



# 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)

# 2020

## INTERIM REPORT

\* For identification purpose only

# CONTENTS

	Page
Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Corporate Governance and Other Information	18
Interim Condensed Consolidated Financial Statements	
– Independent Review Report	24
– Interim Condensed Consolidated Income Statement	26
– Interim Condensed Consolidated Statement of Comprehensive Income	27
– Interim Condensed Consolidated Statement of Financial Position	28
– Interim Condensed Consolidated Statement of Changes in Equity	30
– Interim Condensed Consolidated Statement of Cash Flows	31
– Notes to the Interim Condensed Consolidated Financial Information	33



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Hu Jichun (*Chairman and Chief Executive Officer*)

Mr. Hu Yueming

Mr. Chen Yongdao

Mr. Wang Zhengbing

Mr. Zhou Zhijin

Ms. Zheng Qing

Mr. Gu Xiaobin

Mr. Fang Jian

#### Independent non-executive Directors

Dr. Chan Yau Ching, Bob

Ms. Jiang Jianhua

Mr. Jiang Xihe

Mr. Nathan Yu Li

### AUDIT COMMITTEE

Mr. Jiang Xihe (*Chairman*)

Dr. Chan Yau Ching, Bob

Mr. Nathan Yu Li

### REMUNERATION COMMITTEE

Dr. Chan Yau Ching, Bob (*Chairman*)

Mr. Jiang Xihe

Mr. Chen Yongdao

### NOMINATION COMMITTEE

Mr. Hu Jichun (*Chairman*)

Mr. Jiang Xihe

Mr. Nathan Yu Li

### REGISTERED OFFICE

4th Floor, Harbour Place

103 South Church Street

George Town

Grand Cayman KY1-1002

Cayman Islands

### AUDITOR

Baker Tilly Hong Kong Limited

### LEGAL ADVISER

Chungs Lawyers in association with DeHeng Law Offices

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1302, 13th Floor, COFCO Tower

No. 262 Gloucester Road

Causeway Bay

Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

3rd Floor, Royal Bank House

24 Shedden Road

P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

## CORPORATE INFORMATION

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### COMPANY SECRETARY

Mr. Lui Wing Hong, Edward *CPA (Aust.), FCPA*

### AUTHORISED REPRESENTATIVES

Mr. Hu Yueming  
Mr. Lui Wing Hong, Edward

### PRINCIPAL BANKERS

Bank of Communications  
ICBC  
Bank of Jiangsu  
Bank of Ningbo  
Huaxia Bank  
China Minsheng Bank  
Everbright Bank  
SPD Bank  
China Merchants Bank  
Australia and New Zealand Bank

### PLACE OF LISTING

The Stock Exchange of Hong Kong Limited  
(the "Hong Kong Stock Exchange")

### STOCK CODE

00658

### WEBSITE

[www.chste.com](http://www.chste.com)

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2020 RMB' 000 (Unaudited)	Six months ended 30 June 2019 RMB' 000 (Unaudited)	Change
<b>Continuing operations</b>			
Revenue from contracts with customers	5,468,796	4,049,859	35.0%
Gross profit	1,173,169	768,855	52.6%
<b>Continuing operations and discontinued operations</b>			
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%
<b>As at</b>			
	30 June 2020 RMB' 000 (Unaudited)	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

## 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 the research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications. 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 on 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 the renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy and Vestas. 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

#### *Enhanced market competitiveness through changes in production modes 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, for which 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 a 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 the 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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% of the total sales of our Group (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.

### PATENTED PROJECTS

The business of the Group has high entry barriers and requires specific technical know-how. The Group enhances corporate growth by introducing new products and new technology. Various products have made their debuts in the domestic market under the Group's on-going innovation of products and technology. Leveraging on its innovative technology and premium quality, the Group has obtained over 100 national, provincial and municipal technology advancement awards, outstanding new products awards, certification for new products, certification for high and new tech products and certification of high and new tech enterprise. As of 30 June 2020, a total of 421 patents were granted by the State. In addition, 269 patent applications have been submitted and pending for approval. The Group was the first producer to adopt ISO1328 and ISO06336 international standards in the PRC. It was nominated as an enterprise for the 863 State Plan and a Computer Integrated Manufacturing System (CIMS) Application Model Enterprise by the Ministry of Science and Technology of the PRC. As of 30 June 2020, the Company passed ISO9001:2015 quality management system certification, ISO14001:2015 environmental management system certification, OHSAS18001: 2007 occupational health and safety management system certification and Jiangsu Province Quality and Credit Graded AA certification. Our wind gear transmission equipment products have obtained certifications from China Classification Society (CCS), China General Certification Center (CGC), China Quality Certification Centre (CQC), Technische Überwachungs-Verein (TÜV), DNV GL, UL, European Union's CE and ETL; industrial gear transmission equipment products have been certified with the European Union's CE certificate, American Petroleum Institute (API) Specification IIE and Mining Products Safety Approval and Certification Center Co., Ltd. (MA); and rail transportation products have obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry.

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

Looking back at the first half of 2020, the wind power industry grew despite 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 renewable 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 on 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 business, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS



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.

### INTERIM DIVIDEND

The board (the "Board") of directors (the "Directors") of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2020.

### 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	
<b>Continuing operations</b>			
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%
<b>Total</b>	<b>5,468,796</b>	<b>4,049,859</b>	<b>35.0%</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **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 impairment losses were mainly due to individual provision for bad debts of trade receivables and other receivables based on evaluation of credit risk of specific customers.

### **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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 due 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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 28 to the condensed consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2020.

### **CONTINGENT LIABILITIES**

Save as disclosed in note 26 to the condensed consolidated financial statements, as at 30 June 2020, the Directors were not aware of any other material contingent liabilities.



## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of plant and machinery of approximately RMB289,597,000 (31 December 2019: RMB237,046,000). Details of which are set out in note 27 to the condensed consolidated financial statements.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed approximately 5,826 employees (30 June 2019: 5,820) in continuing operations. Staff cost in continuing operations of the Group during the Period under Review amounted to approximately RMB647,770,000 (30 June 2019: RMB607,266,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme and unemployment insurance plan.

The remuneration committee of the Company is responsible for making recommendations to the Board on the Company's remuneration policy and the structure of the Board members and senior management, the remuneration packages of executive Directors and senior management and the remuneration of non-executive Directors.

The Group's policy in relation to the determination of Directors' remuneration takes into consideration factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions of other positions in the Group and desirability of performance-based remuneration.

The salary levels of employees are generally determined by reference to the employees' positions, responsibilities and performance as well as the Group's financial performance. In addition to salaries, the Group provides housing allowances to some of its employees. The Group also offers incentive programmes to encourage its employees to take initiatives and rewards employees who have made valuable contributions or achieved technical breakthroughs.

The Group's employees are rewarded for their creative achievements in technologies and technical skills, management of information, product quality and enterprise management.

### PENSION SCHEME

The employees of the Group in Mainland China are members of the state-managed pension scheme operated by the local government in China. The Group is required to contribute a specific percentage of its employees' payroll costs to the pension scheme for the funding of the scheme. The sole responsibility of the Group in respect of this pension scheme is making specific contribution to this scheme. The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENT HELD 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 capital contribution paid up by the Group	Cost of investment (RMB' 000)	Fair value as at 30 June 2020 (RMB' 000)	Percentage of total assets of the Group	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	7.90%	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. As at 30 June 2020, the total paid up capital contribution was RMB30,929,080 thousands, of which RMB2,000,000 thousands was contributed by Group.

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

### SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE PERIOD UNDER REVIEW

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

\* For identification purpose only



## MANAGEMENT DISCUSSION AND ANALYSIS

### **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.

### **EVENT AFTER THE REPORTING PERIOD**

There was no significant event that took place after the Period under Review and up to the date of approval of the interim results announcement on 28 August 2020.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 Hong Kong Stock Exchange, 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.

### DIRECTORS

Ms. Zheng Qing, Mr. Gu Xiaobin, Dr. Chan Yau Ching, Bob, Ms. Jiang Jianhua and Mr. Nathan Yu Li were re-elected as Directors by shareholders at the 2019 annual general meeting of the Company held on 22 May 2020.

The composition of the Board was as follows:

#### Executive Directors:

Mr. Hu Jichun (*Chairman and Chief Executive Officer*)

Mr. Hu Yueming

Mr. Chen Yongdao

Mr. Wang Zhengbing

Mr. Zhou Zhijin

Ms. Zheng Qing

Mr. Gu Xiaobin

Mr. Fang Jian (*appointed as an executive Director on 29 August 2020*)

#### Independent Non-executive Directors:

Dr. Chan Yau Ching, Bob

Ms. Jiang Jianhua

Mr. Jiang Xihe

Mr. Nathan Yu Li

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Mr. Hu Yueming is the father of Mr. Hu Jichun. Apart from this, each of the Directors has no financial, business or family relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

During the Period under Review, in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed as least three independent non-executive Directors and at least one independent non-executive Director has accounting or financial management expertise. The Company has also complied with Rule 3.10A of the Listing Rules, as the number of independent non-executive Director represents at least one-third of the Board.

### Changes in the particulars of Directors during their term of office

Following changes have occurred in the directorship held in the Company or other public listed companies by the following Directors:

#### Positions held in the Company

Name of director(s)	Details of the change
Mr. Yuen Chi Ping	Resigned as a non-executive Director on 24 August 2020
Mr. Fang Jian	Appointed as an executive Director on 29 August 2020

#### Experience (including other directorships and major appointments of listed companies)

Name of director	Details of the change
Ms. Zheng Qing	Appointed as an independent non-executive director of GHW International (stock code: 9933) with effect from 21 January 2020

Save as disclosed above, no other changes in the particulars of Directors have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### DIRECTORS' REMUNERATION

For the six months ended 30 June 2020, Directors' remuneration (including any fixed or discretionary bonuses and the payment prescribed in the service contract) was RMB8,477,000. Details of which are set out in the note 29(d) to the condensed consolidated financial statements.

### 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.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### SHARE OPTION SCHEME

As at 30 June 2020, the Group did not adopt any share option schemes.

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

The Group had not purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

### AUDIT COMMITTEE

The Company established the audit committee upon the approval of the Board on 8 June 2007 in accordance with Rule 3.21 of the Listing Rules. The audit committee currently comprises of three independent non-executive Directors, namely Mr. Jiang Xihe, Dr. Chan Yau Ching, Bob and Mr. Nathan Yu Li. Mr. Jiang Xihe is the chairman of the audit committee.

The written terms of reference have been determined by the audit committee, updated on 29 December 2015 and published on the websites of the Company and the Hong Kong Stock Exchange. The primary duties of the audit committee are to review and provide supervision on the financial reporting process, risk management and internal control systems of the Company as well as nominate and supervise the external auditor and offer advice and recommendations to the Board.

The Group's 2020 interim report and unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been reviewed by the audit committee. The audit committee considered that the financial statements are in compliance with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

### REMUNERATION COMMITTEE

The Company established the remuneration committee upon the approval of the Board on 8 June 2007. Currently, the remuneration committee is composed of Dr. Chan Yau Ching, Bob and Mr. Jiang Xihe as independent non-executive Directors and Mr. Chen Yongdao as an executive Director. Dr. Chan Yau Ching, Bob is the chairman of the remuneration committee.

The written terms of reference have been determined by the remuneration committee and published on the websites of the Company and the Hong Kong Stock Exchange. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's remuneration policy (including benefits in kind, pension rights and compensation payments; compensation for loss or termination of their office or appointment) and structure of the members of the Board and senior management, the remuneration packages of individual executive Director and senior management, and the remuneration of non-executive Directors.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### NOMINATION COMMITTEE

The Company has established the nomination committee with effect from 1 April 2012. During the Period under Review, the nomination committee comprises Mr. Hu Jichun as the chairman of the Board and Chief Executive Officer and Mr. Jiang Xihe and Mr. Nathan Yu Li as independent non-executive Directors. Mr. Hu Jichun is the chairman of the nomination committee.

The written terms of reference have been determined by the nomination committee and published on the websites of the Company and the Hong Kong Stock Exchange. The primary duties of the nomination committee are to study the candidates, selection criteria and procedures of the Board members and the Company's senior management and give recommendations, and review the structure, number and composition of the Board at least once a year to implement the Company's corporate strategies.

The Company adopted the board diversity policy on 1 September 2013 and strives to select the most appropriate candidates to be appointed as members of the Board. The selection of suitable candidates for directorship will be based on a range of diversity criteria including education background, professional experience, skills, knowledge, and time commitments. Neither the Board nor the nomination committee has set any measurable objective implementing the board diversity policy, and the nomination committee considered an appropriate balance of diversity perspectives of the Board is maintained.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S AND ITS ASSOCIATED CORPORATIONS' ISSUED SHARES

As at 30 June 2020, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions in which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance), or which would be required, pursuant to Section 352 of the Securities and Futures Ordinance, to be recorded in the register referred to therein, or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements for securities transactions by directors contained in the Listing Rules.

As at 30 June 2020, none of the Directors and the chief executives of the Company or their associates (as defined in the Listing Rules) had any interest in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance). None of the Directors and the chief executives of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

At no time during the Period under Review was the Company or its holding company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executives of the Company to obtain benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES

As at 30 June 2020, the following persons (other than the Directors or the chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or which would be required, pursuant to Section 336 of the Securities and Futures Ordinance, to be entered in the register referred to therein:

Name	Nature of interest	Number of ordinary shares held (Long Position)	Approximate percentage to the issued shares of the Company (%) (Long Position)
Five Seasons XVI Limited ("Five Seasons") (Note 1)	Beneficial owner	1,208,577,693 (Long Position)	73.91 (Long Position)
Fullshare Holdings Limited ("Fullshare Holdings")	Interest of controlled corporation	1,208,577,693 (Long Position)	73.91 (Long Position)
Magnolia Wealth International Limited ("Magnolia Wealth")	Interest of controlled corporation	1,208,577,693 (Long Position)	73.91 (Long Position)
Glorious Time Holdings Limited ("Glorious Time") (Note 2)	Beneficial owner	17,890,000 (Long Position)	1.09 (Long Position)
Mr. Ji Changqun ("Mr. Ji") (Note 3)	Interest of controlled corporation	1,208,577,693 (Long Position)	73.91 (Long Position)
	Interest of controlled corporation	17,890,000 (Long Position)	1.09 (Long Position)

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Note 1: Five Seasons, a company incorporated in the British Virgin Islands, is wholly owned by Fullshare Holdings (stock code: 607), while the issued share capital of Fullshare Holdings is owned as to 45.05% by Magnolia Wealth, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Ji. Accordingly, Fullshare Holdings, Magnolia Wealth and Mr. Ji are considered to have interests in 1,208,577,693 shares of the Company, representing approximately 73.91% of the issued shares of the Company.

Note 2: Glorious Time, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Ji. Accordingly, Mr. Ji is considered to have interests in 17,890,000 shares of the Company, representing approximately 1.09% of the issued shares of the Company.

Note 3: Five Seasons is owned more than one-third of interest by Mr. Ji and Glorious Time is wholly-owned by Mr. Ji. Accordingly, Mr. Ji is considered to have interests in 1,226,467,693 shares of the Company, representing approximately 74.99% of the issued shares of the Company.

Save as disclosed above and so far as the Directors are aware of, as at 30 June 2020, there was no other person, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or which would be required, pursuant to Section 336 of the Securities and Futures Ordinance, to be entered in the register referred to therein.



## INDEPENDENT REVIEW REPORT

### INTRODUCTION

We have reviewed the interim condensed consolidated financial information of China High Speed Transmission Equipment Group Co., Ltd. (the “Company”) set out on pages 26 to 70, which comprises the condensed consolidated statement of financial position as at 30 June 2020, and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and notes to the interim condensed consolidated financial information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim condensed consolidated financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements (“HKSRE”) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim condensed consolidated financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## INDEPENDENT REVIEW REPORT *(continued)*

### OTHER MATTER

The comparative interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months ended 30 June 2019 and the relevant explanatory notes included in these interim condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

Baker Tilly Hong Kong Limited  
Certified Public Accountants  
Hong Kong, 28 August 2020  
Gao Yajun  
Practising certificate number P06391

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June	
		2020 RMB' 000	2019 RMB' 000
<b>Continuing operations</b>			
Revenue from contracts with customers	6	5,468,796	4,049,859
Cost of sales		(4,295,627)	(3,281,004)
<b>Gross profit</b>		<b>1,173,169</b>	<b>768,855</b>
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	19	(142,534)	1,492
Other income	7	106,909	163,396
Other gains – net	8	37,186	15,158
<b>Operating profit</b>		<b>520,489</b>	<b>384,958</b>
Finance income	10	41,209	45,643
Finance costs	10	(195,217)	(287,048)
<b>Finance costs – net</b>		<b>(154,008)</b>	<b>(241,405)</b>
Share of net profit of associates and joint ventures accounted for using the equity method		17,053	3,288
<b>Profit before income tax</b>		<b>383,534</b>	<b>146,841</b>
Income tax (expenses)/credit	11	(85,314)	49,664
<b>Profit for the period from continuing operations</b>		<b>298,220</b>	<b>196,505</b>
Loss for the period from discontinued operations	14	–	(75,961)
<b>Profit for the period</b>		<b>298,220</b>	<b>120,544</b>
<b>Profit/(loss) for the period attributable to:</b>			
– Owners of the Company		302,429	128,449
– Non-controlling interests		(4,209)	(7,905)
		<b>298,220</b>	<b>120,544</b>
<b>Profit/(loss) for the period attributable to owners of the Company arises from:</b>			
– Continuing operations		302,429	198,113
– Discontinued operations		–	(69,664)
		<b>302,429</b>	<b>128,449</b>
<b>Earnings per share for profit from continuing operations attributable to owners of the Company for the period (expressed in RMB)</b>			
Basic and diluted earnings per share	12	0.185	0.121
<b>Earnings per share for profit attributable to owners of the Company for the period (expressed in RMB)</b>			
Basic and diluted earnings per share	12	0.185	0.078

The accompanying notes are an integral part of the interim condensed consolidated financial information.

## 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
<b>Profit for the period</b>	<b>298,220</b>	<b>120,544</b>
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be reclassified to profit or loss</i>		
– 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
	<b>(8,600)</b>	<b>(4,909)</b>
<i>Items that will not be reclassified to profit or loss</i>		
– 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)
	<b>55,911</b>	<b>88,823</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>47,311</b>	<b>83,914</b>
<b>Total comprehensive income for the period</b>	<b>345,531</b>	<b>204,458</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
– Owners of the Company	349,740	211,241
– Non-controlling interests	(4,209)	(6,783)
	<b>345,531</b>	<b>204,458</b>
<b>Total comprehensive income/(loss) for the period attributable to owners of the Company arises from:</b>		
– Continuing operations	349,740	278,680
– Discontinued operations	–	(67,439)
	<b>349,740</b>	<b>211,241</b>

The accompanying notes are an integral part of the interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
<b>Non-current assets</b>			
Property, plant and equipment	15	3,854,265	3,973,655
Right-of-use assets	15	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	16	2,674,017	2,597,819
Financial assets at fair value through profit or loss	17	–	541,900
Other financial assets at amortised cost	18	566,033	549,827
Deposits for land leases		5,890	11,361
Deferred tax assets		287,355	298,766
		<b>8,433,072</b>	<b>8,945,695</b>
<b>Current assets</b>			
Inventories		2,946,944	2,568,569
Trade receivables	19	2,297,759	2,378,101
Other receivables	19	1,800,928	2,226,429
Other financial assets at amortised cost	18	–	254,050
Prepayments	20	616,100	255,606
Financial assets at fair value through other comprehensive income	16	2,918,719	2,780,914
Financial assets at fair value through profit or loss	17	1,225,362	253,132
Income tax prepaid		161	33,377
Pledged bank deposits	21	2,333,316	2,642,560
Cash and cash equivalents	21	3,114,126	2,520,415
		<b>17,253,415</b>	<b>15,913,153</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2020

	Notes	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
<b>Current liabilities</b>			
Borrowings	23	3,065,530	2,824,000
Corporate bonds	23	1,513,135	1,914,275
Trade payables	22	2,319,744	2,050,701
Bills payable	22	3,450,843	3,884,766
Other payables	22	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
		<b>13,891,781</b>	<b>12,554,837</b>
<b>Net current assets</b>		<b>3,361,634</b>	<b>3,358,316</b>
<b>Total assets less current liabilities</b>		<b>11,794,706</b>	<b>12,304,011</b>
<b>Non-current liabilities</b>			
Borrowings	23	736	736
Corporate bonds	23	–	498,437
Deferred income		178,102	180,273
Warranty provision		131,470	97,164
Deferred tax liabilities		196,303	198,003
		<b>506,611</b>	<b>974,613</b>
<b>Net assets</b>		<b>11,288,095</b>	<b>11,329,398</b>
<b>Capital and reserves</b>			
Share capital		119,218	119,218
Reserves		11,138,372	11,087,825
<b>Equity attributable to owners of the Company</b>		<b>11,257,590</b>	<b>11,207,043</b>
<b>Non-controlling interests</b>		<b>30,505</b>	<b>122,355</b>
<b>Total equity</b>		<b>11,288,095</b>	<b>11,329,398</b>

The accompanying notes are an integral part of the interim condensed consolidated financial information.

Hu Jichun  
Director

Chen Yongdao  
Director

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Notes	Unaudited Attributable to owners of the Company				Non- controlling interests RMB' 000	Total equity RMB' 000
		Share capital RMB' 000	Other reserves RMB' 000	Retained earnings RMB' 000	Total RMB' 000		
<b>At 1 January 2019</b>		119,218	5,414,069	5,258,545	10,791,832	73,432	10,865,264
Profit/(loss) for the period		-	-	128,449	128,449	(7,905)	120,544
Other comprehensive income for the period		-	82,792	-	82,792	1,122	83,914
Total comprehensive income/(loss) for the period		-	82,792	128,449	211,241	(6,783)	204,458
Dividends recognised as distribution	13	-	(114,994)	-	(114,994)	-	(114,994)
Disposal of financial assets at fair value through other comprehensive income		-	(85,068)	85,068	-	-	-
<b>At 30 June 2019</b>		119,218	5,296,799	5,472,062	10,888,079	66,649	10,954,728
<b>At 1 January 2020</b>		119,218	5,301,672	5,786,153	11,207,043	122,355	11,329,398
Profit/(loss) for the period		-	-	302,429	302,429	(4,209)	298,220
Other comprehensive income for the period		-	47,311	-	47,311	-	47,311
Total comprehensive income/(loss) for the period		-	47,311	302,429	349,740	(4,209)	345,531
Dividends recognised as distribution	13	-	(299,193)	-	(299,193)	-	(299,193)
Deemed disposal of a subsidiary	25	-	-	-	-	(87,641)	(87,641)
<b>At 30 June 2020</b>		119,218	5,049,790	6,088,582	11,257,590	30,505	11,288,095

The accompanying notes are an integral part of the interim condensed consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June	
		2020 RMB' 000	2019 RMB' 000
<b>Cash flows from operating activities</b>			
Cash generated from operations		1,103,549	594,121
Income tax refunded		45,930	13,012
Income tax paid		(21,532)	(15,406)
<b>Net cash generated from operating activities</b>		<b>1,127,947</b>	<b>591,727</b>
<b>Cash flows from investing activities</b>			
Placements of pledged bank deposits		(2,970,394)	(3,339,125)
Withdrawal of pledged bank deposits		3,279,638	3,044,947
Investment in structured bank deposits		(363,000)	(155,000)
Redemption of structured bank deposits		188,570	540,828
Purchases of property, plant and equipment		(197,301)	(273,870)
Payments for right-of-use assets		–	(3,810)
Purchases of intangible assets		–	(281)
Proceeds from disposal of property, plant and equipment		9,095	3,992
Proceeds from disposal of right-of-use assets		–	24,890
Proceeds from sale of financial assets at fair value through other comprehensive income		–	139,216
Dividends received from financial assets at fair value through other comprehensive income	16(ii)	8,719	7,641
Redemption of financial assets at fair value through profit or loss		1,500	–
Dividends received from financial assets at fair value through profit or loss	17(ii)	–	22,808
Redemption of other financial assets at amortised cost		254,050	–
Interests received		44,781	27,659
Dividend from an associate		15,000	–
Proceeds from disposal of joint ventures		–	81,501
Proceeds from disposal of an associate		–	31,549
Proceeds from acquisition of a subsidiary, net of cash acquired		–	1,386
Net cash outflow from deemed disposal of a subsidiary	25	(40)	–
Consideration received for disposal of discontinued operations		179,546	119,871
Receipt of consideration receivables		2,157	163,506
Refund on deposit for land lease		–	70,000
Receipt of government grants		145,671	101,020
Loans to third parties		(760,455)	(149,950)
Receipt of loans receivable and other receivables		768,435	–
Loans to an associate		–	(95,800)
<b>Net cash generated from investing activities</b>		<b>605,972</b>	<b>362,978</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2020

	Notes	Unaudited	
		Six months ended 30 June	
		2020	2019
		RMB' 000	RMB' 000
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,288,454	1,315,528
Repayment of borrowings		(2,046,500)	(2,765,756)
Redemption of corporate bonds	23	(900,000)	–
Interest paid		(189,199)	(301,868)
Dividends paid to owners of the Company	13	(299,193)	(114,994)
<b>Net cash used in financing activities</b>		<b>(1,146,438)</b>	<b>(1,867,090)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period*		2,520,415	2,087,881
Exchange gains on cash and cash equivalents		6,230	447
<b>Cash and cash equivalents at the end of the period*</b>		<b>3,114,126</b>	<b>1,175,943</b>

\* As at 1 January 2019 and 30 June 2019, cash and cash equivalents included in assets of disposal group classified as held-for-sale were RMB25,257 thousands and RMB14,907 thousands, respectively.

The accompanying notes are an integral part of the interim condensed consolidated financial information.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 1 GENERAL INFORMATION

China High Speed Transmission Equipment Group Co., Ltd. (the “Company”) is a limited liability company incorporated in the Cayman Islands as an exempted company on 22 March 2005 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) with effect from 4 July 2007. The registered office of the Company is located at 3rd Floor, Royal Bank House, 24 Shedden Road, Grand Cayman KY1-1110, Cayman Islands. The head office and principal place of business is located at Room 1302, 13th Floor, COFCO Tower, No.262 Gloucester Road, Causeway Bay, Hong Kong.

In the opinion of the directors, the immediate holding company is Five Seasons XVI Limited, a limited liability company incorporated in the British Virgin Islands (“BVI”), the intermediate holding company is Fullshare Holdings Limited (“Fullshare Holdings”), an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Hong Kong Stock Exchange, and the ultimate holding company of the Company is Magnolia Wealth International Limited (“Magnolia”), a limited liability company incorporated in the BVI.

As at 30 June 2020, total shares of the Company were 1,635,291 thousands (31 December 2019: 1,635,291 thousands).

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that is used in wind power and a wide range of industrial appliances.

This interim condensed consolidated financial information was approved for issue by the Board of Directors on 28 August 2020.

## 2 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 3.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 2 BASIS OF PREPARATION *(Continued)*

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”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

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.

### 3 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 4 ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to consolidated financial statements for the year ended 31 December 2019.

### 5 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2020 and 31 December 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market price at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 5 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

The following table set out the Group's financial assets that were measured at fair value as at 30 June 2020 and 31 December 2019:

Recurring fair value measurements At 30 June 2020 (Unaudited)	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>Financial assets</b>				
Financial assets at FVPL	–	–	1,225,362	1,225,362
Financial assets at FVOCI	433,969	–	5,158,767	5,592,736
	433,969	–	6,384,129	6,818,098

  

At 31 December 2019 (Audited)	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>Financial assets</b>				
Financial assets at FVPL	–	–	795,032	795,032
Financial assets at FVOCI	355,231	–	5,023,502	5,378,733
	355,231	–	5,818,534	6,173,765

The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair values of financial instruments except as detailed above, including the discounted cash flow analysis and market comparison approach, etc. The fair values of these financial instruments may be based on unobservable inputs, which may have significant impact on the valuation of these financial instruments, and therefore have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio and etc.

There were no transfers among levels during the six months ended 30 June 2020 and 2019.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 5 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### (i) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the six months ended 30 June 2020 and 2019:

	Financial assets at FVPL					Financial assets at FVOCI		Financial assets
	Unlisted equity investments	Unlisted debt investments	Trade receivables	Derivative financial instrument	Structured bank deposits	Unlisted Equity investments	Bills receivable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	10,315	485,072	551,057	518,602	947,150	2,258,612	1,365,791	6,136,599
Acquisitions	-	-	96,882	-	155,000	-	54,257	306,139
Disposals	-	-	-	-	(540,828)	-	-	(540,828)
(Losses)/gains recognised in profit or loss	(503)	16,520	(11,243)	(404)	13,163	-	-	17,533
Losses recognised in other comprehensive income	-	-	-	-	-	(30,483)	(8,197)	(38,680)
<b>At 30 June 2019 (Unaudited)</b>	<b>9,812</b>	<b>501,592</b>	<b>636,696</b>	<b>518,198</b>	<b>574,485</b>	<b>2,228,129</b>	<b>1,411,851</b>	<b>5,880,763</b>
At 1 January 2020	9,812	1,500	86,340	541,900	155,480	2,245,093	2,778,409	5,818,534
Acquisitions	-	-	235,932	-	363,000	-	137,477	736,409
Disposals	-	(1,500)	-	-	(188,570)	-	-	(190,070)
(Losses)/gains recognised in profit or loss	-	-	(1,911)	18,684	4,695	-	-	21,468
(Losses)/gains recognised in other comprehensive income	-	-	-	-	-	(5,045)	2,833	(2,212)
<b>At 30 June 2020 (Unaudited)</b>	<b>9,812</b>	<b>-</b>	<b>320,361</b>	<b>560,584</b>	<b>334,605</b>	<b>2,240,048</b>	<b>2,918,719</b>	<b>6,384,129</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 5 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

#### (ii) Valuation inputs and relationships to fair value

Financial instruments	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at FVPL				
- Unlisted equity investments	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Expected future cash flows; expected recovery date; discounted rates that correspond to the expected risk level	The higher the future cash flows, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value
- Unlisted debt investments				
- Trade receivables				
- Derivative financial instruments				
- Structured bank deposits				
Financial assets at FVOCI				
- Unlisted equity investments	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Expected future cash flows; expected recovery date; discounted rates that correspond to the expected risk level	The higher the future cash flows, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value
- Bills receivable				

#### (iii) Sensitivity analysis

The sensitivity analysis has been determined based on the change of rate of return in isolation used in the expected future cash flows that reflect the expected risk level of the financial assets at the end of each of the reporting periods. If the respective rate of return of the respective financial assets had been 10% higher/lower, the total comprehensive income (net of tax) for the six months ended 30 June 2020 would have increased/decreased by approximately RMB7,394 thousands (six months ended 30 June 2019: RMB10,898 thousands) as a result of the changes in fair value of the financial assets.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

*For the six months ended 30 June 2020*

### 6 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 6 OPERATING SEGMENT INFORMATION *(Continued)*

#### (a) Segment information

	For the six months ended 30 June 2020 (Unaudited)				
	PRC RMB' 000	USA RMB' 000	Europe RMB' 000	Other countries RMB' 000	Total RMB' 000
<b>Segment revenue</b>					
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
<b>Segment results</b>	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)
<b>Profit before income tax</b>					<b>383,534</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 6 OPERATING SEGMENT INFORMATION (Continued)

#### (a) Segment information (Continued)

	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
<b>Segment revenue</b>					
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)
<b>Revenue from external customers</b>					
	2,395,940	1,269,277	166,092	218,550	4,049,859
<b>Timing of revenue recognition</b>					
At a point in time	2,395,940	1,269,277	166,092	218,500	4,049,859
<b>Segment results</b>					
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)
<b>Profit before income tax</b>					<b>146,841</b>

#### (b) Revenue from major products and services

	Unaudited	
	Six months ended 30 June	
	2020 RMB' 000	2019 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
	<b>5,468,796</b>	<b>4,049,859</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 7 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
	<b>106,909</b>	<b>163,396</b>

Notes:

(i) Dividend income

Dividend income is received from financial assets measured at FVPL (Note 17) and at FVOCI (Note 16).

(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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 8 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 17(ii))	21,468	17,533
Impairment losses on property, plant and equipment	(6,500)	–
Others	–	(16)
	<b>37,186</b>	<b>15,158</b>

### 9 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	<b>4,949,868</b>	<b>3,844,947</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 10 FINANCE INCOME AND COSTS

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

### 11 INCOME TAX EXPENSES/(CREDIT)

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 11 INCOME TAX EXPENSES/(CREDIT) *(Continued)*

#### (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 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%).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 11 INCOME TAX EXPENSES/(CREDIT) (Continued)

#### (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.

### 12 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 13 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).

### 14 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 14 DISCONTINUED OPERATIONS *(Continued)*

The Financial performance and cash flow information relating to the discontinued operations for the six months ended 30 June 2019 is set out below.

	Unaudited Six months ended 30 June 2019 RMB' 000
Revenue	145,038
Cost of sales	(141,121)
<b>Gross profit</b>	<b>3,917</b>
Selling and distribution expenses	(8,276)
Administrative expenses	(36,671)
Research and development costs	(2,576)
Net impairment losses on financial assets	(4,999)
Other expenses	(9,573)
Other losses – net	(9,143)
<b>Operating loss</b>	<b>(67,321)</b>
Finance costs – net	(4,831)
Share of net loss of associates accounted for using equity method	(4,078)
<b>Loss before income tax</b>	<b>(76,230)</b>
Income tax credit	269
<b>Loss for the period from discontinued operations</b>	<b>(75,961)</b>
<b>Other comprehensive income:</b>	
<i>Item that will not be reclassified to profit or loss</i>	
Change in the fair value of equity investments at FVOCI	2,225
<b>Total comprehensive loss for the period from discontinued operations</b>	<b>(73,736)</b>
Net cash generated from operating activities	6,057
Net cash generated from investing activities	36,696
Net cash used in financing activities	(53,103)
<b>Net decrease in cash and cash equivalents</b>	<b>(10,350)</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

*For the six months ended 30 June 2020*

### 15 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group acquired property, plant and equipment and right-of-use assets with a cost of RMB110,912 thousands (six months ended 30 June 2019: RMB266,170 thousands) and RMB6,284 thousands (six months ended 30 June 2019: RMB Nil) respectively.

Property, plant and equipment with a net book value of RMB11,457 thousands were disposed by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB7,558 thousands), resulting in a net loss on disposal of RMB2,992 thousands (six months ended 30 June 2019: net gain of RMB1,866 thousands).

At 30 June 2020, the Group is in the process of obtaining property certificates for the buildings and land use rights certificates in respect of land use rights located in the PRC with carrying amounts of RMB775,196 thousands and RMB235,204 thousands respectively (31 December 2019: RMB790,264 thousands and RMB237,442 thousands respectively).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 16 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
<b>Non-current assets</b>		
Listed equity investments (Note (a))	433,969	355,231
Unlisted equity investments (Note (b))	2,240,048	2,242,588
	<b>2,674,017</b>	<b>2,597,819</b>
<b>Current assets</b>		
Unlisted equity investments	–	2,505
Debt investments (Note (c))	2,918,719	2,778,409
	<b>2,918,719</b>	<b>2,780,914</b>
	<b>5,592,736</b>	<b>5,378,733</b>

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
	<b>433,969</b>	<b>355,231</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

#### (i) Classification of financial assets at FVOCI (Continued)

Notes: (Continued)

##### (a) Listed equity investments (Continued)

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
	<b>2,240,048</b>	<b>2,242,588</b>

\* 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).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

#### (i) Classification of financial assets at FVOCI *(Continued)*

Notes: *(Continued)*

#### (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 7)	8,719	7,641

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 17 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 2020 RMB' 000	Audited 31 December 2019 RMB' 000
<b>Non-current asset</b>		
Derivative financial instruments (Note (a))	–	541,900
<b>Current assets</b>		
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
	<b>1,225,362</b>	<b>253,132</b>
	<b>1,225,362</b>	<b>795,032</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

#### (i) Classification of financial assets at FVPL *(Continued)*

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(ii) Amounts recognised in profit or loss

For the six months ended 30 June 2020 and 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 8)	18,684	(907)
Fair value gains on debt investments at FVPL recognised in other gains – net (Note 8)	2,784	18,440
	21,468	17,533
Dividends from equity investment held at FVPL	–	22,808
	21,468	40,341

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 18 OTHER FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost include the following debt investments:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
<b>Non-current asset</b>		
Insurance investment (Note (i))	566,033	549,827
<b>Current asset</b>		
Corporate bonds (Note (ii))	–	254,050
	<b>566,033</b>	<b>803,877</b>

Notes:

- (i) The balance represented advances made to an insurance company in the PRC with a principal of RMB500,000 thousands and 5-year maturity in 2023, which carried fixed interest rate at 6.5% per annum. Interest and the principal amount are repayable at the maturity date.
- (ii) On 26 April 2018, the Group acquired a corporate bond, issued by one of the Group's related parties in prior years, from an independent third party with the amount of approximately RMB205,861 thousands.

In 2019, the group acquired another corporate bond from independent third parties with the amount of approximately RMB34,189 thousands.

All of the corporate bonds were settled during the six months ended 30 June 2020.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 19 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 19 TRADE AND OTHER RECEIVABLES *(Continued)*

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 an 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
	<b>2,297,759</b>	<b>2,378,101</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 19 TRADE AND OTHER RECEIVABLES (Continued)

#### 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
<b>At 30 June 2020 (Unaudited)</b>						
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
<b>Loss allowance</b>	<b>70,037</b>	<b>65,121</b>	<b>166,045</b>	<b>90,272</b>	<b>235,588</b>	<b>627,063</b>
	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
<b>At 31 December 2019 (Audited)</b>						
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
<b>Loss allowance</b>	<b>69,221</b>	<b>69,488</b>	<b>125,415</b>	<b>49,931</b>	<b>222,107</b>	<b>536,162</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 19 TRADE AND OTHER RECEIVABLES *(Continued)*

#### Impairment losses on trade and other receivables *(Continued)*

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 RMB' 000	2019 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
<b>As at 30 June (Unaudited)</b>	<b>627,063</b>	<b>532,533</b>

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

	Six months ended 30 June	
	2020 RMB' 000	2019 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)	–
<b>As at 30 June (Unaudited)</b>	<b>505,276</b>	<b>11,144</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 19 TRADE AND OTHER RECEIVABLES (Continued)

#### Impairment losses on trade and other receivables (Continued)

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	2019
	RMB' 000	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)

### 20 PREPAYMENTS

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB' 000	RMB' 000
Prepayments		
– Amounts due from third parties	641,921	275,099
– Amounts due from associates	195	7,108
– Amounts due from a joint venture	6,972	195
	649,088	282,402
Less: Impairment provision	(32,988)	(26,796)
	616,100	255,606

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 21 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Cash at banks and on hand	5,447,442	5,162,975
Less: Pledged bank deposits	(2,333,316)	(2,642,560)
Cash and cash equivalents	3,114,126	2,520,415

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited in credit-worthy banks with no recent history of default.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 22 TRADE, BILLS AND OTHER PAYABLE

	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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 22 TRADE, BILLS AND OTHER PAYABLE *(Continued)*

An ageing analysis of the trade and bills payables 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
	<b>5,770,587</b>	<b>5,935,467</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 23 BORROWINGS AND CORPORATE BONDS

	Unaudited 30 June 2020		Audited 31 December 2019	
	Effective interest rate %	RMB' 000	Effective interest rate %	RMB' 000
<b>Current</b>				
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
<b>Non-current</b>				
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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 23 BORROWINGS AND CORPORATE BONDS *(Continued)*

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
	<b>3,066,266</b>	<b>2,824,736</b>
Corporate bonds repayable:		
On demand or within 1 year	1,513,135	1,914,275
Between 1 and 2 years	–	498,437
	<b>1,513,135</b>	<b>2,412,712</b>
	<b>4,579,401</b>	<b>5,237,448</b>

The secured borrowings at the end of the reporting period were secured by pledge of assets, details of which are set out in Note 28.

### 24 BUSINESS COMBINATION

In February 2019, the Group acquired 100% equity interest in NGC (Baotou) Transmission Equipment Co., Ltd. (formerly known as Guodian United Power Technology (Baotou) Co., Ltd.) from an independent third party with a total purchase consideration of RMB10,010 thousands. Details of this business combination were disclosed in note 42 of the group's annual financial statements for the year ended 31 December 2019.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 25 DEEMED DISPOSAL OF A SUBSIDIARY

As at 31 December 2019, Tianjin Chuanzai Jintong Financial Leasing Co., Ltd. (“Tianjin Chuanzai”) was considered as a subsidiary of the Group even though the Group has only 46.96% ownership interest. Based on the contractual arrangements between the Group and other investor, the Group has the power to appoint and remove the majority of the board of directors of Tianjin Chuanzai that has the power to direct the relevant activities of Tianjin Chuanzai. Therefore, the directors of the Company concluded that the Group has control over Tianjin Chuanzai.

During the six months ended 30 June 2020 and upon loss of right to appoint majority of the board of directors, the Group has lost control in Tianjin Chuanzai. Tianjin Chuanzai then ceased to be a subsidiary of the Group and accounted for as an associate.

Fair value of assets and liabilities derecognised at the date of lost control in Tianjin Chuanzai are as follows:

	Unaudited RMB' 000
Trade and other receivables	166,665
Cash and bank balances	40
Trade and other payables	(1,472)
	165,233
Less: Fair value of 46.96% retained equity interest held by the Group classified as interest in an associate	(77,592)
Non-controlling interests	(87,641)
Gain on deemed disposal of a subsidiary	–
Analysis of cash flows on deemed disposal	
Deemed consideration	–
Cash and cash equivalents disposed of a subsidiary	(40)
Net cash outflow on deemed disposal	(40)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 26 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.

### 27 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

### 28 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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 29 RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this interim condensed consolidated financial information, the Group had the following significant transactions with related parties during the period:

	Unaudited	
	Six-months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
<b>Associates:</b>		
Purchases of products (Note (i))	28,978	1,316
<b>Joint ventures:</b>		
Sales of products (Note (ii))	11,751	6,444

Notes:

- (i) The purchases from the associates were made according to the published prices and were agreed by both parties.
- (ii) The sales to joint venture were made according to the published prices and conditions offered to the major customers of the Group.
- (b) Other transactions with related parties:

As at 30 June 2020, the Group provided financial guarantees to Nanjing Gaochuan Mechanical and Electrical Automatic Control Equipment Co., Ltd., an associate of the Group, and its subsidiaries (collectively referred to as “Nanjing Gaochuan”) in favour of Nanjing Gaochuan’s bank loans of RMB298,010 thousands (31 December 2019: RMB306,008 thousands).

- (c) Outstanding balances with related parties:

The Group’s trade and other balances with its associates, joint venture and other related parties as at the end of the reporting period are disclosed in Notes 19, 20 and 22 to this interim condensed consolidated financial information.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

For the six months ended 30 June 2020

### 29 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel of the Group:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
Fees	658	623
Salaries and other emoluments	7,819	5,527
	8,477	6,150

### 30 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.