457**	86,480
– Other tax payables	**40,788**	65,259
– Purchase of property, plant and equipment	**100,199**	167,867
– Payroll and welfare payables	**86,768**	151,238
– Amounts due to third parties	**594,548**	541,828
– Amounts due to associates	**113**	221
– Financial guarantee liability	**28,115**	28,115
	937,988	1,041,008
	6,708,575	6,976,475

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 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
0 – 30 days	**2,232,230**	2,198,577
31 – 60 days	**299,726**	407,034
61 – 180 days	**2,476,154**	863,605
181 – 365 days	**581,850**	2,301,865
Over 365 days	**180,627**	164,386
	5,770,587	5,935,467

16. BORROWINGS AND CORPORATE BONDS

	Unaudited 30 June 2020		Audited 31 December 2019	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	*%*	*RMB'000*
Current				
Bank loans – Unsecured	**4.35-5.44**	**2,340,530**	4.35-5.92	1,927,500
Bank loans – Secured	**3.69-5.66**	**725,000**	3.69-5.92	896,500
		3,065,530		2,824,000
Corporate bonds – Unsecured (Note)	**6.62-7.62**	**1,513,135**	6.59-6.62	1,914,275
		4,578,665		4,738,275
Non-current				
Bank loans – Secured	**8.00**	**736**	8.00	736
Corporate bonds – Unsecured (Note)	**–**	**–**	7.62	498,437
		736		499,173
		4,579,401		5,237,448

Note:

In March, July 2017 and January 2018, Nanjing Drive issued three tranches of corporate bonds with principal amounts of RMB900,000 thousands, RMB1,020,000 thousands and RMB500,000 thousands which carries an interest rate of 6.47%, 6.50% and 7.50% per annum respectively. 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 redemption for investors at the end of the third year. In March 2020, Nanjing Drive have paid RMB900,000 thousands for the full redemption of the first tranche of bonds. In July and August 2020, Nanjing Drive have paid RMB1,020,000 thousands and RMB500,000 thousands for the full redemption of the second and third tranche of bonds respectively. All the bonds have been cancelled subsequently.

The maturity of borrowings and corporate bonds is as follows:

	Unaudited 30 June 2020 ***RMB'000***	Audited 31 December 2019 *RMB'000*
Analysed into:		
Bank loans repayable:		
On demand or within 1 year	**3,065,530**	2,824,000
Between 1 and 2 years	**736**	736
	3,066,266	2,824,736
Corporate bonds repayable:		
On demand or within 1 year	**1,513,135**	1,914,275
Between 1 and 2 years	**–**	498,437
	1,513,135	2,412,712
	4,579,401	5,237,448

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 2020, the Group provided guarantees to one of the Group's associates and two independent third parties in favour of its bank loans of RMB768,984 thousands (31 December 2019: RMB780,008 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 RMB28,115 thousands (31 December 2019: RMB28,115 thousands) has been recognised in the interim condensed consolidated statement of financial position as liabilities.

18. CAPITAL COMMITMENTS

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

	Unaudited 30 June 2020 ***RMB'000***	Audited 31 December 2019 *RMB'000*
Contracted, but not provided for:		
Plant and machinery	**289,597**	237,046

19. ASSETS PLEDGED AS SECURITIES

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 2020 ***RMB'000***	Audited 31 December 2019 *RMB'000*
Bills receivable	**939,248**	1,179,231
Property, plant and equipment	**682,817**	757,984
Land use rights	**174,042**	176,107
Pledged bank deposits	**2,333,316**	2,642,560
	4,129,423	4,755,882

20. 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 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 2020, based on the assessment of the independent lawyers, a provision amounting to RMB8,066 thousands (31 December 2019: 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 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. During the six months ended 30 June 2020 (the "**Period under Review**"), the Group recorded sales revenue of approximately RMB5,468,796,000 in continuing operations (30 June 2019: RMB4,049,859,000), representing an increase of 35.0% as compared with the corresponding period of 2019, and the gross profit margin was approximately 21.5% (30 June 2019: 19.0%). Profit attributable to owners of the Company from continuing and discontinued operations was approximately RMB302,429,000 (30 June 2019: RMB128,449,000), representing an increase of 135.4% as compared with the corresponding period of 2019, and basic earnings per share was RMB0.185 (30 June 2019: RMB0.078), representing an increase of 137.2% as compared with the corresponding period of 2019.

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 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, Siemens Gamesa Renewable Energy and Vestas, 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, 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 38.2% to approximately RMB4,687,524,000 (30 June 2019: RMB3,391,348,000) 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.

In the past two years, the equipment industry of China has been affected by overcapacity, the Group adjusted the development strategy for traditional industrial gear transmission equipment. Above all, with technology as its competitive advantage, the Group has upgraded the technology of the heavy products with the focus on energy-saving and environmentally-friendly products. Meanwhile, the Group has developed standardized, modular 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 gearbox and planetary gearbox 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 system solutions to its customers, helping them to enhance their current production efficiency without increasing capital expenditure, thereby maintaining the Group's position as a major supplier in the traditional industrial transmission product market.

During the Period under Review, the industrial gear transmission equipment business generated sales revenue of approximately RMB631,901,000 (30 June 2019: RMB534,151,000) for the Group, representing an increase of 18.3% over the corresponding period of last year.

3. Rail transportation gear transmission equipment

In respect of gear 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 to high-end international railway markets. 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 and Canada. The Group will continue to actively expand the gear transmission equipment business to high-speed rails, metro lines, urban train and tram segments, and accelerate the research and development of rail transportation gear equipment products and strive for stronger development in the field of rail transportation gear transmission equipment.

During the Period under Review, the rail transportation gear transmission equipment business generated sales revenue of approximately RMB131,383,000 (30 June 2019: RMB100,219,000), representing an increase of 31.1% 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 RMB1,369,248,000 (30 June 2019: RMB1,653,919,000), representing a decrease of 17.2% over the corresponding period of last year. Overseas sales accounted for 25.0% to total sales (30 June 2019: 40.8%), representing a decrease of 15.8 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 2020, looking at the international market, affected by the COVID-19 pandemic, the global economy suffered a severe setback, the supply chain was interrupted and demand was suppressed. According to a report issued by the United Nations, the global economy is expected to shrink by 3.2% this year, and the cumulative loss of economic output will reach 8.5 trillion U.S. dollars, almost erasing all the growth of the past four years. At this stage, many countries have introduced economic stimulus measures in response to the health, social and economic crisis. In the first half of the year, China's economy gradually overcame the adverse effects of the COVID-19 pandemic. The economic operations in the PRC demonstrated a recovery growth and steady recovery trend as well as its development resilience and vitality. As the COVID-19 pandemic continues to grow, the huge impact of the COVID-19 pandemic on the world economy will continue to evolve. The external risks and challenges will increase significantly, and domestic economic recovery will face the pressure.

Looking back at the first half of 2020, the wind power industry grew against the downward economic trend, with the newly installed grid-connected wind power of 6.32 million kilowatts across the country, of which 5.26 million kilowatts were added for newly onshore installed wind power and 1.06 million kilowatts for newly offshore installed wind power. In the first half of the year, wind power generated 237.9 billion kWh, a year-on-year increase of 10.9%. The 2020 is the closing year of the "13th Five-Year Plan", China's energy and power development will be assessed. Therefore, the performance of wind power and renewable energy in 2020 is remarkable.

The Group is a leading supplier of wind gear transmission equipment, with diversified, large and overseas market development. By leveraging its strong research, design and development capabilities, the Group has a range of products including 750kW, 1.5MW, 2MW and 3MW 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. The Group has also successfully developed and accumulated 5MW and 6MW 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 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 and Vestas, 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 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 overseas customers and to grasp the opportunities in emerging markets so as to enhance production capacity and to further diversify services for global customers.

In addition to stabilizing the development of wind power gear transmission equipment, the Group also focuses on the development of industrial gear transmission equipment and rail transportation gear transmission equipment business. During the Period under Review, the Group's rail transportation gear transmission equipment has 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 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 and strive for stronger development in the field of rail transportation transmission equipment.

Looking forward to the second half of 2020, the acceleration of the wind power grid-parity project will bring huge development opportunities to the Group's wind power gear transmission equipment business. On 31 July 2020, the National Development and Reform Commission and the National Energy Administration jointly issued the "Notice on Promulgating the 2020 Wind Power and Solar Power Grid-Parity Projects"(《關於公佈2020年風電、光伏發電平價上網項目的通知》), which clearly stipulates that in addition to the restrictions on grid connection, the wind power project should be connected to the grid before the end of 2022. With the support and guidance of policies, the process of wind power grid will be accelerated, which will further increase the scale of wind power installations and power generation. The Group will adhere to the four core competitive strengths of "innovative thinking, zero defects, professional services, and customer orientation", 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 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 (CONTINUING OPERATIONS)

Sales revenue of the Group for the Period under Review increased by 35.0% to approximately RMB5,468,796,000.

	Unaudited Revenue Six months ended 30 June		
	2020	2019	Change
	RMB'000	*RMB'000*	
Continuing operations			
Wind Gear Transmission Equipment	**4,687,524**	3,391,348	38.2%
Industrial Gear Transmission Equipment	**631,901**	534,151	18.3%
Rail Transportation Gear Transmission Equipment	**131,383**	100,219	31.1%
Other Products	**17,988**	24,141	-25.5%
Total	**5,468,796**	4,049,859	35.0%

Revenue

During the Period under Review, the Group's sales revenue was approximately RMB5,468,796,000, representing an increase of 35.0% 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.

During the Period under Review, sales revenue from wind gear transmission equipment was approximately RMB4,687,524,000 (30 June 2019: RMB3,391,348,000), representing an increase of 38.2% as compared with the corresponding period of last year; sales revenue from industrial gear transmission equipment was approximately RMB631,901,000 (30 June 2019: RMB534,151,000), representing an increase of 18.3% as compared with the corresponding period of last year; and sales revenue from rail transportation gear transmission equipment was approximately RMB131,383,000 (30 June 2019: RMB100,219,000), representing an increase of 31.1% 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 21.5 % (30 June 2019: 19.0%), representing an increase of 2.5 percentage points as compared with the corresponding period of last year. Consolidated gross profit for the Period under Review amounted to approximately RMB1,173,169,000 (30 June 2019: RMB768,855,000), representing an increase of 52.6 % as compared with the corresponding period of last year. During the Period under Review, the increase in consolidated gross profit margin was due to the economies of scale. The increase in consolidated gross profit was mainly due to the increase in sales revenue and gross profit margin.

Other income

During the Period under Review, the Group's other income was approximately RMB106,909,000 (30 June 2019: RMB163,396,000), representing a decrease of 34.6% 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 reasons for the decrease are the decrease in dividend income received from financial assets measured at FVPL and FVOCI and government grants.

Other net gain

During the Period under Review, the Group's other net gain were approximately RMB37,186,000 (30 June 2019: RMB15,158,000). Other net gain mainly included net fair value gains on financial assets at FVPL and foreign exchange gains.

Selling and distribution expenses

During the Period under Review, the Group's selling and distribution expenses were approximately RMB153,158,000 (30 June 2019: RMB148,689,000), representing an increase of 3.0% 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 2.8% (30 June 2019: 3.7%) of sales revenue for the Period under Review, representing a decrease of 0.9 percentage point as compared with last year.

Administrative expenses

During the Period under Review, the Group's administrative expenses were approximately RMB270,990,000 (30 June 2019: RMB253,953,000), representing an increase of 6.7% as compared with the corresponding period of last year, which was mainly due to the increase in staff costs. Administrative expenses accounted for 5.0% (30 June 2019: 6.3%) to the sales revenue, representing a decrease of 1.3 percentage points 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 RMB230,093,000 (30 June 2019: RMB161,301,000), representing an increase of 42.6% 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 on financial assets

During the Period under Review, the net impairment losses on financial assets of the Group amounted to approximately RMB142,534,000 (30 June 2019: net gains of RMB1,492,000), which are comprised of impairment losses of trade receivables amounting to RMB91,343,000 and other receivables amounting to RMB51,191,000, the increase is mainly due to individual provision for bad debts of trade receivables and other receivables based on evaluation of credit risk of specific customers during the Period under Review.

Finance costs

During the Period under Review, the Group's finance costs were approximately RMB195,217,000 (30 June 2019: RMB287,048,000), representing a decrease of 32.0% as compared with the corresponding period of last year, which was mainly due to the decrease in corporate bonds and bank loans as compared with the corresponding period of last year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2020, the equity attributable to owners of the Company amounted to approximately RMB11,257,590,000 (31 December 2019: RMB11,207,043,000). The Group had total assets of approximately RMB25,686,487,000 (31 December 2019: RMB24,858,848,000), representing an increase of 3.3% as compared with the beginning of the year. Total current assets were approximately RMB17,253,415,000 (31 December 2019: RMB15,913,153,000), representing an increase of 8.4% as compared with the beginning of the year. Total non-current assets were approximately RMB8,433,072,000 (31 December 2019: RMB8,945,695,000), representing a decrease of 5.7% as compared with the beginning of the year.

As at 30 June 2020, total liabilities of the Group were approximately RMB14,398,392,000 (31 December 2019: RMB13,529,450,000), representing an increase of approximately RMB868,942,000, or 6.4%, as compared with the beginning of the year. Total current liabilities were approximately RMB13,891,781,000 (31 December 2019: RMB12,554,837,000), representing an increase of 10.6% as compared with the beginning of the year. Total non-current liabilities were approximately RMB506,611,000 (31 December 2019: RMB974,613,000), representing a decrease of 48.0% as compared with the beginning of the year, which was mainly due to the transfer of corporate bonds due within one year to current liabilities.

As at 30 June 2020, the net current assets of the Group were approximately RMB3,361,634,000 (31 December 2019: RMB3,358,316,000), representing an increase of approximately RMB3,318,000, or 0.1%, as compared with the beginning of the year.

As at 30 June 2020, total cash and bank balances of the Group were approximately RMB5,782,047,000 (31 December 2019: RMB5,318,455,000), representing an increase of approximately RMB463,592,000, or 8.7%, as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB2,333,316,000 (31 December 2019: RMB2,642,560,000) and the structured bank deposits included in the financial assets at fair value through profit or loss amounting to RMB334,605,000 (31 December 2019: RMB155,480,000).

As at 30 June 2020, the Group had total borrowings (including corporate bonds) of approximately RMB4,579,401,000 (31 December 2019: RMB5,237,448,000), representing a decrease of approximately RMB658,047,000, or 12.6%, as compared with the beginning of the year, of which borrowings within one year were approximately RMB4,578,665,000 (31 December 2019: RMB4,738,275,000), accounting for approximately 100.0% (31 December 2019: 90.5%) 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 8.00% per annum.

Taking into account the capital generated within and the banking credit available to the Group, and the net current assets of approximately RMB3,361,634,000 as at 30 June 2020, 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 54.4% as at 31 December 2019 to 56.1% as at 30 June 2020.

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 has no foreign currency borrowings as of 30 June 2020.

During the Period under Review, the Group's borrowings with fixed interest rates accounted for approximately 99.1% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in note 19 to the condensed consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2020.

INTERIM DIVIDEND

The Board of the Company did not recommend to declare any interim dividend in respect of the six months ended 30 June 2020.

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 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 gain of foreign exchange (included in "other gains – net" and "finance costs") recorded by the Group during the Period under Review was approximately RMB25,210,000 (30 June 2019: net gain of RMB9,255,000), mainly 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 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 2020, the Group employed approximately 5,826 employees (30 June 2019: 5,820) in continuing operations. Staff costs in continuing operations of the Group for the Period under Review amounted to approximately RMB647,770,000 (30 June 2019: RMB607,266,000). 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 2020:

Name of the investee company	Percentage of equity owned by the Group	Cost of investment *(RMB'000)*	Fair value as at 30 June 2020 *(RMB'000)*	Accumulated change in unrealized gains in fair value *(RMB'000)*	Dividends received/ receivable 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)) (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)) *(note)*	6.47%	2,000,000	2,028,000	28,000	–

Note: Zhejiang Zheshang Chanrong Investment Partnership (Limited Partnership)* (浙江浙商產融投資合夥企業(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.

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.

SIGNIFICANT ACQUISITIONS AND DISPOSALS DURING THE PERIOD UNDER REVIEW

The Group did not conduct 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 other 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 contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), except for the deviation from code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Hu Jichun is the chairman 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 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.

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 PERIOD

There was no significant event that took place after the Period under Review and up to the date of approval of the announcement.

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 2020.

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

Hong Kong, 28 August 2020

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; 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*