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)

2019

INTERIM REPORT

* For identification purpose only

CONTENTS

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

Non-executive Director

Mr. Yuen Chi Ping

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

PricewaterhouseCoopers

LEGAL ADVISER

Chungs Lawyers

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

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
China Merchants Bank
ICBC
China Minsheng Bank
SPD Bank
Bank of Jiangsu
Bank of Ningbo
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

FINANCIAL HIGHLIGHTS

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

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

* *Gearing ratio = total liabilities/total assets*

BUSINESS REVIEW

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

Principal Business Review

1. **Wind gear transmission equipment**

Large, diversified and overseas market development

The Group is a leading supplier of wind gear transmission equipment in the People's Republic of China (the "**PRC**" or "**China**"). By leveraging its strong research, design and development capabilities, the Group has a range of products including 750kW, 1.5MW, 2MW，3MW and 5MW wind power transmission equipment which have been provided to domestic and overseas customers in bulk. The product technology has reached an internationally advanced technical level and is well recognised by customers in general. In addition to the provision of diversified large wind power gear boxes to customers, the Group has also successfully developed and accumulated 6MW and 7MW wind power gear box with a technological level comparable to its international peers, thus enabling it to have the capability and technology to produce those products.

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

The wind gear transmission equipment is a major product that has been developed by the Group. During the Period under Review, sales revenue of wind gear transmission equipment business increased by approximately 23.5% to approximately RMB3,391,348,000 (30 June 2018: RMB2,746,132,000) as compared with the corresponding period of last year.

2. **Industrial gear transmission equipment**

Enhance market competitiveness through changes in production mode and sales strategies

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

The Group adjusted the development strategy for traditional industrial gear transmission equipment. Above all, with the focus on energy-saving and environmentally-friendly products, the Group self-developed standardized and modular products which are internationally competitive, in order to facilitate the change in sales strategies and explore new markets and new industries; at the same time, the Group strengthened its efforts to provide and sell parts and components of relevant products as well as system solutions to its customers, helping them enhance their current production efficiency without increasing capital expenditure, thereby maintaining the Company's position as a major supplier in the traditional industrial transmission product market.

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

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

During the Period under Review, the industrial gear business segment generated sales revenue of approximately RMB634,370,000 (30 June 2018: RMB596,540,000) for the Group, representing an increase of 6.3% over the corresponding period of last year.

LOCAL AND EXPORT SALES

During the Period under Review, the Group maintained its position as the leading supplier of mechanical transmission equipment in the PRC. During the Period under Review, the overseas sales amounted to approximately RMB1,653,919,000 (30 June 2018: RMB1,145,584,000), representing an increase of 44.4% over the corresponding period of last year. Overseas sales accounted for 40.8% to total sales (30 June 2018: 34.3%), representing an increase of 6.5 percentage points over the corresponding period of last year. At present, the overseas customers of the Group are based mainly in the U.S. and other countries and regions such as Europe, India and Brazil.

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 new products have made their debuts in the domestic market under the Group's on-going innovation of products and technology. Leveraging 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 2019, a total of 311 patents were granted by the State. In addition, 106 patent applications have been submitted and pending for approval. The Group was the first producer to adopt ISO1328 and ISO06336 international standards. 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. Until now, the Company passed ISO9001:2015 quality management system certification, ISO14001:2015 environmental management system certification and OHSAS18001: 2007 Occupational Health and Safety Management System Certification. Wind power transmission gear products have obtained certifications from China Classification Society (CCS), China General Certification Center (CGC), Technische Uberwachungs-Verein (TÜV), Germanischer Lloyd (DNVGL), Offshore and Certification Centre of Deutsches Windenergie-Institut (DEWI-OCC), European Union's CE and ETL; industrial transmission gear 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); Rail transportation products have obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry.

PROSPECTS

In the first half of 2019, influenced by the improvement in wind power curtailment in Northeastern, Northern and Northwestern China, wind power bidding policy and the acceleration of offshore wind power, the newly installed grid-connected wind power capacity rebounded significantly. From January to June 2019, the total wind power generation of China reached 214.5 billion kWh, increased by 11.5% compared to the corresponding period last year. 1,133 average utilization hours of wind power generation of China were reported, representing a decrease of 10 hours over the same period last year. According to the published information, the newly installed grid-connected wind power capacity in China reached 9.09 million kilowatts in the first half of the year, including offshore wind power of 400,000 kilowatts, and the cumulative grid-connected installed capacity of 193GW. In addition, due to the energy structure reform continued to be promoted by the nation in an active manner and the introduction of a number of policies for ensuring the wind power consumption, as well as the improvement in the situation of wind power curtailment, the national wind power curtailment amounted to 10,500GW, decreasing by 7,700GW compared to the corresponding period last year. The average utilization rate of wind power generation of China was 95.3%, the average wind power curtailment rate was 4.7% with a year-on-year decrease of 4.0 percentage points, which continued to bring a decrease in both volume and rate of wind curtailment.

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

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

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

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

INTERIM DIVIDEND

The board (the "**Board**") of directors (the "**Directors**") of the Company did not recommend payment of an interim dividend for the six months ended 30 June 2019.

FINANCIAL PERFORMANCE (CONTINUING OPERATIONS)

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

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

Revenue

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

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

Gross profit margin and gross profit

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

Other income and other net gains

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

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

Selling and distribution expenses

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

Administrative expenses

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

Research and development costs

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

Finance costs

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

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

Taking into account the capital generated within and the banking credit available to the Group, and the net current assets of approximately RMB3,912,274,000 as at 30 June 2019, the Directors believe that the Group will have sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

Gearing ratio

The Group's gearing ratio (defined as total liabilities as a percentage of total assets) decreased from 59.4% as at 31 December 2018 to 57.2% as at 30 June 2019.

Capital structure

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

The Group's loans and cash and cash equivalents were mainly denominated in Renminbi and U.S. dollars. The Group's bank borrowings denominated in U.S. dollars as at 30 June 2019 amounted to approximately USD50,000,000.

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

PLEDGE OF ASSETS

Save as disclosed in note 29 to the condensed consolidated financial information, the Group has made no further pledge of assets as at 30 June 2019.

CONTINGENT LIABILITIES

Save as disclosed in note 27 to the condensed consolidated financial information, as at 30 June 2019, the Directors were not aware of any other material contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of plant and machinery of approximately RMB259,518,000 (31 December 2018: RMB290,208,000). Details are set out in note 28 to the condensed consolidated financial information.

FOREIGN EXCHANGE RISK

The Group's operations are mainly conducted in the PRC. With the exception of export sales and imported equipment which are transacted in U.S. dollars and Euro, the Group's domestic revenue and expenses are denominated in Renminbi. Therefore, the Board is of the view that the Group's operating cash flow and liquidity during the Period under Review were not subject to the impact of significant exchange rate risks. The Group does not need any foreign currency derivatives to hedge against the exposure in foreign exchange.

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

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

INTEREST RATE RISK

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

EMPLOYEES AND REMUNERATION

As at 30 June 2019, the Group employed approximately 5,820 employees (30 June 2018: 5,489) in continuing operations. Staff cost in continuing operations of the Group for the first half of 2019 approximated to RMB607,266,000 (30 June 2018: RMB603,080,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

The remuneration committee of the Company is responsible for making recommendations to the Board on the Company's remuneration policy and 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 criteria 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 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 creativity achievements in technologies and technical skills, management of information, product quality and enterprise management. The Group has various training programs in place to promote staff development.

PENSION SCHEME

The employees of the Group in Mainland China are members of state-managed pension scheme operated by the local government in China. The Group is required to contribute a specific percentage of their 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.

SIGNIFICANT INVESTMENT DURING THE PERIOD UNDER REVIEW

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

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.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

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

EVENT AFTER THE REPORTING PERIOD

No significant event has occurred in the Group subsequent to 30 June 2019.

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 (the "**Listing Rules**"), except for the deviation from (a) code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual; (b) code provision A.5.1 which states that the nomination committee should be chaired by the chairman of the board or an independent non-executive director; and (c) code provision A.6.7 which states that independent non-executive directors and other non-executive directors should attend general meetings of shareholders of the Company.

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

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

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

BOARD OF DIRECTORS

Mr. Chen Yongdao, Mr. Wang Zhengbing, Mr. Hu Yueming and Mr. Yuen Chi Ping were re-elected as Directors by shareholders at the 2018 annual general meeting of the Company held on 24 May 2019.

As at the date of this report, the members of the Board were 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

Non-executive Director

Mr. Yuen Chi Ping

Independent non-executive Directors

Dr. Chan Yau Ching, Bob
Ms. Jiang Jianhua
Mr. Jiang Xihe
Mr. Nathan Yu Li

Changes in the particulars of Directors during their term of office

As at the date of this report, changes have occurred in the directorship held in other public listed companies or in other key appointments held by the following Directors:

Positions held in the Company and other members of the Group

Name of director	Details of the change
Mr. Hu Jichun	Appointed as the Chairman on 24 May 2019 and continued to serve as an executive Director and the Chief Executive Officer, and appointed as the chairman of the nomination committee of the Company on 23 August 2019.
Mr. Hu Yueming	Re-designated as an executive Director from non-executive Director and relinquish his position as the Chairman on 24 May 2019, and ceased to serve as the chairman of the nomination committee of the Company since 23 August 2019.
Mr. Gu Xiaobin	Appointed as an executive Director on 24 May 2019.

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

Name of director	Details of the change
Mr. Yuen Chi Ping	Resigned as an independent non-executive director of Sun Cheong Creative Development Holdings Limited (stock code: 1781) with effect from 29 August 2019.

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

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 standard set out in the Model Code during the Period under Review. The Company will continue to ensure the compliance with the Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company established the audit committee on 8 June 2007 in accordance with Rule 3.21 under the Listing Rules with written terms of reference which has been adopted for the purpose of reviewing and providing supervision on the financial reporting process, risk management and internal controls of the Company as well as nominating and supervising the external auditor and offering advice and recommendations to the Board.

The audit committee comprises three members, namely Mr. Jiang Xihe, Dr. Chan Yau Ching, Bob and Mr. Nathan Yu Li, all of them are independent non-executive Directors. Mr. Jiang Xihe is the chairman of the audit committee.

The Group's 2019 interim report and unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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.

During the Period under Review, in compliance with Rules 3.10(1) and 3.10(2) under the Listing Rules, the Group has appointed as least three independent non-executive directors and at least one independent non-executive director has accounting or financial management expertise.

REMUNERATION COMMITTEE

The Company established the remuneration committee on 8 June 2007. The remuneration committee comprises three members, namely Dr. Chan Yau Ching, Bob, Mr. Jiang Xihe and Mr. Chen Yongdao, two of them are independent non-executive Directors. Dr. Chan Yau Ching, Bob, an independent non-executive Director, is the chairman of the remuneration committee.

The primary duties of the remuneration committee are to make recommendations to the Board on the Company's remuneration policy and structure of all Directors and senior management, the remuneration packages of individual executive Directors and senior management and the remuneration of non-executive Directors.

NOMINATION COMMITTEE

The Company has established the nomination committee with effect from 1 April 2012. As at the date of this report, the nomination committee comprises three members, namely Mr. Hu Jichun, Mr. Jiang Xihe and Mr. Nathan Yu Li, two of them are independent non-executive Directors. Chairman Mr. Hu Jichun is the chairman of the nomination committee.

The primary duties of the nomination committee are to study the proposed candidates, the selection criteria and procedure of the Company's Directors and senior management and give recommendations, and review the structure, number and composition of the Board at least once annually to implement the Company's corporate strategies.

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

As at 30 June 2019, 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 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 2019, none of the Directors and the chief executives of the Company or any of 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 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.

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

As at 30 June 2019, 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)

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 and Glorious Time are owned more than one-third of interest of controlled corporation 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 2019, 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.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	Notes	Unaudited Six months ended 30 June 2019 RMB'000	 2018 RMB'000 (Restated*)
Continuing operations			
Revenue from contracts with customers	6	**4,049,859**	3,342,672
Cost of sales	9	**(3,281,004)**	(2,566,706)
Gross profit		**768,855**	775,966
Selling and distribution expenses	9	**(148,689)**	(139,747)
Administrative expenses	9	**(253,953)**	(268,263)
Research and development costs	9	**(161,301)**	(116,800)
Net impairment reversal/(losses) on financial assets	5.1(a)	**1,492**	(19,989)
Other income	7	**163,396**	170,208
Other gains – net	8	**15,158**	56,229
Operating profit		**384,958**	457,604
Finance income	10	**45,643**	44,060
Finance costs	10	**(287,048)**	(340,121)
Finance costs – net		**(241,405)**	(296,061)
Share of net profit of associates and joint ventures accounted for using the equity method		**3,288**	11,870
Profit before income tax		**146,841**	173,413
Income tax credit/(expenses)	11	**49,664**	(1,084)
Profit for the period from continuing operations		**196,505**	172,329
Loss for the period from discontinued operation		**(75,961)**	(34,919)
Profit for the period		**120,544**	137,410
Profit/(loss) attributable to:			
Owners of the Company		**128,449**	144,016
Non-controlling interests		**(7,905)**	(6,606)
		120,544	137,410
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		**198,113**	176,238
Discontinued operation		**(69,664)**	(32,222)
		128,449	144,016
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company for the period (expressed in RMB per share)			
Basic and diluted earnings per share	12	**0.121**	0.108
Earnings per share for profit attributable to the ordinary equity holders of the Company for the period (expressed in RMB per share)			
Basic and diluted earnings per share	12	**0.078**	0.088

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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

* The restatement is comprised of:

i) The restatement as a result of the discontinued operation as mentioned in Note 24.

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

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

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,030,008	3,815,283
Land lease prepayments	14	573,036	531,801
Goodwill	15	39,747	272
Intangible assets		10,113	14,825
Investments accounted for using the equity method		290,886	418,819
Financial assets at fair value through other comprehensive income	18	2,555,922	2,548,454
Financial assets at fair value through profit or loss	21	518,198	518,602
Other financial assets at amortised cost	17	533,355	517,327
Deposit for land lease		46,800	116,800
Deferred income tax assets		348,901	271,427
		8,946,966	8,753,610
Current assets			
Inventories		2,564,666	2,313,001
Land lease prepayments		10,884	11,486
Trade receivables	19	3,598,937	4,445,523
Other receivables	19	1,185,234	984,693
Other financial assets at amortised cost	17	219,861	205,861
Prepayments	20	196,842	361,851
Financial assets at fair value through other comprehensive income	18	1,414,354	1,368,456
Financial assets at fair value through profit or loss	21	1,722,585	1,993,594
Income tax prepaid		45,922	82,362
Pledged bank deposits	22	3,223,460	2,922,234
Cash and cash equivalents	22	1,161,036	2,062,624
Assets of disposal group classified as held-for-sale	24	1,302,117	1,243,244
		16,645,898	17,994,929
Total assets		25,592,864	26,748,539

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

As at 30 June 2019

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	**1,105**	1,105
Corporate bonds	26	**1,514,327**	2,411,465
Deferred income		**148,594**	54,283
Warranty provision		**65,151**	72,528
Deferred tax liabilities		**175,335**	162,198
		1,904,512	2,701,579
Current liabilities			
Borrowings	26	**3,553,725**	4,960,387
Corporate bonds	26	**897,572**	–
Trade payables	25	**1,925,077**	1,716,846
Bills payable	25	**3,988,741**	4,526,958
Other payables	25	**1,236,445**	1,021,963
Contract liabilities		**299,824**	302,533
Deferred income		**15,937**	17,196
Income tax payable		**60,848**	43,125
Warranty provision		**121,178**	90,373
Liabilities of disposal group classified as held-for-sale	24	**634,277**	502,315
		12,733,624	13,181,696
Total liabilities		**14,638,136**	15,883,275
EQUITY			
Equity attributable to owners of the Company			
Share capital		**119,218**	119,218
Reserves		**10,768,861**	10,672,614
		10,888,079	10,791,832
Non-controlling interests		**66,649**	73,432
Total equity		**10,954,728**	10,865,264
Total equity and liabilities		**25,592,864**	26,748,539

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Hu Jichun	**Chen Yongdao**
Director	*Director*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

		Unaudited					
		Attributable to owners of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		119,218	5,710,179	5,075,565	10,904,962	71,039	10,976,001
Impact of adopting IFRS 9		–	(39,547)	16,435	(23,112)	–	(23,112)
Restated balance at 1 January 2018		119,218	5,670,632	5,092,000	10,881,850	71,039	10,952,889
Profit/(loss) for the period		–	–	144,016	144,016	(6,606)	137,410
Other comprehensive loss for the period		–	(36,005)	–	(36,005)	(410)	(36,415)
Total comprehensive (loss)/income for the period		–	(36,005)	144,016	108,011	(7,016)	100,995
Dividends in respect of 2017	13	–	(239,103)	–	(239,103)	–	(239,103)
Balance at 30 June 2018		119,218	5,395,524	5,236,016	10,750,758	64,023	10,814,781

		Unaudited					
		Attributable to owners of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		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 in respect of 2018	13	–	(114,994)	–	(114,994)	–	(114,994)
Disposal of financial assets at fair value through other comprehensive income		–	(85,068)	85,068	–	–	–
Balance at 30 June 2019		119,218	5,296,799	5,472,062	10,888,079	66,649	10,954,728

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
		2019	2018
	Notes	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operating activities		594,121	373,947
Income tax refund		13,012	–
Income tax paid		(15,406)	(46,899)
Net cash generated from operating activities		591,727	327,048
Cash flows from investing activities			
Placement in pledged bank deposits		(3,339,125)	(3,438,989)
Withdrawal of pledged bank deposits		3,044,947	2,676,920
Investment in structured bank deposits		(155,000)	–
Withdrawal of structured bank deposits		540,828	108,000
Purchase of intangible assets		(281)	–
Payment for land lease prepayments		(3,810)	(184,790)
Proceeds from disposal of land lease prepayments		24,890	–
Purchases of property, plant and equipment		(273,870)	(229,283)
Proceeds from disposal of property, plant and equipment		3,992	1,661
Capital injection in an associate		–	(127,205)
Disposal of joint ventures		81,501	39,419
Receipt of consideration receivables		163,506	–
Disposal of an associate		31,549	–
Proceeds from sale of financial assets at fair value through other comprehensive income		139,216	–
Dividends from financial assets at fair value through other comprehensive income	7	7,641	–
Purchase of financial assets at fair value through other comprehensive income		–	(5,000)
Dividends from financial assets at fair value through profit or loss	7	22,808	–
Proceeds from sale of financial assets at fair value through profit or loss		–	269,500
Purchase of financial assets at fair value through profit or loss		–	(1,137,120)
Interest received on financial assets at amortised cost		27,659	156,427
Purchases of other financial assets at amortised cost		–	(500,000)
Withdraw of other financial assets at amortised cost		–	500,000
Proceeds from acquisition of a subsidiary, net of cash acquired	23	1,386	–
Refund on deposit for land lease		70,000	–
Loans to third parties		(149,950)	(630,107)
Receipt of government grants		101,020	5,503
Disposal of subsidiaries, net of cash acquired		–	6,000
Consideration received for disposal group classified as held-for-sale		119,871	–
Loans to an associate		(95,800)	(88,641)
Cash collected from borrowings from third parties		–	594,000
Dividends from an associate		–	2,000
Net cash generated from/(used in) investing activities		362,978	(1,981,705)

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Notes	RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**1,315,528**	4,504,713
Repayment of borrowings and medium-term notes		**(2,765,756)**	(3,664,055)
Interest paid		**(301,868)**	(291,794)
Dividends paid to the Company's shareholders	13	**(114,994)**	(239,103)
Net cash (used in)/generated from financing activities		**(1,867,090)**	309,761
Net decrease in cash and cash equivalents		**(912,385)**	(1,344,896)
Cash and cash equivalents at beginning of the period*		**2,087,881**	4,030,409
Exchange gains on cash and cash equivalents		**447**	–
Included in the assets of the disposal group classified as held-for-sale		**(14,907)**	–
Cash and cash equivalents at end of the period		**1,161,036**	2,685,513

* Cash and cash equivalents amounting to RMB25,257 thousands was included in assets of disposal group classified as held-for-sale (Note 24) as at 1 January 2019.

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 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 shares listed on the Hong Kong Stock Exchange, and the ultimate holding company of the Company is Magnolia Wealth International Limited ("Magnolia"), a limited company incorporated in the BVI.

As at 30 June 2019, total shares of the Company were 1,635,291 thousands (31 December 2018: 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 27 August 2019.

2 BASIS OF PREPARATION

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

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

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

2 BASIS OF PREPARATION *(Continued)*

(a) New and amended standards adopted by the Group

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

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

The impact of the adoption of the IFRS 16 leasing standard are disclosed in Note 3 below. The other standards, amendments and interpretations listed above are not significant on the condensed consolidated interim financial information.

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

- Amendments to IAS 1 'Presentation of financial statements', and IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors' definition of material, effective for the accounting period beginning on or after 1 January 2020;
- Amendments to IFRS 3 'Business Combinations', effective for the accounting period beginning on or after 1 January 2020.
- Amendments to Conceptual Framework of IASB, effective for the accounting period beginning on or after 1 January 2020.
- IFRS 17 'Insurance Contracts', effective for the accounting period beginning on or after 1 January 2021.

2 BASIS OF PREPARATION *(Continued)*

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

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

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

Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date of this amendment has been deferred by IASB.

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

4 ESTIMATES

The preparation of interim 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 condensed consolidated interim 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 2018.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and equity price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

(a) Credit risk

(i) Risk management

Credit risk is managed on group basis. It mainly arises from cash and cash equivalents, structured bank deposits, pledged bank deposits, trade receivables, other receivables, other financial assets at amortised cost, bills receivable and financial guarantee contracts, etc.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

(i) Risk management *(Continued)*

The Group has policies to limit the credit exposure on trade receivables, other receivables, other financial assets at amortised cost and bills receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. Management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group has concentration of credit risk in respect of bank balances, structured bank deposits and pledged bank deposits. As at 30 June 2019, approximately 75% (31 December 2018: 70%) of the total bank balances, structured bank deposits and pledged bank deposits were deposited at 9 (31 December 2018: 9) banks, with deposits at each bank with a balance exceeding 8% (31 December 2018: 8%) of total bank balances, structured bank deposits and pledged bank deposits. The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks with good reputation.

Other than concentration of the credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group also has concentration of credit risks with exposure limited to certain counterparties and customers. As at 30 June 2019, trade receivables from five customers engaged in the wind milling industry accounted for approximately 45% (31 December 2018: 48%) 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 receivable.

For other receivables and other financial assets at amortised cost, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and other financial assets at amortised cost based on historical settlement records and experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and other financial assets at amortised cost.

In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of goods,
- other receivables carried at amortised cost,
- bills receivable carried at financial assets at fair value through other comprehensive income ("FVOCI"), and
- financial guarantee contracts

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 48 month before 30 June 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") and Producer Price Index ("PPI") in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

On that basis, the loss allowance as at 30 June 2019 and 31 December 2018 was determined as follows for trade receivables:

30 June 2019	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
Expected credit loss rate	2%	16%	34%	73%	100%	11%
Gross carrying amount						
– trade receivables	3,285,186	327,525	156,036	61,234	205,834	4,035,815
Loss allowance under						
ECL model	80,038	53,921	52,565	44,520	205,834	436,878
100% specifically provided	1,873	62,101	28,351	2,573	757	95,655
Loss allowance	81,911	116,022	80,916	47,093	206,591	532,533

31 December 2018	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
Expected credit loss rate	2%	16%	24%	77%	100%	9%
Gross carrying amount						
– trade receivables	4,038,831	391,590	183,972	59,803	217,059	4,891,255
Loss allowance under						
ECL model	75,008	62,662	44,668	46,335	217,059	445,732
100% specifically provided	26,734	56,462	6,510	269	681	90,656
Loss allowance	101,742	119,124	51,178	46,604	217,740	536,388

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

The closing loss allowances for trade receivables as at 30 June 2019 and 2018 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000
As at 31 December 2018	536,388
Provision for loss allowance recognised in profit or loss	10,873
Receivables written off during the period as uncollectible	(16,185)
Acquisition of a subsidiary	1,457
As at 30 June 2019	532,533

	Trade receivables RMB'000
As at 31 December 2017 – calculated under IAS 39	576,098
Amounts restated through opening retained earnings	64,322
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	640,420
Provision for loss allowance recognised in profit or loss	20,818
As at 30 June 2018 – calculated under IFRS 9	661,238

For the period ended 30 June 2019 and 2018, the provision for loss allowance were recognised in profit or loss in net impairment losses on financial assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Financial assets at amortised cost (excluding trade receivables)

Financial assets at amortised cost (excluding trade receivables) include other receivables and other financial assets at amortised cost.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Financial assets at amortised cost (excluding trade receivables) (Continued)

The Group uses three-stage model for financial assets at amortised cost (excluding trade receivables) which reflect their credit risk and how the expected credit loss provision is determined for each of those categories. The Group accounts for its credit risk by appropriately providing for lifetime expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers both historical loss rates and forward looking macroeconomic data. A summary of the assumptions underpinning the Group's expected credit loss model is as follow:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Expected credit loss rate
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	0% – 0.5%
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses	0.5% – 5%
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses	5% – 50%

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Financial assets at amortised cost (excluding trade receivables) (Continued)

The closing loss allowance provision for other financial assets at amortised cost as at 30 June 2019 and 2018 reconciles to the opening loss allowance for that provision as follows:

	Other receivables RMB'000
As at 31 December 2018	23,509
Reversal for loss allowance recognised in profit or loss	(12,365)
As at 30 June 2019	11,144

	Other receivables RMB'000
As at 31 December 2017 – calculated under IAS 39	16,470
Amounts restated through opening retained earnings	–
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	16,470
Reversal for loss allowance recognised in profit or loss	(1,293)
As at 30 June 2018 – calculated under IFRS 9	15,177

For the six months ended 30 June 2019 and 2018, the provision for loss allowance were recognised in profit or loss in net impairment losses on financial assets in relation to the financial assets at amortised cost (excluding trade receivables).

Bills receivable carried at FVOCI

The Group expects that there is no significant credit risk associated with bills receivable since they are held with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Financial guarantee contracts

Management considered the internal credit risk of financial guarantee contracts were performing as they have a low risk of default and the counterparties have a strong capacity to meet its contractual payment obligations in the near term, and thus the impairment provision recognised during the period was limited to 12 months expected losses. For six months ended 30 June 2019, no provision for loss allowance were recognised in profit or loss in net impairment losses on financial assets in relation to the financial guarantee contracts.

Cash and cash equivalents and pledged bank deposit

Cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was not material.

Net impairment losses on financial assets recognised in profit or loss

For the period ended 30 June 2019 and 2018, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	Unaudited Six months ended 30 June 2019 RMB'000	 2018 RMB'000
From continuing operations:		
Impairment losses for trade receivables	**10,873**	20,818
Impairment reversal for other receivables	**(12,365)**	(829)
	(1,492)	19,989
From discontinued operations:		
Loss from discontinued operation (Note 24)	**4,999**	(464)
Net impairment losses on financial assets	**3,507**	19,525

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

(iii) Financial assets at fair value through profit or loss ("FVPL")

As at 30 June 2019, the Group is also exposed to credit risk in relation to debt investments that are measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments, which is RMB1,712,773 thousands (31 December 2018: RMB1,983,279 thousands).

5.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2019 and 31 December 2018 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 trading and available-for-sale securities) is based on quoted market prices 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.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Fair value estimation *(Continued)*

The following table set out the Group's financial assets that were measured at fair value as at 30 June 2019 and 31 December 2018:

Recurring fair value measurements As at 30 June 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at FVPL	–	–	2,240,783	2,240,783
Financial assets at FVOCI	330,296	–	3,639,980	3,970,276
	330,296	–	5,880,763	6,211,059

Recurring fair value measurements As at 31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at FVPL	–	–	2,512,196	2,512,196
Financial assets at FVOCI	292,507	–	3,624,403	3,916,910
	292,507	–	6,136,599	6,429,106

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 2019.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Fair value estimation *(Continued)*

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

The following table presents the changes in level 3 items for the period ended 30 June 2019 and for the year ended 31 December 2018:

	Financial assets at FVPL					Financial assets at FVOCI		Financial assets
	Unlisted equity investments RMB'000	Unlisted Debt investments RMB'000	Trade receivables RMB'000	Derivatives instrument RMB'000	Structured bank deposits RMB'000	Unlisted equity investments RMB'000	Bills receivables RMB'000	Total RMB'000
Opening balance 1 January 2018	519,487	–	–	500,000	108,000	2,228,478	1,863,434	5,219,399
Acquisitions	–	454,752	558,300	–	933,000	5,000	1,382,219	3,333,271
Disposals	(536,228)	–	–	–	(108,000)	(2,151)	(1,895,179)	(2,541,558)
Transferred to disposal group classified as held-for-sale (Note 24)	–	–	–	–	–	(2,002)	–	(2,002)
Gains/(losses) recognised in profit or loss	27,056	30,320	(7,243)	18,602	14,150	–	–	82,885
Gains recognised in other comprehensive income	–	–	–	–	–	29,287	15,317	44,604
Closing balance 31 December 2018	10,315	485,072	551,057	518,602	947,150	2,258,612	1,365,791	6,136,599
Opening balance 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)
Closing balance 30 June 2019	9,812	501,592	636,696	518,198	574,485	2,228,129	1,411,851	5,880,763

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Fair value estimation *(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 – Unlisted debt securities – Trade receivables – Structured bank deposits	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 flow; expected recovery date; discounted rates that correspond to the expected risk level	The higher the future cash flow, 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
Financial assets at FVOCI				
– Unlisted equity investments – Bills receivable	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 flow; expected recovery date; discounted rates that correspond to the expected risk level	The higher the future cash flow, 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

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Fair value estimation *(Continued)*

(iii) Sensitivity analyses

The sensitivity analysis below has been determined based on the change of rate of return in isolation used in the expected future cash flow that reflect the expected risk level of the financial assets at the end of the reporting period. 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 2019 would have increased/decreased by approximately RMB10,898 thousands (2018: RMB10,892) as a result of the changes in fair value of the financial assets.

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, segment results are presented.

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

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

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

6 OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment information

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

6 OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

	For the six months ended 30 June 2018 (Unaudited)				
	PRC RMB'000	USA RMB'000	Europe RMB'000	Other countries RMB'000	Total RMB'000
Segment revenue					
Total segment revenue	3,901,010	632,782	269,139	1,147,101	5,950,032
Inter segment revenue	(1,703,922)	(78,818)	(11,790)	(812,830)	(2,607,360)
Revenue from external customers	2,197,088	553,964	257,349	334,271	3,342,672
Timing of revenue recognition at a point in time	2,197,088	553,964	257,349	334,271	3,342,672
Segment results	422,047	124,521	58,392	52,951	657,911
Unallocated other income					148,516
Unallocated other gains – net					56,229
Unallocated impairment losses on financial assets					(19,989)
Finance costs – net					(296,061)
Share of net profits of associates and joint ventures					11,870
Corporation and other unallocated expenses					(385,063)
Profit before income tax					173,413

7 OTHER INCOME

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

(i) Dividends

Dividends are received from financial assets measured at FVPL (Note 21) and at FVOCI (Note 18).

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

(iii) Government grants

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

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

8 OTHER GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Gains/(losses) on disposal of property, plant and equipment, net	**1,866**	(1,987)
Gains on disposal of joint ventures	**1,469**	–
Losses on disposal of an associate	**(5,093)**	(583)
Foreign exchange differences, net	**(601)**	10,489
Net fair value gains on financial assets at FVPL (Note 21)	**17,533**	51,005
Others	**(16)**	(2,695)
	15,158	56,229

9 EXPENSES BY NATURE

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

10 FINANCE INCOME AND COSTS

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

11 INCOME TAX (CREDIT)/EXPENSES

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current income tax – charge for the period	57,731	16,885
– PRC	41,718	11,573
– Hong Kong	15,257	5,312
– Singapore	756	–
Deferred taxation	(107,395)	(15,801)
Income tax (credit)/expenses	**(49,664)**	1,084

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

(a) PRC corporate income tax

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

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

Name of company	Year ended during which approval was obtained	Year ended/ending during which approval will expire/expired
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2017	31 December 2019
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2017	31 December 2019
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2017	31 December 2019

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%).

(c) Singapore corporate income tax

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

(d) Other corporate income tax

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

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

(e) Withholding tax

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

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	
	2019	2018
	RMB'000	RMB'000
Profit from continuing operations attributable to owners of the Company	**198,113**	176,238
Loss from discontinued operation	**(69,664)**	(32,222)
Net profit attributable to owners of the Company	**128,449**	144,016
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**1,635,291**	1,635,291
Basic earnings per share (RMB per share)		
From continuing operations attributable to owners of the company	**0.121**	0.108
From discontinued operation	**(0.043)**	(0.020)
	0.078	0.088

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

13 DIVIDENDS

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

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

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

14 PROPERTY, PLANT AND EQUIPMENT AND LAND LEASE PREPAYMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with a cost of RMB266,170 thousands (six months ended 30 June 2018: RMB311,491 thousands).

Property, plant and equipment with a net book value of RMB7,558 thousands were disposed by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB3,648 thousands), resulting in a net gain on disposal of RMB1,866 thousands (six months ended 30 June 2018: net loss of RMB1,987 thousands).

At 30 June 2019, 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 amount of RMB687,265 thousands and RMB249,507 thousands respectively (31 December 2018: RMB820,617 thousands and RMB247,655 thousands respectively).

15 GOODWILL

	Wind gear transmission equipment CGU RMB'000	Lighting engineering CGU RMB'000	Total RMB'000
As at 31 December 2018			
Cost	–	272	272
Accumulated impairment	–	–	–
Net carrying amount as at 31 December 2018	–	272	272
Addition from acquisition of a subsidiary (Note 23)	39,475	–	39,475
Net carrying amount as at 30 June 2019	**39,475**	**272**	**39,747**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the cash-generating unit (the "CGU") of lighting engineering and wind gear transmission equipment for impairment testing.

(a) Lighting engineering CGU

The recoverable amount of the lighting engineering CGU was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 11% (2018: 11%) and cash flows beyond the five-year period were extrapolated using a growth rate of 5% (2018: 5%), which was the same as the long term average growth rate of the infrastructure industry.

(b) Wind gear transmission equipment CGU

The recoverable amount of the wind gear transmission equipment CGU was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 16% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%, which was the same as the long term average growth rate of the gear products industry.

15 GOODWILL *(Continued)*

Assumptions were used in the value-in-use calculation of the lighting engineering and wind gear transmission equipment CGU for 30 June 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

- Discount rate – The discount rate used is before tax and reflects specific risks relating to the unit.

Based on the assessments, no goodwill as at 30 June 2019 and 31 December 2018 was impaired.

16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Financial assets			
Financial assets at amortised cost:			
Trade receivables	19	**3,598,937**	4,445,523
Other receivables	19	**1,094,959**	957,410
Other financial assets at amortised cost	17	**753,216**	723,188
Pledged bank deposit	22	**3,223,460**	2,922,234
Cash and cash equivalents	22	**1,161,036**	2,062,624
Financial assets at FVOCI	18	**3,970,276**	3,916,910
Financial assets at FVPL	21	**2,240,783**	2,512,196
		16,042,667	17,540,085
Financial liabilities			
Liabilities at amortised cost:			
Trade and other payables	25	**6,965,889**	6,958,747
Borrowings and corporate bonds	26	**5,966,729**	7,372,957
		12,932,618	14,331,704

17 OTHER FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost include the following debt investments:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-current assets		
Insurance investment (i)	**533,355**	517,327
Current assets		
Corporate bond (ii)	**219,861**	205,861
	753,216	723,188

(i) Other financial assets classified as amortised cost represented an advance principle payment of RMB500,000 thousands made to an insurance company in 2018 in the PRC with a 5-year maturity at year 2023 and carried interest at an annualised fixed rate at 6.5% per annum. Interest and the principal amount are repayable at the maturity date and it is stated at amortised cost less impairment, if any, at the end of the reporting period.

As at 30 June 2019, the carrying amount of other financial assets at amortised cost was RMB533,355 thousands (31 December 2018: RMB517,327 thousands).

(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.

As at 30 June 2019, the carrying amount of other financial assets at amortised cost was RMB219,861 thousands(31 December 2018: RMB205,861 thousands).

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Equity investments at FVOCI

Equity investments at FVOCI comprise the following individual investments:

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

(a) Listed equity investments

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

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

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

(i) Equity investments at FVOCI *(Continued)*

(b) Unlisted equity investments

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

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

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

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

(ii) Debt investments at FVOCI

(a) Bills receivable carried at FVOCI

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

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

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

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

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

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

19 TRADE AND OTHER RECEIVABLES

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

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

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

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

19 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

20 PREPAYMENTS

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Prepayments	**218,281**	377,191
– Amount due from third parties	**211,172**	336,869
– Amount due from associates	**7,109**	40,322
Impairment	**(21,439)**	(15,340)
	196,842	361,851

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at FVPL

Financial assets mandatorily measured at FVPL include the following:

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

(a) **Derivatives financial instrument**

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

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

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

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

(b) Structured bank deposits

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

(c) Trade receivables measured at FVPL

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

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

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

(ii) Amounts recognised in profit or loss

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

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Fair value (losses)/gains on equity investments at FVPL recognised in other gains – net (Note 8)	(907)	34,565
Fair value gains on debt investments at FVPL recognised in other gains – net (Note 8)	18,440	16,440
Dividends from equity investment held at FVPL (Note 7)	22,808	36,275
	40,341	87,280

22 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Cash at bank and on hand	4,384,496	4,984,858
Less: Pledged bank deposits	(3,223,460)	(2,922,234)
Cash and cash equivalents	1,161,036	2,062,624

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of 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 with creditworthy banks with no recent history of default.

23 BUSINESS COMBINATION

(i) Summary of acquisition

In February 2019, the Group acquired 100% equity interest in Guodian United Power Technology (Baotou) Co., Ltd. from an independent third party with a total purchase consideration of RMB10,010 thousands.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB' 000
Cash and cash equivalents	1,386
Trade receivables	4,436
Other receivables	1,104
Prepayment	52,668
Inventories	41,247
Property, plant and equipment	176,217
Land lease prepayments	45,460
Trade payables	(30,935)
Other payables	(307,250)
Deferred tax liabilities	(13,798)
Net identifiable liabilities acquired	(29,465)
Add: goodwill	39,475
Consideration	10,010

(ii) Purchase consideration – cash outflow

	Six months ended 30 June 2019 RMB' 000
Inflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	10,010
Less: Prepayment in prior year	(10,010)
Add: Cash	1,386
Net inflow of cash – investing activities	1,386

23 BUSINESS COMBINATION *(Continued)*

(ii) Purchase consideration – cash outflow *(Continued)*

The goodwill is attributable to the synergies expected to arise in the business of wind gear transmission equipment after the Group's acquisition of the new subsidiary. It has been allocated to the CGU of wind gear transmission equipment. None of the goodwill is expected to be deductible for tax purposes. See Note 15 above for the changes in goodwill as a result of the acquisition.

According to the finalized valuation report, deferred tax of RMB13,798 thousand has been provided in relation to the fair value adjustments as to the acquired inventories, property, plant and equipment and land lease prepayments with a total amount of RMB55,190 thousands.

24 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION

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

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

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

24 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION *(Continued)*

24.1 The Bundle Transaction

24.1.1 Subsidiaries

(a) Assets of disposal group classified as held-for-sale

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Property, plant and equipment	417,859	518,899
Land lease prepayment	113,732	134,776
Other intangible assets	4,034	3,689
Deferred tax assets	2,325	2,963
Goodwill	2,991	2,991
Financial asset at FVOCI	2,000	31,349
Pledged bank deposits	12,019	19,066
Bank balance and cash	14,907	25,257
Other current assets	675,442	443,368
	1,245,309	1,182,358

(b) Liabilities of disposal group classified as held-for-sale

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Borrowings	137,125	181,125
Deferred tax liabilities	23,493	24,570
Contract liabilities	22,775	108,098
Other current liabilities	450,884	188,522
	634,277	502,315

24 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION *(Continued)*

24.1 The Bundle Transaction *(Continued)*

24.1.1 Subsidiaries *(Continued)*

(c) **Financial performance and cash flow information**

	Unaudited Six months ended 30 June 2019 RMB'000	 2018 RMB'000
Gross profit	**3,917**	12,080
Selling and distribution expenses	**(8,276)**	(9,773)
Administrative expenses	**(36,671)**	(33,858)
Research and development costs	**(2,576)**	(2,011)
Net impairment loss on financial assets	**(4,999)**	464
Other costs	**(9,573)**	(2,179)
Other losses – net	**(9,143)**	(1,072)
Operating loss	**(67,321)**	(36,349)
Finance cost -net	**(4,831)**	(4,541)
Loss before income tax	**(72,152)**	(40,890)
Income tax credit	**269**	278
Loss for the period from discontinued operation	**(71,883)**	(40,612)
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at FVOCI	**2,225**	2,697
Total comprehensive loss for the period from discontinued operation	**(69,658)**	(37,915)
Net cash from operating activities	**6,057**	4,105
Net cash from/(used in) investing activities	**36,696**	(8,018)
Net cash (used in)/from financing activities	**(53,103)**	3,856
Net decrease in cash generated by the subsidiaries	**(10,350)**	(57)

24 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION *(Continued)*

24.1 The Bundle Transaction *(Continued)*

24.1.2 Associates

As at 30 June 2019, the long-term equity investment of RMB56,808 thousands (31 December 2018: RMB60,886 thousands) in the four associates of the Group, was presented as asset classified as held-for-sale. For the period ended 30 June 2019, the Group's share of loss from the above-mentioned associates of RMB4,078 thousands (six months ended 30 June 2018: RMB1,445 thousands) was presented in loss for the period from discontinued operations.

24.2 The loss from discontinued operation is summarised as below:

	Unaudited Six months ended 30 June	
	2019 **RMB'000**	2018 RMB'000
Profit from Beijing Shougao	**–**	7,138
Loss from subsidiaries of the Bundle Transaction	**(71,883)**	(40,612)
Share of loss from associates of the Bundle Transaction	**(4,078)**	(1,445)
	(75,961)	(34,919)

25 TRADE AND OTHER PAYABLES

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

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

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

26 BORROWINGS AND CORPORATE BONDS

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

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

26 BORROWINGS AND CORPORATE BONDS *(Continued)*

The maturity of borrowing is as follows:

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

The secured borrowings at the end of the reporting period were secured by pledge of assets, details of which are set out in Note 29.

27 CONTINGENT LIABILITIES

As at 30 June 2019, the Group provided guarantees to one of the Group's associates and one third party in favour of its bank loans of RMB724,006 thousands (31 December 2018: RMB741,360 thousands). This amount represented the balance that the Group could be required to be paid if the guarantees were called upon in its entirety. At the end of the reporting period, an amount of RMB13,768 thousands (31 December 2018: RMB15,842 thousands) has been recognised in the consolidated statement of financial position as liabilities.

As at 30 June 2019, the Group had an outstanding litigation. The contingent liabilities assessed by the Group's management was amounted to RMB8,066 thousands. See Note 31(b) for more details.

28 CAPITAL COMMITMENTS

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

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

29 ASSETS PLEDGED AS SECURITY

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

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

30 RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Associates:		
Purchases of products (ii)	**1,316**	6,552
Sales of products (i)	**–**	68
Joint ventures:		
Sales of products (i)	**6,444**	27,736
Purchases of products (ii)	**–**	93

(i) The sales to the joint ventures were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from the associates and joint ventures were made according to the published prices and were agreed by both parties.

(b) Other transactions with related parties:

At 30 June 2019, the Group provided financial guarantees to Nanjing Gaochuan Mechanical and Electrical Automatic Control Equipment Co., Ltd., an associate of the Group, and its subsidiaries ("Nanjing Gaochuan") in favour of Nanjing Gaochuan's bank loans of RMB314,006 thousands (31 December 2018: RMB331,360 thousands).

(c) Outstanding balances with related parties:

The Group's trade and other balances with its associates, joint ventures and other related party as at the end of the reporting period are disclosed in Notes 17, 19, 20 and 25 to the consolidated financial information.

30 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Fees	**623**	582
Salaries and other emoluments	**5,527**	4,219
	6,150	4,801

31 OUTSTANDING LITIGATION

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

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

31 OUTSTANDING LITIGATION *(Continued)*

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

In 2019, NGC Transmission Europe GmbH received a claim (the "Claim") filed by SET with a total amount of EUR10,318 thousands (equivalent to RMB80,656 thousands) (the "Claimed Amount") against NGC Parties for breaches of contractual obligations under the Cooperation Agreement relating to the Project.

Upon the date of the approval of these financial information, the Claim was still awaiting for trial. The independent lawyers engaged by the Group believe that there are solid arguments to rebut the Claim on the merits whilst also see a certain settlement value to this case which would be substantially below 50% of the total Claimed Amount. As at 30 June 2019, based on the assessment of the independent lawyers, a contingent liability amounting to RMB8,066 thousands was accrued by management.