中國高速傳動設備集團有限公司*
China High Speed Transmission Equipment Group Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock code: 658)

Announcement
Unaudited interim results
for the six months ended 30 June 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2015 *RMB'000* *(Unaudited)*	**Six months ended 30 June 2014** *RMB'000* *(Unaudited and restated)*	**Change**
Revenue	4,751,493	3,947,477	20.4%
Gross profit	1,408,377	1,010,371	39.4%
Profit for the period attributable to the owners of the Company	524,168	175,548	198.6%
Basic earnings per share (RMB)	0.321	0.107	200.0%

	As at 30 June 2015 *RMB'000* *(Unaudited)*	As at 31 December 2014 *RMB'000* *(Audited)*	Change
Total assets	24,824,636	25,299,504	-1.9%
Total liabilities	15,480,135	16,429,402	-5.8%
Net asset	9,344,501	8,870,102	5.3%
Net asset per share (RMB)	5.7	5.4	5.6%
Gearing ratio* (%)	62.4	64.9	

* *Gearing ratio = total liabilities/total assets*

The board of directors (the "Board") of China High Speed Transmission Equipment Group Co., Ltd. (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015, together with the comparative figures are as follows. The interim financial statements are unaudited, but have been reviewed by the Company's audit committee and Deloitte Touche Tohmatsu, the Company's auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	**Six months ended 30.06.2015** *RMB'000* *(Unaudited)*	**Six months ended 30.06.2014** *RMB'000* *(Unaudited and restated)*
Revenue	2	4,751,493	3,947,477
Cost of sales		(3,343,116)	(2,937,106)
Gross profit		1,408,377	1,010,371
Other income		77,185	241,331
Other gains and losses	3	32,483	(128,404)
Distribution and selling costs		(139,097)	(130,455)
Administrative expenses		(292,420)	(316,724)
Research and development costs		(74,499)	(70,584)
Other expenses		(20,590)	(67,935)
Finance costs		(317,489)	(351,642)
Share of results of associates		(7,875)	(3,058)
Share of results of joint ventures		6,981	9,443
Profit before taxation		673,056	192,343
Taxation	4	(163,853)	(35,852)
Profit for the period	5	509,203	156,491
Other comprehensive income (expense) for the period:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		—	88
Fair value loss on:			
available-for-sale financial assets		(3,195)	(6,734)
hedging instruments designated in cash flow hedges		—	(1,352)
Reclassified to profit or loss on:			
disposal of available-for-sale financial assets		—	(932)
settlement of cash flow hedges		—	1,529
Other comprehensive expense for the period		(3,195)	(7,401)
Total comprehensive income for the period		506,008	149,090

	NOTES	Six months ended 30.06.2015 RMB'000 (Unaudited)	30.06.2014 RMB'000 (Unaudited and restated)
Profit for the period attributable to:			
Owners of the Company		524,168	175,548
Non-controlling interests		(14,965)	(19,057)
		509,203	156,491
Total comprehensive income attributable to:			
Owners of the Company		520,973	168,147
Non-controlling interests		(14,965)	(19,057)
		506,008	149,090
EARNINGS PER SHARE	7		
Basic (RMB)		0.321	0.107

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	NOTES	**30 June 2015** *RMB'000* *(Unaudited)*	**31 December 2014** *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		5,655,205	5,939,512
Prepaid lease payments		586,106	596,690
Goodwill		2,991	2,991
Intangible assets		220,981	230,534
Interests in associates		158,764	165,905
Interests in joint ventures		90,488	55,007
Available-for-sale investments		213,979	135,691
Deposit for land lease		280,800	280,800
Prepayment for acquisition of property, plant and equipment		302,820	115,832
Deferred tax assets		131,012	117,200
Held-to-maturity financial assets		503,919	—
		8,147,065	7,640,162
CURRENT ASSETS			
Inventories		2,101,235	2,275,180
Prepaid lease payments		14,190	13,849
Trade and other receivables	8	8,783,902	7,819,484
Amounts due from associates		155,585	34,780
Amounts due from joint ventures		56,672	44,529
Tax asset		2,943	5,561
Structured bank deposits		377,000	1,097,399
Pledged bank deposits		3,369,060	2,756,201
Bank balances and cash		1,816,984	1,649,705
		16,677,571	15,696,688
Assets classified as held for sale		—	1,962,654
		16,677,571	17,659,342

	NOTES	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	9	5,658,503	4,279,154
Amounts due to associates		1,818	96,089
Tax liabilities		133,973	43,067
Borrowings	10	5,086,909	7,971,209
Financial liabilities at fair value through profit or loss	11	1,177,298	327,072
Warranty provision		88,296	99,781
Obligation under finance leases		162,389	167,073
		12,309,186	12,983,445
Liabilities directly associated with assets classified as held for sale		—	202,923
		12,309,186	13,186,368
NET CURRENT ASSETS		4,368,385	4,472,974
TOTAL ASSETS LESS CURRENT LIABILITIES		12,515,450	12,113,136
NON-CURRENT LIABILITIES			
Borrowings	10	2,950,839	2,967,562
Deferred tax liabilities		46,453	39,089
Deferred income		92,464	81,824
Obligation under finance leases		81,193	154,559
		3,170,949	3,243,034
		9,344,501	8,870,102
CAPITAL AND RESERVES			
Share capital		119,218	119,218
Reserves		9,091,434	8,569,153
Equity attributable to owners of the Company		9,210,652	8,688,371
Non-controlling interests		133,849	181,731
		9,344,501	8,870,102

1. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values.

Except for the accounting policy of held-to-maturity investments which is new during the current period as set out below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

Financial assets that are classified as held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixes maturity date, that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by IASB that are mandatorily effective for the current interim period:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions;
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle;
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle;

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for goods sold, net of sales taxes and return, for the period. The Group's major operation is the manufacture and sale of gear products.

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, makes decisions according to the revenue and operating results of each geographical area by location of customers and the related reports on the aging analysis of trade receivables for the purposes of resources allocation and performance assessment. Accordingly the Group's operating segments are based on geographical location of customers.

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.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review.

	Six months ended 30.06.2015 *RMB'000* *(Unaudited)*	Six months ended 30.06.2014 *RMB'000* *(Unaudited and restated)*
Segment revenue		
- PRC	3,825,165	3,218,087
- USA	883,088	599,901
- Europe	30,583	31,652
- Others	12,657	97,837
	4,751,493	3,947,477
Segment profit		
- PRC	957,941	789,305
- USA	318,612	227,311
- Europe	11,696	10,225
- Others	2,530	8,170
	1,290,779	1,035,011
Other income, gains and losses	88,169	(42,168)
Finance costs	(317,489)	(351,642)
Share of results of associates	(7,875)	(3,058)
Share of results of joint ventures	6,981	9,443
Unallocated expenses	(387,509)	(455,243)
Profit before taxation	673,056	192,343

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

3. OTHER GAINS AND LOSSES

	Six months ended 30.06.2015 RMB'000 (Unaudited)	Six months ended 30.06.2014 RMB'000 (Unaudited and restated)
Gain on disposal of available-for-sale investments	—	932
Gain on disposal of property, plant and equipment	888	19
Changes in fair value of financial liabilities at fair value through profit or loss	(6,508)	—
Loss on disposal of a joint venture	—	(129,577)
Gain on disposal of subsidiaries	53,536	3,747
Net exchange losses	(15,433)	(3,525)
	32,483	(128,404)

4. TAXATION

	Six months ended 30.06.2015 RMB'000 (Unaudited)	Six months ended 30.06.2014 RMB'000 (Unaudited)
Current tax		
- PRC Enterprise Income Tax	151,017	37,547
- USA Corporate Income Tax	497	5
	151,514	37,552
Under provision in prior years		
- PRC Enterprise Income Tax	18,787	13,047
Deferred tax credit	(6,448)	(14,747)
	163,853	35,852

No provision for Hong Kong Profits Tax and Singapore income tax has been made as the Group has no assessable profit arising in Hong Kong and Singapore, respectively.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2014: 25%).

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

Name of company	**Year-end during which approval was obtained**	**Year ending during which approval will expire**
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Accurate Marine Equipment Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2014	31 December 2016
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd.	31 December 2013	31 December 2015
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd	31 December 2013	31 December 2015
Zhenjiang Tongzhou Propeller Co., Ltd	31 December 2013	31 December 2015

At 30 June 2015, the Group has unused tax losses of RMB503,969,000 (31 December 2014: RMB722,781,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB52,026,000 (31 December 2014: RMB54,231,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB451,943,000 (31 December 2014: RMB668,550,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

The EIT Law imposes withholding tax at 10% upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their overseas shareholders. For investors incorporated in Hong Kong which hold at least 25%of the equity interest of those PRC companies. A preferential rate of 5% will be applied where appropriate. Deferred tax has been provided for in respect of the temporary differences attributable to such portion of profits earned by the PRC subsidiaries.

At 30 June 2015 and 31 December 2014, no deferred tax asset has been recognised in respect of the fair value change of available-for-sale investment held by the Company, due to the fact that the fair value change is not taxable under Hong Kong Profits Tax.

There is no other significant unprovided deferred taxation for the period or at the end of the reporting period.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended	
	30.06.2015	**30.06.2014**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited and restated)*
Allowance for inventories (included in cost of sales)	37,024	3,331
Amortisation of intangible assets	42,090	43,888
Bank interest income	(29,838)	(68,645)
Depreciation of property, plant and equipment	290,471	293,950
Release of prepaid lease payments	10,243	9,065
Exchange losses	15,433	3,525
Loss on disposal of a joint venture	—	129,577
Gain on disposal of subsidiaries	(53,536)	(3,747)
Gain on disposal of property, plant and equipment	(888)	(19)
Impairment loss on trade and other receivables, net (included in other expenses)	14,937	53,809
Impairment loss on intangible assets (included in other expenses)	5,653	14,125
Impairment loss on property, plant and equipment (included in cost of sales)	532	—

6. DIVIDENDS

The directors do not recommend payment of an interim dividend for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.06.2015	**30.06.2014**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited and restated)*
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the period attributable to owners of the Company)	524,168	175,548

	30.06.2015	**30.06.2014**
	'000	*'000*
	(Unaudited)	*(Unaudited)*
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	1,635,291	1,635,291

No diluted earnings per share is presented for the six months ended 30 June 2015 and 2014 as there is no potential dilutive shares in issue.

8. TRADE AND OTHER RECEIVABLES

	30.06.2015	**31.12.2014**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Accounts receivable	4,347,525	3,752,789
Bills receivable	2,239,143	3,044,314
Less: allowance for doubtful debts	(316,923)	(301,986)
Total trade receivables	6,269,745	6,495,117
Advances to suppliers	1,044,241	956,639
Value-added tax recoverable	181,656	193,809
Other receivables (Note)	1,290,790	176,449
Less: allowance for doubtful debts of other receivable	(2,530)	(2,530)
Total trade and other receivables	8,783,902	7,819,484

Note: At 30 June 2015 include in other receivables is RMB1,124,042,000 due from Zhong-Chuan Heavy Duty Equipment Co., Ltd. and Nanjing Gaote Gear Box Manufactory Co., Ltd, which were disposed during the current period.

At 30 June 2015 included in other receivables is RMB 56,500,000 (31 December 2014: RMB113,000,000) due from the buyer of the 100% equity interest in Rugao Hongmao Steel Co., Ltd.("Hongmao Steel"). The disposal of Hongmao Steel was completed on 9 February 2014. In accordance with the terms of the agreements with the buyer, the consideration of RMB113,000,000 is deferred and will be settled by instalments on or before 10 December 2015.

The Group generally allows a credit period of 180 days to its trade customers. The following is an aged analysis of the trade receivables based on invoice date, net of allowance for doubtful debts, at the end of the reporting period which approximated the respective revenue recognition dates:

	30.06.2015	**31.12.2014**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 - 90 days	3,625,517	4,313,551
91 - 120 days	911,495	529,655
121 - 180 days	621,964	524,310
181 - 365 days	771,550	719,570
1 - 2 years	256,564	377,192
Over 2 years	82,655	30,839
	6,269,745	6,495,117

9. TRADE AND OTHER PAYABLES

	30.06.2015	**31.12.2014**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Accounts payable	1,636,589	1,600,661
Notes payable (note)	2,420,199	1,608,515
Total trade payables	4,056,788	3,209,176
Advances from customers	404,077	373,214
Purchase of property, plant and equipment	135,605	175,289
Payroll and welfare payables	92,402	158,547
Accrued expenses	159,255	197,489
Value-added and other tax payable	108,655	41,663
Deferred income	11,204	11,256
Other payables and payment received from government	690,517	112,520
Total trade and other payables	5,658,503	4,279,154

Note: Notes payable are secured by certain of the Group's assets as set out in note 13.

The following is an aged analysis of the Group's trade payables based on invoice date at the end of the reporting period:

	30.06.2015 *RMB'000* *(Unaudited)*	31.12.2014 *RMB'000* *(Audited)*
0 - 30 days	910,789	966,795
31- 60 days	885,546	637,576
61 - 180 days	1,734,114	1,143,915
181 - 365 days	378,554	345,111
Over 365 days	147,785	115,779
	4,056,788	3,209,176

10. BORROWINGS

During the period, the Group obtained new borrowings in the amount of approximately RMB2,610,908,000 (six months ended 30 June 2014: RMB7,910,819,000 including a RMB200,000,000 acquired upon acquisition of subsidiaries during the six months ended 30 June 2014). At 30 June 2015, the borrowings bear fixed or floating interest at interest rates ranging from 1.48% to 9.74% per annum (at 31 December 2014: fixed or floating interest at interest rates ranging from 1.41% to 9.77%) and are repayable within 1 to 6 years (at 31 December 2014: repayable within 1 to 6 years). The Group also repaid borrowings of approximately RMB5,511,207,000 (six months ended 30 June 2014: RMB6,222,735,000) during the period.

Certain borrowings are secured by certain of the Group's own assets as set out in note 13.

11. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2015 *RMB'000* *(Unaudited)*	31.12.2014 *RMB'000* *(Audited)*
Financial liabilities designated as fair value through profit and loss	1,140,963	320,280
Derivative financial liabilities	36,335	6,792
	1,177,298	327,072

During the period, Nanjing High Speed Gear Manufacturing Co., Ltd ("Nanjing High Speed") entered into several gold commodity agreements with three banks for financing purpose. According to terms of the agreement, Nanjing High Speed borrows commodity gold from the bank, which permits such gold commodity to be sold to third parties, and Nanjing High Speed is obliged to return gold within one year with same quality and weight to the bank when the agreement expires. The obligation to return the gold is recognised as financial liability. At 30 June 2015, the held-for-trading financial liabilities are stated at fair value of gold as quoted in the open market. The Group manage its risk exposure to gold return obligation arising from fluctuation of gold market price, by using gold forward contract that are not designated as hedging instrument.

12. CAPITAL COMMITMENTS

	30.06.2015 *RMB'000* *(Unaudited)*	31.12.2014 *RMB'000* *(Audited)*
Commitments contracted for but not provided in the condensed consolidated financial statements in respect of:		
- land leases	83,200	83,400
- property, plant and equipment	455,100	453,065
	538,300	536,465
Authorized but not contracted for in the condensed consolidated financial statements in respect of:		
- land leases	253,260	—
- property, plant and equipment	400,000	—
	653,260	—

13. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to the Group and pledged to suppliers to settle its notes payable:

	30.06.2015 *RMB'000* *(Unaudited)*	31.12.2014 *RMB'000* *(Audited)*
Bank deposits	3,369,060	2,756,201
Accounts receivable	596,245	451,271
Bills receivable	747,232	1,196,721
Property, plant and equipment	185,169	66,274
Prepaid lease payments	22,611	25,062
Structured bank deposits	300,000	153,499
	5,220,317	4,649,028

At the end of the reporting period, the Group also pledged its 25% equity interest in Nanjing High Speed which is itself the Company's wholly-owned subsidiary, for banking facilities granted to the Group.

14. CONTINGENT LIABILITIES

The Group entered an agreement (the "Agreement") with a third party (the "Subcontractor"), pursuant to which effective from 1 January 2013, the Group assigns the Subcontractor and the Subcontractor agrees to repair certain of the wind gear products sold for the Group at a fixed fee at 2.5% of annual sales of those wind gear products of the Group (the "Fixed Fee"). The Group is not liable for any additional cost incurred by the Subcontractor in relation to the repair of those wind gear products, other than the Fixed Fee.

The Subcontractor however has not entered into any agreements with the wind gear products' customers for the repair services. In the event of closure, liquidation, or inability of the Subcontractor to provide those repair services, the Group is still liable for such repair obligations should those customers claim for that against the Group. In the opinion of the directors, based on their experience, the financial position of the Subcontractor and their assessment of the current economic environment, the possibility of the default or inability by the Subcontractor to carry out the obligation is remote. Accordingly, no provision for the repair obligation has been made in the condensed consolidated financial statements at the end of the reporting period.

15. RESTATEMENT OF COMPARATIVE FIGURES

During the current period, certain comparative figures in respect of the six months ended 30 June 2014 have been reclassified to conform with the current period presentation. Also, during the current period, as a result of the finalization of the disposal of a joint venture and acquisitions of three subsidiaries as detailed in note 21 and note 44 of the annual report for the year ended 31 December 2014, and to conform with the presentation of the Company's 2014 annual report, RMB59 million previously recognized provisionally as goodwill as a result of these transactions has been restated and charged to profit or loss as loss on disposal of a joint venture for the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (collectively, the "Group") are principally engaged in research, design, development, manufacture and distribution of various types of mechanical transmission equipment for a broad range of applications in wind power generation and industrial use. During the period under review, the Group recorded sales revenue of approximately RMB4,751,493,000 (30 June 2014: RMB3,947,477,000), representing an increase of 20.4% as compared with the corresponding period of 2014. The gross profit margin was approximately 29.6% (30 June 2014: 25.6%). Profit attributable to the owners of the Company was approximately RMB524,168,000 (30 June 2014: RMB175,548,000). Basic earnings per share were RMB0.321 (30 June 2014: RMB0.107).

Principal business review

1. Gear segment

(i) Wind gear transmission equipment

Large and diversified development

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 power gear transmission equipment business increased by approximately 34.3% to approximately RMB3,744,553,000 (30 June 2014: RMB2,788,054,000) as compared with the corresponding period last year. The increase was attributable to the fact that there were signs of the overcoming of the grid connection issues and the PRC government had successively launched policies encouraging the development of renewable energy and offshore wind power, as well as the significant increase in product delivery due to customers' confidence in the stable quality and comprehensive service of wind power generation products supplied by the Group.

The Group is a leading supplier of wind gear transmission equipment in the PRC. By leveraging its strong research, design and development capabilities, the Group's research and development has achieved good results. Of these, the 1.5MW, 2MW and 3MW wind power gear transmission equipment has been provided to domestic and overseas customers in bulk. The product technology has reached an international advanced technical level and is well recognised by customers in general. Furthermore, the Group has successfully developed 5MW and 6MW wind power gearbox transmission equipment for the development of offshore wind turbine with conditions for mass production, which is expected to bring greater breakthrough in the business of the Group in future.

Currently, the Group maintains a strong customer portfolio. Customers of the wind power business include the major wind turbine manufacturers in the PRC, as well as renowned international wind turbine manufacturers such as GE Energy, Nordex, REpower, etc. With the Group's increasingly globalised operation, major overseas wind power equipment manufacturers such as Alstom Wind, Unison and Inox Wind have also become the overseas customers of the Group. To accelerate expansion into overseas markets, the Group has set up wholly-owned subsidiaries in America, Germany, Singapore and Canada to support the sustainable development strategy of the Group in order to have closer communication and discussion with potential overseas customers and to provide further diversified services.

(ii) 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. During the period under review, the sales of high-speed heavy-load gear transmission equipment and general purpose gear transmission equipment increased 41.9% and 1.4% to RMB 6,568,000 (30 June 2014: RMB 4,630,000) and RMB 29,836,000 (30 June 2014: RMB 29,438,000) respectively. The sales of gear transmission equipment for construction materials, gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills, and other products dropped 23.0%, 14.3% and 12.7% to RMB 134,673,000 (30 June 2014: RMB 174,882,000), RMB 137,815,000(30 June 2014: RMB 160,749,000) and RMB 333,824,000 (30 June 2014: RMB 382,192,000) respectively.

Owing to the deterioration of global economic environment and against the backdrop of tightened monetary policy by the PRC government to curb an overheated economy, the equipment industry in the PRC remained in overcapacity. During the period under review, the Group adjusted the development strategy for traditional industrial gear transmission equipment, targetting sales to high-end market, high-end customers, productive businesses and producing high quality products to improve profit margins. By leveraging its research and development technologies, the Group focused on the development of energy-saving and environmentally-friendly products, and formulated strategies to facilitate sales growth by standardizing and modularizing its products. Meanwhile, the Group strengthened its efforts to provide and sell parts and components of relevant products to its customers, helping them enhance the efficiency of its existing products without increasing capital expenditure, thereby maintaining its position as a major supplier in the traditional industrial transmission product market.

During the period under review, the Group also recorded solid performance in respect of transmission equipment for high-speed locomotives, metro lines and urban light rail segments. In addition to receiving orders of metro gear boxes continuously from metro lines of various cities in China, the Group has also secured a new customer from India. The Group has obtained International Railway Industry Standard (IRIS) certificate 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. Furthermore, locomotive tractive gears manufactured by Nanjing High Speed Gear Manufacturing Co., Ltd., a wholly-owned subsidiary of the Group, successfully passed the certification of China Railway Test & Certification Centre (CRCC), signaling that the Group has formally become a qualified supplier of China Railway Corporation. Currently its products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Qingdao, Dalian, Suzhou, Hong Kong and Singapore. The Group will continue to expand three major business segments being high-speed railway, metro line and urban light rail networks and accelerate the research and development of light rail and high-speed railway gear equipment. The gear boxes delivered to customers include PDM460 type with two-stage transmission structure, which has passed the inspection during the period under review, including various testing materials of gear box, appearance of gear box, spare parts and relevant technical documentations. That ensures high reliability of gear box during variable loads and high vibration and other complex conditions. Also, the application of unique gear modification technology increased the load-carrying capacity of gear box. This type of gear box has a no-repairing life exceeding 1,200,000 kilometers, meeting the requirement of low noise and high density power. PDM460 gear box will be used on new suburb trains at Pretoria, Johannesburg, Cape Town and Durban in South Africa. Such new trains are used for improved service for the increasing number of passengers in these areas while providing efficient and safe public transportation for them, so as to enable the rail transportation transmission equipment to become a new source of growth of the Group. During the period under review, such business generated sales revenue of approximately RMB81,663,000 (30 June 2014: RMB69,904,000), representing an increase of 16.8% as compared with the corresponding period last year.

During the period under review, the industrial gear business segment generated sales revenue of approximately RMB724,379,000 for the Group (30 June 2014: RMB821,795,000), representing a decrease of 11.9% as compared with the corresponding period last year.

2. Marine gear transmission equipment

Actively expand domestic and foreign markets

The Group continued to focus on research and development of new products and market expansion, and nine series of marine products have been applied in all equipment of overall ship propulsion system. The propulsion equipment manufactured by Nanjing High Accurate Marine Equipment Co., Ltd. ("NGC-MARINE"), a wholly-owned subsidiary of the Group, is also applied in maritime inspection and fishery patrols in the domestic sea area and is well known in the overall marine supplementary business as the only technology-driven manufacturer of marine supplementary products in the PRC which is capable of providing global shipment and global warranty services. In 2015, observing requirements in the Implementation Programs to Accelerate the Structural Adjustment for Promoting the Transformation and Upgrading in the Shipbuilding Industry (2013-2015) promulgated by the State Council (船舶工業加快結構調整促進轉型升級實施方案 (2013 — 2015)), the Group will continue to increase its innovation capabilities by launching more high-end products, and strive to provide the best quality marine propulsion system, platform gear box and marine transmission equipment for special purposes for more domestic and overseas customers. The Group has expanded its brand awareness in the overseas markets. During the period under review, the Group's propulsion system for maritime inspection vessels of 5,000 tonnes and its adjustable oar system for fishery patrols of 1,000 tonnes had successfully passed the sea trial. For the export side, the Group received export order for supplying propellers for ten ships during the period under review. The Group will continue to promote the diversity of its marine transmission equipment products in order to leverage the momentum of market recovery to lay a solid foundation for its future development.

During the period under review, sales revenue of marine gear transmission equipment was approximately RMB145,514,000 (30 June 2014: RMB174,420,000), representing a decrease of 16.6% as compared with the corresponding period last year.

3. Computer numerical controlled ("CNC") machine tool products

CNC machine tool products industry

Machine tool is the core equipment of the equipment manufacturing industry. The modernisation of equipment manufacturing industry of China depends on the development of its machine tool industry. We must enhance the manufacturing capacity of our machine tool to support the development of equipment manufacturing industry. Besides, the price for heavy machine tools is very high as the international market is dominated by few manufacturers. The Group intends to take the opportunity to develop heavy, precise and efficient machine tool products to establish a presence in the heavy and high-end market and provide advanced machine tools for the equipment manufacturing industry.

In order to seize opportunities of the developing market of CNC machine tools, the Group has manufactured its own CNC system and CNC machine tool products through acquisition and research and development. The Group possessed the proprietary intellectual property rights of its self-developed CNC system and machine tools and its products include vertical machining centre and five-axis CNC milling machine such as high-speed CNC engraving and milling machine. Its key technology, high-end CNC machine tool technology, was further strengthened by capitalising on the technology platform of the Group.

During the period under review, the Group participated in the 14th China International Machine Tool Show (CIMT2015), one of the four largest international machine tool shows in the world, held in China International Exhibition Center, Beijing on 20 April 2015.

In response to the show's theme of "New change to Future" and to keep up with the development of the world, the Group grandly launched its two new models, i.e. the flexible manufacturing system and the five-axis high-speed advanced fiber optic laser machine, on the show, and the new models have attracted a great deal of attention from users and peers not only on account of their outstanding appearances, but also on account of their unique design concept.

During the period under review, the Group provided CNC machine tool products to customers through various subsidiaries and recorded sales revenue of approximately RMB73,628,000 (30 June 2014: RMB83,507,000), representing a decrease of 11.8% as compared with the corresponding period last year.

4. Diesel engine product industry

In order to optimise the application of marine gear transmission equipment, the Group acquired Nantong Diesel Engine Co., Ltd. ("Nantong Diesel"), which is located in Nantong city of Jiangsu province that lies in the developed Yangtze delta area.

Nantong Diesel, formerly known as Nantong Diesel Engine Factory, was first established in 1958. The company was reformed as a state-owned stock company approved by Organization Reformation Committee of Jiangsu Province in 1993 and then as a non-state-owned stock company in 2003 based on withdrawal of state-owned capital stock. It was strategically restructured with the Company in 2010 as a subsidiary of the Group.

The products of Nantong Diesel cover a wide range of models, including marine diesel engines, diesel engines for power generation and gas engines.

Its products possess proprietary intellectual property rights and have been recognised as "Famous Brand Product of the Fishery Vessel & Machine Field in China", "National Key New Product", "Key Protective Product of Jiangsu Province" and "Reliable Product of Jiangsu Province". It was also awarded "Scientific & Technological Progress Prize of State Mechanical Industry".

During the period under review, the Group's sales revenue from diesel engines amounted to approximately RMB63,419,000 (30 June 2014: RMB79,701,000), representing a decrease of 20.4% as compared with the corresponding period 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 RMB926,328,000 (30 June 2014: RMB729,390,000), an increase of 27.0% as compared with the corresponding period last year, accounting for 19.5% of total sales (30 June 2014: 18.5%) and representing an increase of 1.0% to total sales over the corresponding period last year. At present, the overseas customers of the Group are mainly from the U.S., and there are also customers from other countries including India, Japan and Europe. As the economies in Europe and the U.S. were yet to be fully recovered during the period under review, the Group also explored overseas market with different types of products.

PROSPECTS

Looking back to the first half of 2015, the overall global economic recovery was slower than expected, and the overall economic growth remained moderate but with clear differentiation. Among the major economies, economic fundamentals of the United States remained strong and a pickup in economic growth was expected to happen in the third or fourth quarter, and therefore an interest rate hike was considered to be inevitable. The overall economic conditions of the Eurozone were improving and the exposure of banks in Eurozone to the Greek banking system risk was substantially reduced. The international energy prices remained at low levels and the decline in the Russian economy was alleviated gradually. As a representative of the emerging markets, China's macroeconomic conditions remained within a reasonable range, and the key indicators were showing signs of gradual and stable improvement.

In respect of the wind power industry, according to the statistics on China's installed wind power capacity in the first half year released by the Chinese Wind Energy Association, there will be a turnaround in the operational momentum of the wind power sector during the year. In the first half of 2015, the additional national grid-connected wind power capacity was 9,160,000 kW and the national cumulative grid-connected wind power capacity reached 105,530,000 kW at the end of June, which represented a cumulative grid-connected capacity growth of 27.6% over the same period last year. Under the development trend of energy saving and carbon emission reduction and environmental protection, and also driven by the adjustment of new energy development strategies and relevant supporting policies, the domestic installed wind power capacity continued to increase, making the wind turbines manufacturing sector a new source of growth for the new energy equipment manufacturing industry.

In the first half of 2015, the Group continued to supply wind power generation gear transmission equipment of 1.5 MW, 2 MW, 3MW to customers, actively facilitated research and development of wind power transmission equipment and optimized the production technical process to strengthen the development of wind power equipment business, a large number of orders and substantial delivery volume were recorded in the first half of 2015. As at 30 June 2015, sales revenue from wind power products of the Company was RMB3,744,553,000, representing an increase of 34.3% as compared with the corresponding period last year and a remarkable growth year-on-year.

During the period under review, in addition to focusing on the improvement of wind power equipment business, the Group shifted its focus back to the traditional industrial gear transmission equipment segment. During the past year and the Period under Review, allocation of resources was optimized through divestment of the steel plant and coal mining machinery businesses by way of spin-off and disposal. In light of the equipment industry was still under oversupply, the Group's industrial gear equipment business realized a turnover of RMB724,379,000, representing a decrease of 11.9% as compared with the same period last year, but the gross profit margin increased to 17.5%.

With respect to business expansion, the Group keeps in pace with the popularization trend of high-speed railways and light rails in the PRC. The stable development of transmission equipment for high-speed locomotives, metros and urban light rails has laid a solid foundation for us to further expand the rail transportation equipment market. In respect of marine products, as one of the largest manufacturers of ship propulsion system in the PRC and the only manufacturer of marine supplementary products in the PRC capable of providing global shipment and global warranty services, the Group has made continuous improvement on the structure and performance of its existing marine products, and has timely developed gear products which meet the latest market demands, which has opened a new channel to expand the marine equipment market.

In addition, the Group's sapphire substrate production technology and its production capacity maintain a leading position within the industry, and the technology is currently widely used in the lighting industry. For applications in electronic products, the Group's product samples have been delivered to domestic and overseas famous mobile phone and tablet manufacturers for testing, so far positive responses have been received from manufacturers of electronic products on their satisfaction on our product.

While reinforcing the domestic market, the Group also actively proceeds with the global sustainable development strategy and has established a number of wholly-owned subsidiaries overseas. In addition to provide overseas customers with technological support and maintenance service, an important platform is also built to acquire more overseas customers of premium quality.

Looking ahead in future, the Group will persist in enhancing the quality and economies of scale of the core businesses continuously, optimize the development strategies of other businesses and global distribution. In the wind power transmission equipment business, product quality will be given top priority by the Group as we always did, and we'll strive to provide industry leading research and development technology and premium quality products to more domestic and overseas customers. The Group has communicated with international large-scale wind turbine manufacturers for the establishment of cooperative relationship, with a view to realize mass production of wind power transmission equipment products next year.

Meanwhile, the Group will also focus on industrial gear products as another core business, through the recruitment of professional technical talents and quality control personnel, competitiveness of the traditional gear transmission equipment business will be further enhanced, and the focus of development will return to construction equipment, milling machine and locomotive transmission equipment products to continue expanding and strengthening the business segment of industrial gear products. For other business segments, the Group will adopt prudent and pragmatic strategies to promote the development of electronic and electric control businesses. Particularly, with further and extensive market recognition of the LED sapphire substrate business, the Group will capture market opportunities under the favourable circumstances of the current stage to further increase the market share of the sapphire substrate business.

Looking forward in the second half year, stable growth of the macro-economy will basically remain unchanged. At the same time, with the launching of a number of favourable policies by the state government, the wind power industry will enter a stable growth period in the coming years. The Group will continue to follow movements in the product market closely, adapt to the new form of economic development actively, enhance product quality and economies of scale, as well as to enlarge market shares in the international markets at the same time, boosting profitability of the Group's core business to a new high level.

FINANCIAL PERFORMANCE

Sales revenue of the Group for the period under review increased by 20.4% to approximately RMB4,751,493,000.

	Revenue Six months ended 30 June		
	2015	**2014**	**Change**
	RMB'000	*RMB'000*	
Gear Segment	4,468,932	3,609,849	23.8%
— Wind Gear Transmission Equipment	3,744,553	2,788,054	34.3%
— Industrial Gear Transmission Equipment	724,379	821,795	-11.9%
— Gear Transmission Equipment for Construction Materials	134,673	174,882	-23.0%
— Gear Transmission Equipment for Bar-rolling, Wire-rolling and Plate-rolling Mills	137,815	160,749	-14.3%
— Transmission Equipment for High-speed Locomotives, Metros and Urban Light Rails	81,663	69,904	16.8%
— General Purpose Gear Transmission Equipment	29,836	29,438	1.4%
— High-speed Heavy-load Gear Transmission Equipment	6,568	4,630	41.9%
— Other products	333,824	382,192	-12.7%
Marine Gear Transmission Equipment	145,514	174,420	-16.6%
CNC Products	73,628	83,507	-11.8%
Diesel Engine Products	63,419	79,701	-20.4%
Total	4,751,493	3,947,477	20.4%

Revenue

The Group's sales revenue for the six months ended 30 June 2015 was approximately RMB4,751,493,000, representing an increase of 20.4% as compared with the corresponding period last year. The increase was mainly due to a rebound in both customer orders for and shipments of wind power gear box products during the period under review. The average selling price of wind power gear boxes equipment remained stable during the period under review. Sales revenue from wind gear transmission equipment increased from approximately RMB2,788,054,000 for the corresponding period last year to approximately RMB3,744,553,000 for the period under review, representing an increase of 34.3%.

During the period under review, sales revenue from industrial transmission products was approximately RMB724,379,000, representing a decrease of 11.9% as compared with the corresponding period last year. The Group's sales revenue from marine gear transmission equipment was approximately RMB145,514,000, representing a decrease of 16.6% as compared with the corresponding period last year. During the period under review, the Group's sales revenue from CNC products and diesel engine products were approximately RMB73,628,000 and RMB63,419,000, representing a decrease of 11.8% and 20.4% as compared with the corresponding period last year, respectively.

Gross profit margin and gross profit

The Group's consolidated gross profit margin for the six months ended 30 June 2015 was approximately 29.6% (30 June 2014: 25.6%), representing an increase of 4.0% as compared with the corresponding period last year. Consolidated gross profit for the period under review reached approximately RMB1,408,377,000 (30 June 2014: RMB1,010,371,000), representing an increase of 39.4% as compared with the corresponding period last year. The increases in both consolidated gross profit margin and consolidated gross profit were mainly due to the substantial increase in sales revenue of wind gear transmission equipment during the period under review, which also indicated that the Group reached the stage of economies of scale.

Other income, other gains and losses

The total amount of other income of the Group for the six months ended 30 June 2015 was approximately RMB77,185,000 (30 June 2014: RMB241,331,000), representing a decrease of 68.0% as compared with the corresponding period last year. Other income is mainly comprised of bank interest income, government grants and sales of scraps and materials.

During the period under review, other gains and losses recorded a net gain of approximately RMB32,483,000 (30 June 2014: a net loss of RMB128,404,000), mainly comprised of gain on disposal of a subsidiary, foreign currency exchange loss, loss in fair value of financial liabilities at fair value through profit or loss and gain on disposal of fixed assets.

Distribution and selling costs

The distribution and selling costs of the Group for the six months ended 30 June 2015 were approximately RMB139,097,000 (30 June 2014: RMB130,455,000), representing an increase of 6.6% as compared with the corresponding period last year. The expenses mainly represented product packaging expenses, transportation expenses and staff costs. The percentage of distribution and selling costs to sales revenue for the period under review was 2.9% (30 June 2014: 3.3%), representing a decrease of 0.4% as compared with the corresponding period last year.

Administrative expenses

Administrative expenses of the Group decreased from approximately RMB316,724,000 for the six months ended 30 June 2014 to approximately RMB292,420,000 for the six months ended 30 June 2015, mainly due to the decrease in maintenance fee, professional consultation fees and staff costs.The percentage of administrative expenses to sales revenue decreased by 1.8% to 6.2% as compared with the corresponding period last year.

Other expenses

Other expenses of the Group for the six months ended 30 June 2015 were RMB20,590,000 (30 June 2014: RMB67,935,000), the decrease was mainly due to the decrease in impairment of trade receivables and impairment of intangible assets.

Finance costs

The finance costs of the Group for the six months ended 30 June 2015 was approximately RMB317,489,000 (30 June 2014: RMB351,642,000), representing a decrease of 9.7% as compared with the corresponding period last year, which was mainly due to the decrease in bank loans.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2015, the equity attributable to owners of the Company amounted to approximately RMB9,210,652,000 (31 December 2014: RMB8,688,371,000), representing an increase of 6.0% as compared with that at the beginning of the year. The Group had total assets of approximately RMB24,824,636,000 (31 December 2014: RMB25,299,504,000), representing a decrease of approximately RMB474,868,000, or 1.9%, as compared with that at the beginning of the year. Total current assets were approximately RMB16,677,571,000 (31 December 2014: RMB17,659,342,000), representing a decrease of 5.6% as compared with that at the beginning of the year and accounting for 67.2% of the total assets (31 December 2014: 69.8%). Total non-current assets were approximately RMB8,147,065,000 (31 December 2014: RMB7,640,162,000), representing an increase of approximately 6.6% as compared with that at the beginning of the year and accounting for 32.8% of the total assets (31 December 2014: 30.2%).

As at 30 June 2015, total liabilities of the Group were approximately RMB15,480,135,000 (31 December 2014: RMB16,429,402,000), representing a decrease of RMB949,267,000, or 5.8% as compared with that at the beginning of the year. Total current liabilities were approximately RMB12,309,186,000 (31 December 2014: RMB13,186,368,000), representing a decrease of 6.7% as compared with that at the beginning of the year. Total non-current liabilities were approximately RMB3,170,949,000 (31 December 2014: RMB3,243,034,000), representing a decrease of 2.2% as compared with that at the beginning of the year.

As at 30 June 2015, the net current assets of the Group were approximately RMB4,368,385,000 (31 December 2014: RMB4,472,974,000), representing a decrease of RMB104,589,000, or 2.3%, as compared with that at the beginning of the year.

As at 30 June 2015, total cash and bank balances of the Group were approximately RMB5,563,044,000 (31 December 2014: RMB5,503,305,000), representing an increase of RMB59,739,000, or 1.1%, as compared with that at the beginning of the year. Total cash and bank balances include pledged bank deposits of RMB3,369,060,000 (31 December 2014: RMB2,756,201,000) and structured bank deposits of RMB377,000,000 (31 December 2014: RMB1,097,399,000).

As at 30 June 2015, the Group had total bank loans of approximately RMB8,037,748,000 (31 December 2014: RMB10,938,771,000), representing a decrease of RMB2,901,023,000, or 26.5%, as compared with that at the beginning of the year, of which short-term bank loans were RMB5,086,909,000 (31 December 2014: RMB7,971,209,000), accounting for approximately 63.3% (31 December 2014: 72.9%) of the total bank loans. The short-term bank loans are repayable within one year. The fixed or floating interest rates of the Group's bank loans for the first half of 2015 ranged from 1.48% to 9.74% per annum.

Taking into account of the internal financial resources of and the banking facilities available to the Group, and the net current assets of RMB4,368,385,000, the Directors of the Company believe that the Group will have sufficient funds 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 64.9% as at 31 December 2014 to 62.4% as at 30 June 2015, mainly due to the decrease in bank loans.

Capital structure

The Group's operations were financed mainly by shareholder's equity, banking facilities 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, Hong Kong dollars and U.S. dollars. The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 30 June 2015 amounted to approximately HK$430,520,000 and US$60,000,000, respectively.

During the period under review, the Group's borrowings with fixed interest rates to total borrowings was approximately 87.9%.

PLEDGE OF ASSETS

Save as disclosed in note 13 to the condensed consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2015.

OTHER SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Board did not recommend payment of an interim dividend for the six months ended 30 June 2015.

FOREIGN EXCHANGE RISK

The Group's operations are mainly conducted in the PRC. With the exception of export sales and the imported equipment, spare parts and materials which are transacted in U.S. dollars and Euros, most of the Group's revenue and expense are denominated in Renminbi. Therefore, the Board of the Company is of the view that the Group's operating cash flow and liquidity during the period under review are not subject to significant foreign exchange rate risks. The Group has not used any foreign currency derivatives to hedge against the exposure in foreign exchange.

The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 30 June 2015 amounted to approximately HK$430,520,000 and US$60,000,000, respectively. Therefore, the Group may be exposed to certain foreign exchange rate risks.

The net loss on foreign exchange recorded by the Group for the period under review was approximately RMB15,433,000 (30 June 2014: RMB3,525,000), which was mainly due to the appreciation of the Renminbi against major foreign currencies during the period under review. In light of the above, the Group will actively manage the net amount of its foreign currency assets and liabilities by formulating foreign currency control measures and strategies, with a view to reducing its exposures to foreign exchange rate risks in 2015.

INTEREST RATE RISK

The loans of the Group are mainly sourced from bank loans and medium term notes. Therefore, the benchmark lending rate announced by the People's Bank of China, the London Interbank Offered Rate and the Hong Kong Interbank Offered Rate will have a direct impact on the Group's cost of debt and future changes in interest rate will also have certain impacts on the Group's cost of debt. The Group will strive to reduce the finance cost by actively monitoring the changes in credit policies, taking pre-emptive actions, strengthening capital management and expanding financing channels.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had approximately 8,398 employees (30 June 2014: 8,979). Staff costs of the Group for the first half of 2015 were approximately RMB683,542,000 (30 June 2014: RMB622,844,000). The costs included basic salaries, discretionary bonuses and staff benefits such as medical and insurance plans, pension schemes, unemployment insurance plans, etc.

CORPORATE GOVERNANCE

The Board recognises the importance of corporate governance practices to the success of a listed company. The Company is committed to achieving a high standard of corporate governance in the interest of the shareholders of the Company.

For the six months ended 30 June 2015, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviation from code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and code provision A.6.7 which states that non-executive Directors should attend general meetings of shareholders of the Company.

Mr. Hu Yueming is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person is beneficial to the business development and management of the Group. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this arrangement will enable the Company to make and implement decisions promptly and efficiently.

The Company's Chairman and Chief Executive Officer, most of the independent non-executive Directors, Chairman of the Audit Committee, Chairman of the Remuneration Committee, Chairman of the Nomination Committee and external auditors have attended the 2014 Annual General Meeting of the Company, except Mr. Zhu Junsheng, an independent non-executive Director, who was absent from the 2014 Annual General Meeting due to the fact that he had to deal with other important matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as its internal code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months period ended 30 June 2015.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant event took place subsequent to 30 June 2015.

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

Hong Kong, 28 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Liu Jianguo, Mr. Liao Enrong, Mr. Gou Jianhui, Mr. Wang Zhengbing, Mr. Zhou Zhijin and Mr. Hu Jichun; and the independent non-executive directors are Mr. Zhu Junsheng, Mr. Jiang Xihe, Mr. Chen Shimin and Ms. Jiang Jianhua.

** For identification purposes only*