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)

INTERIM REPORT 2015

* For identification purpose only

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Yueming *(Chairman and Chief Executive Officer)*
Mr. Chen Yongdao
Mr. Liu Jianguo
Mr. Liao Enrong
Mr. Gou Jianhui
Mr. Wang Zhengbing
Mr. Zhou Zhijin
Mr. Hu Jichun

Independent non-executive Directors

Mr. Jiang Xihe
Mr. Zhu Junsheng
Mr. Chen Shimin
Ms. Jiang Jianhua

AUDIT COMMITTEE

Mr. Jiang Xihe *(Chairman)*
Mr. Zhu Junsheng
Mr. Chen Shimin

REMUNERATION COMMITTEE

Mr. Chen Shimin *(Chairman)*
Mr. Jiang Xihe
Mr. Chen Yongdao

NOMINATION COMMITTEE

Mr. Hu Yueming *(Chairman)*
Mr. Zhu Junsheng
Mr. Jiang Xihe

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
George Town
Grand Cayman KY1-1002
Cayman Islands

AUDITOR

Deloitte Touche Tohmatsu

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1302, 13th Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Liao Enrong
Mr. Lui Wing Hong, Edward

PRINCIPAL BANKERS

China Construction Bank
ICBC
China Minsheng Bank
China Merchants Bank
SPD Bank
BNP Paribas
Citibank
Australia and New Zealand Bank

WEBSITE

www.chste.com

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")
(Stock Code: 00658)

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2015 RMB'000 (Unaudited)	Six months ended 30 June 2014 RMB'000 (Unaudited & restated)	Changes
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)	Changes
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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China High Speed Transmission Equipment Group Co., Ltd. (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 RMB6,568,000 (30 June 2014: RMB4,630,000) and RMB29,836,000 (30 June 2014: RMB29,438,000) 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 RMB134,673,000 (30 June 2014: RMB174,882,000), RMB137,815,000(30 June 2014: RMB160,749,000) and RMB333,824,000 (30 June 2014: RMB382,192,000) 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. ("Nanjing High Speed"), 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 advanced 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 at 30 June 2015, a total of 312 patents were granted by the State. In addition, 40 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 ISO9001:2008 Quality Management System Certification, ISO14001:2004 Environmental Management System Certification and GB/T28001-2001 Occupational Health and Safety Management System Certification. Nanjing Marine, a wholly-owned subsidiary of the Company, has strictly complied with international standards and the requirements of various classification societies in designing and manufacturing marine products. Its products have passed the inspection of and obtained certifications from classification societies such as China Classification Society (CCS), Bureau Veritas (BV), Germanischer Lloyd (GL), American Bureau of Shipping (ABS), Lloyd's Register of Shipping (LR), Registro Italiano Navale (RINA), Det Norske Veritas (DNV), Russian Maritime Register of Shipping (RMRS) and Nippon Kaiji Kyokai (NK). The wind power products manufactured by Nanjing High Speed, a wholly-owned subsidiary of the Company, have obtained certifications from China Classification Society (CCS), China General Certification Center (CGC), Technischer Uberwachungs-Verein (TUV), Germanischer Lloyd (GL) and DEWI-OCC Offshore and Certification Centre in Germany. Its rail transportation products have obtained certifications from International Railway Industry Standard (IRIS). Locomotive tractive gears have successfully passed the certification of China Railway Test & Certification Centre (CRCC).

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 1.5MW, 2MW, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2015.

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 **RMB'000**	2014 RMB'000	Change
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%

MANAGEMENT DISCUSSION AND ANALYSIS

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%).

MANAGEMENT DISCUSSION AND ANALYSIS

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 20 to the condensed consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2015.

CONTINGENT LIABILITIES

Save as disclosed in note 24 to the condensed consolidated financial statements, as at 30 June 2015, the Directors were not aware of any other material contingent liabilities.

COMMITMENTS

As at 30 June 2015, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment and land use rights of approximately RMB538,300,000 (31 December 2014: RMB536,465,000), and capital expenditure authorized but not contracted for in respect of acquisition of land use rights of approximately RMB253,260,000 (31 December 2014: nil). Details are set out in note 19 to the condensed consolidated financial statements.

FOREIGN EXCHANGE RISK

The Group's operations are mainly conducted in the PRC. With the exception of export sales and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

The remuneration committee of the Company is responsible 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 Director and senior management and the remuneration of non-executive Directors.

The Group's criteria in relation to the determination of directors' remuneration take into consideration various factors, such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The salary levels of employees are generally determined by reference to the employees' positions, responsibilities and performance as well as the Group's financial performance. In addition to salaries, the Group provides housing allowances to some of its employees. The Group also offers incentive programmes to encourage its employees to take initiatives and rewards employees who have made valuable contributions or achieved technical breakthroughs. The Group's employees are rewarded for their creative achievements in technology and technical skills, information management, product quality and enterprise management.

The Group has adopted incentive programs (including share option scheme) to encourage employee performance and a range of training programs for the development of its staff.

PENSION SCHEME

The employees of the Group 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 benefits. The sole responsibility of the Group in respect of this pension scheme is to make specific contribution to this scheme.

SIGNIFICANT INVESTMENT HELD

There was no significant investment held by the Group during the period under review.

MATERIAL ACQUISITION AND DISPOSAL

On 20 January 2015, the Company's wholly-owned subsidiary, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. (南京高精傳動設備製造集團有限公司) ("Nanjing Drive") entered into the Disposal Agreement with the Purchaser, pursuant to which Nanjing Drive agreed to sell or procure the sale to the Purchaser's nominee (Nanjing Drive agreed to sell and procure the sale of its 60% interest and the 20% interest held by three minority shareholders in Zhong-Chuan Heavy Duty Equipment Co., Ltd. (中傳重型裝備有限公司) ("ZC Heavy Equipment") and the Purchaser agreed to procure the purchase of the 80% interest in ZC Heavy Equipment and the 100% interest in Nanjing Gaote Gear Box Manufacturing Co., Ltd. (南京高特齒輪箱製造有限公司) ("Gaote") for an aggregate consideration of RMB500 million, of which RMB50 million shall be vested in the three minority shareholders mentioned above. In addition, the Purchaser shall repay or procure the repayment of the Relevant Debt of RMB1,000 million to Nanjing Drive. After the disposal, the Company will hold 8% interest in ZC Heavy Equipment and ZC Heavy Equipment will therefore no longer be a subsidiary of the Company. Details are set out in the Company's announcement dated 21 January 2015.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the period under review.

In addition, on 14 March 2015, Nanjing High Speed, a subsidiary of the Group, entered into an agreement (the "Land Resumption Agreement") with the district government of Jiangning (the "Jiangning Government"). Pursuant to the Land Resumption Agreement, Nanjing High Speed would return and the Jiangning Government would resume the land on which one of the plants currently owned by Nanjing High Speed is located (the "Resumed Land") by the end of 2016 at a compensation of RMB1.3 billion (before deducting relevant expenses). The compensation amount would be payable by three instalments, with the first instalment of RMB300 million payable on or before 25 March 2015, the second instalment of RMB400 million payable on or before 30 September 2015, and the last instalment of RMB600 million payable when the Resumed Land, subsequent to the resumption by the Jiangning Government, are successfully sold by auction. For details, please refer to the Company's announcement dated 8 April 2015.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at the date of this report, the Group did not enter into any agreement in respect of any proposed acquisitions and did not have any other future plans relating to material investment or capital asset.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant event took place subsequent to 30 June 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

BOARD OF DIRECTORS

Mr. Hu Yueming, Mr. Liu Jianguo, Mr. Zhu Junsheng and Ms. Jiang Jianhua were re-elected as Directors by shareholders at the 2014 Annual General Meeting held on 26 June 2015 with a term of three years commencing from 26 June 2015.

Mr. Gou Jianhui, Mr. Wang Zhengbing, Mr. Zhou Zhijin and Mr. Hu Jichun were appointed as executive Directors of the Company by the Board on 26 June 2015, the initial term of office for each of the above executive Directors was three years with effect from 27 June 2015 subject to retirement and re-election at the next annual general meeting of the Company (thereafter retirement by rotation).

CORPORATE GOVERNANCE AND OTHER INFORMATION

As at the date of this interim report, the members of the Board were as follows:

Executive Directors

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

Mr. Chen Yongdao

Mr. Liu Jianguo

Mr. Liao Enrong

Mr. Gou Jianhui

Mr. Wang Zhengbing

Mr. Zhou Zhijin

Mr. Hu Jichun

Independent Non-executive Directors

Mr. Jiang Xihe

Mr. Zhu Junsheng

Mr. Chen Shimin

Ms. Jiang Jianhua

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

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

The audit committee comprises three members, namely Mr. Jiang Xihe, Mr. Zhu Junsheng and Mr. Chen Shimin, all of which are independent non-executive Directors. Mr. Jiang Xihe is the chairman of the audit committee.

The Group's 2015 interim report and unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been reviewed by the audit committee. The audit committee considered that the financial statements are in compliance with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

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

In order to allow Mr. Liu Jianguo to focus on the business operation of the Group, Mr. Chen Yongdao has been appointed as a member of the remuneration committee of the Company with effect from 27 June 2015 in place of Mr. Liu Jianguo.

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 Director 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. The nomination committee comprises three members, namely Mr. Hu Yueming, Mr. Zhu Junsheng and Mr. Jiang Xihe, majority of whom are independent non-executive Directors. Mr. Hu Yueming, the Chairman of the Company, acts as 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES

As at 30 June 2015, none of the Directors or the chief executive 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 ("SFO")) which would be required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code contained in the Listing Rules.

During the reporting period, save as disclosed in this report, none of the Directors and the chief executive or their associates had any interest in the securities of the Company or its associated corporations (within the meaning of the SFO). None of the Directors and the chief executive, or their spouses or children under 18 had any right to subscribe securities of the Company or had exercised such rights.

During any time in the reporting period, none of the Company, its holding company or its subsidiaries entered into any arrangements to allow the Directors or the chief executive of the Company to benefit by acquiring shares or bonds of the Company or other body corporate.

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

As at 30 June 2015, the following persons, other than the Directors or chief executive 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 SFO or which were recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interests	Number of securities held	Approximate percentages to the equity (%)
Fortune Apex Limited (Note 1)	Beneficial owner	458,073,024 (long position)	28.01 (long position)
Glorious Time Holdings Limited (Note 2)	Held by controlled corporation	145,962,000 (long position)	8.93 (long position)

Note:

(1) As at 30 June 2015, Fortune Apex Limited owns 28.01% interest in the issued share capital of the Company. Messrs. Hu Yueming, Liu Jianguo, Lu Xun, Chen Yongdao, Li Cunzhang*, Li Shengqiang, Liao Enrong, Jin Maoji, Yao Jingsheng, Chen Zhenxing, Zhang Xueyong, Xu Yong, Wang Zhengrong and Chen Liguo (collectively, the "Management Shareholders") together own 100% interest in the issued share capital of Fortune Apex Limited. The following table sets out the shareholdings of each of the Management Shareholders in Fortune Apex Limited:

	Name	Shareholdings
1	Mr. Hu Yueming (executive Director)	30.3813%
2	Mr. Liu Jianguo (executive Director)	12.3989%
3	Mr. Lu Xun (executive Director)	10.4520%
4	Mr. Chen Yongdao (executive Director)	10.5343%
5	Mr. Li Cunzhang*	8.8945%
6	Mr. Li Shengqiang (executive Director)	8.9725%
7	Mr. Liao Enrong (executive Director)	5.3422%
8	Mr. Jin Maoji (executive Director)	5.9195%
9	Mr. Yao Jingsheng	2.5678%
10	Mr. Chen Zhenxing	0.9091%
11	Mr. Zhang Xueyong	1.1286%
12	Mr. Xu Yong	0.7376%
13	Mr. Wang Zhengrong	0.6792%
14	Mr. Chen Liguo	1.0825%
	Total	100.0000%

* Mr. Li Cunzhang passed away on 10 August 2007.

However, none of them singly controls more than one-third of the voting power at general meetings of Fortune Apex Limited and neither Fortune Apex Limited nor its directors are accustomed or obliged to act in accordance with directions or instructions of any single member of the Management Shareholders.

(2) Glorious Time Holdings Limited is a company incorporated in the British Virgin Islands, whose ultimate beneficial owner is Mr. Ji Chang Qun.

Save as disclosed above and so far as the Directors are aware of, as at 30 June 2015, there was no other person, other than the directors or chief executive 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 SFO, or which would be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 8 June 2007 pursuant to the written resolutions of all shareholders of the Company, which will expire on 8 June 2017. The share option scheme is a share incentive scheme and is established to recognize and acknowledge the contributions of the eligible participants who have had or may have made to the Group. The share option scheme will provide the eligible participants an opportunity to have a personal stake in the Company with the view to (i) motivating the eligible participants to optimize their performance and efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Options granted must be taken up within 12 months from the date of grant, upon payment of HK$1 per option. Options may be exercised at any time prior to the expiry from 10 years from the date of acceptance. The exercise price is determined by the Directors of the Company, and must be at least the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. Share options do not confer rights to the holders to receive dividends or vote at shareholder's meetings.

The Company had no share options granted as at 30 June 2015.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA HIGH SPEED TRANSMISSION EQUIPMENT GROUP CO., LTD.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China High Speed Transmission Equipment Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 52, which comprises the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2015

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)	30.06.2014 RMB'000 (Unaudited & restated)
Revenue	3	**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	4	**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	5	**(163,853)**	(35,852)
Profit for the period	6	**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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2015

	NOTES	Six months ended 30.06.2015 RMB'000 (Unaudited)	30.06.2014 RMB'000 (Unaudited & 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	8		
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	9	**5,655,205**	5,939,512
Prepaid lease payments	9	**586,106**	596,690
Goodwill		**2,991**	2,991
Intangible assets	10	**220,981**	230,534
Interests in associates		**158,764**	165,905
Interests in joint ventures	11	**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	9	**302,820**	115,832
Deferred tax assets		**131,012**	117,200
Held-to-maturity financial assets	12	**503,919**	—
		8,147,065	7,640,162
CURRENT ASSETS			
Inventories		**2,101,235**	2,275,180
Prepaid lease payments	9	**14,190**	13,849
Trade and other receivables	13	**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	14	**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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2015

	NOTES	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	15	5,658,503	4,279,154
Amounts due to associates		1,818	96,089
Tax liabilities		133,973	43,067
Borrowings	16	5,086,909	7,971,209
Financial liabilities at fair value through profit or loss	17	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	16	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	18	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Deemed capital contribution reserve RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014 (audited)	119,218	5,010,141	77,651	157,765	(9,446)	366,125	52,335	(1,174)	(1,529)	2,742,791	8,513,877	247,824	8,761,701
Profit (loss) for the period (as restated)	—	—	—	—	—	—	—	—	—	175,548	175,548	(19,057)	156,491
Other comprehensive income (expense) for the period	—	—	—	—	(7,666)	—	—	88	177	—	(7,401)	—	(7,401)
Total comprehensive income (expense) for the period (as restated)	—	—	—	—	(7,666)	—	—	88	177	175,548	168,147	(19,057)	149,090
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	7,900	7,900
Capital contributions by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	12,980	12,980
Acquisition of additional interest in subsidiaries	—	—	—	(4,066)	—	—	—	—	—	—	(4,066)	(3,133)	(7,199)
At 30 June 2014 (unaudited & restated)	119,218	5,010,141	77,651	153,699	(17,112)	366,125	52,335	(1,086)	(1,352)	2,918,339	8,677,958	246,514	8,924,472
At 1 January 2015 (audited)	119,218	5,010,141	77,651	149,289	(36,468)	366,306	52,335	(1,133)	—	2,951,032	8,688,371	181,731	8,870,102
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	524,168	524,168	(14,965)	509,203
Other comprehensive expense for the period	—	—	—	—	(3,195)	—	—	—	—	—	(3,195)	—	(3,195)
Total comprehensive (expense) income for the period	—	—	—	—	(3,195)	—	—	—	—	524,168	520,973	(14,965)	506,008
Acquisition of a subsidiary	—	—	—	—	—		—	—	—	—	—	(31)	(31)
Disposal of subsidiaries	—	—	—	449	—	(7,603)	(11,422)	—	—	18,576	—	(33,038)	(33,038)
Capital contributions by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	1,960	1,960
Acquisition of additional interest in subsidiaries	—	—	—	1,308	—	—	—	—	—	—	1,308	(1,808)	(500)
At 30 June 2015 (unaudited)	119,218	5,010,141	77,651	151,046	(39,663)	358,703	40,913	(1,133)	—	3,493,776	9,210,652	133,849	9,344,501

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	NOTES	Six months ended	
		30.06.2015	30.06.2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Net cash from (used in) operating activities		2,815,448	(925,583)
Net cash used in investing activities			
Placement of pledged bank deposits		(5,255,634)	(2,444,087)
Purchase of property, plant and equipment		(26,943)	(288,383)
Additions of intangible assets		(6,203)	(44,022)
Purchase of available-for-sale investments		(61,483)	—
Purchase of investment in interest bearing instruments		—	(252,741)
Prepayment for acquisition of property, plant and equipment		(186,988)	(231,182)
Withdrawal of pledged bank deposits		4,642,775	1,683,526
Proceeds on disposal of available-for-sale investments		—	4,374
Government grants related to non-current assets		17,090	3,960
Interest received		29,838	68,645
Proceeds on disposal of property, plant and equipment		39,207	2,163
Inflow from acquisition of a subsidiary		69	60,343
Inflow (Outflow) from disposal of subsidiaries	22	401,236	(30,189)
Acquisition of interest in an associate		(734)	—
Capital injection in a subsidiary		—	(96,085)
Placement of structured bank deposits		(377,000)	(2,080)
Withdrawal of structured bank deposits		1,107,109	200,000
Proceeds from disposal of an associate		—	740
Purchase of held-to-maturity financial assets		(500,000)	—
		(177,661)	(1,365,018)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

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)
Net cash (used in) from financing activities			
New bank borrowings raised		**2,610,908**	7,710,819
Capital contribution by non-controlling shareholders		**1,960**	12,980
Repayment of bank borrowings		**(5,511,207)**	(6,222,735)
Interest paid		**(337,337)**	(382,498)
Acquisition of additional interest in subsidiaries		**(500)**	(7,199)
Repayment of obligation under finance leases		**(78,050)**	(66,666)
Amounts raised from financial liabilities at fair value through profit or loss		**843,718**	—
		(2,470,508)	1,044,701
Net increase (decrease) in cash and cash equivalents		**167,279**	(1,245,900)
Cash and cash equivalents at 1 January		**1,649,705**	2,235,371
Cash and cash equivalents at 30 June, representing bank balances and cash		**1,816,984**	989,471

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL AND BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 22 March 2005 and its shares are listed on The Stock Exchange of Hong Kong Limited with effect from 4 July 2007.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (same as the functional currency of the Company).

2. 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

3. 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.

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

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	30.06.2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited & 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.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.06.2015	30.06.2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited & 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)

5. TAXATION

	Six months ended	
	30.06.2015	30.06.2014
	RMB'000	RMB'000
	(Unaudited)	(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.

5. TAXATION *(Continued)*

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.

5. TAXATION *(Continued)*

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.

6. 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 & 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**	—

7. 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).

8. 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 & 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.

9. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the six months ended 30 June 2015, there was no significant amount of acquisition of property, plant and equipment. For the six months ended 30 June 2014, the Group acquired property, plant and equipment of RMB730,392,000 for the purpose of expanding the Group's business.

During the six months ended 30 June 2015, the Group prepaid RMB186,988,000 (six months ended 30 June 2014: RMB231,182,000) for acquisition of property, plant and equipment.

At 30 June 2015, the Group is in the process of obtaining property certificates for the buildings with carrying amount of RMB1,285,512,000 (at 31 December 2014: RMB1,330,079,000).

At 30 June 2015, the Group is in the process of obtaining land use rights certificates in respect of medium-term land use rights located in the PRC with carrying amount of RMB220,921,000 (at 31 December 2014: RMB289,961,000).

10. INTANGIBLE ASSETS

During the six months ended 30 June 2015, the Group capitalized development cost of RMB6,203,000 (six months ended 30 June 2014: RMB44,021,000) for the purpose of developing new products.

11. INTERESTS IN JOINT VENTURES

	30.06.2015 RMB'000 (Unaudited)	31.12.2014 RMB'000 (Audited)
Cost of unlisted investments in joint ventures	38,500	10,000
Accumulated share of post-acquisition results, net of dividend received	51,988	45,007
	90,488	55,007

Shandong Energy Machinery Group Zhong-Chuan Heavy Duty Mine Equipment Manufacturing Co., Ltd. ("Shandong Heavy Duty") was previously owned by Zhong-Chuan Heavy Duty Equipment Co., Ltd. ("Zhong-Chuan"), a subsidiary disposed in January 2015 and grouped under assets classified held for sale as at 31 December 2014. Upon the disposal of Zhong-Chuan, the Group acquired the interest in Shandong Heavy Duty from Zhong-Chuan and retained its joint control over Shandong Heavy Duty, details of which is set out in note 22. Shandong Heavy Duty is principally engaged in heavy duty mine equipment.

12. HELD-TO-MATURITY FINANCIAL ASSETS

	2015.06.30 RMB'000 (Unaudited)	2014.12.31 RMB'000 (Audited)
Amortised cost of investment in annuity assurance	503,919	—

At 30 June 2015, the amount represents the investment in annuity assurance for a term of 3 years, and the investment carries an interest of 6.33% per annum.

13. TRADE AND OTHER RECEIVABLES

	30.06.2015 RMB'000 (Unaudited)	31.12.2014 RMB'000 (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 and Nanjing Gaote Group(as defined in note 22), which were disposed during the period, details of which is set out in note 22.

At 30 June 2015 included in other receivables is RMB56,500,000 (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 RMB'000 (Unaudited)	31.12.2014 RMB'000 (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

14. STRUCTURED BANK DEPOSITS

At the end of the reporting period, structured bank deposits represent foreign currency or interest rate or commodity price linked structured bank deposits ("SBDs") placed by the Group to various banks in the PRC for a term ranging from one day to 180 days (31 December 2014: one day to 180 days). Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rate per annum with reference to the performance of foreign currency, interest rate or commodity price during the investment period and the principal sums are denominated in RMB, fixed and guaranteed by the banks.

15. TRADE AND OTHER PAYABLES

	30.06.2015 RMB'000 (Unaudited)	31.12.2014 RMB'000 (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 (see note 25)	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 20.

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

16. 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 20.

17. 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 financial liabilities at fair value through profit or loss 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.

18. SHARE CAPITAL

	Number of shares (in thousand)	Amount US$'000	Equivalent to RMB'000
Ordinary shares of US$0.01 each			
Authorised:			
At 1 January 2014, 31 December 2014 and 30 June 2015 (unaudited)	3,000,000	30,000	234,033
Issued and fully paid:			
At 1 January 2014, 31 December 2014 and 30 June 2015 (unaudited)	1,635,291	16,352	119,218

19. 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	—	—
	253,260	—

20. 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.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

Financial assets/ financial liabilities	Fair value as at 30.06.2015	Fair value as at 31.12.2014	Fair value hierarchy	Basis of fair value measurement/valuation technique and key input
1) Listed equity securities classified as available-for-sale investments in the condensed consolidated statements of financial position	Listed equity securities in Hong Kong: – Manufacturing industry – RMB46,220,000	Listed equity securities in Hong Kong: – Manufacturing industry – RMB49,415,000	Level 1	Quoted bid prices in an active market.
2) Financial liabilities at fair value through profit or loss	Derivative financial liabilities at FVTPL – RMB1,177,298,000	Derivative financial liabilities at FVTPL – RMB327,072,000	Level 2	Based on the quoted prices of the underlying commodity.

At the end of the reporting period, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

22. DISPOSAL OF SUBSIDIARIES

(i) On 20 January 2015, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive"), a subsidiary of the Group, entered into an agreement (the "Disposal Agreement") with a purchaser (the "Purchaser") to dispose of the Group's entire 60% equity interest in Zhong-Chuan and the Group's 100% equity interest in Nanjing Gaote Gear Box Manufactory Co., Ltd ("Nanjing Gaote"). Pursuant to the Disposal Agreement, an aggregate consideration of RMB500 million will be payable by the Purchaser, in which RMB450 million payable to the Group and RMB50 million payable to non-controlling shareholders owning the other 20% interest in Zhong-Chuan. The Purchaser also agreed to repay or procure the repayment of debts of RMB1,000 million owned by Zhong-Chuan and Nanjng Gaote to Nanjing Drive. Before the disposal, Zhong-Chuan owened 100% interest in Shenyang Mingshenghang Enterprise Management Consulting Co., Ltd ("Mingshenghang", Zhong-Chuan together with Mingshenghang are hereinafter referred to as the "Zhong-Chuan Group") and Nanjing Gaote owned 100% interest in Nanjing Jiuyi Heavy Duty Gear Box Manufacturing Co., Ltd ("Nanjing Jiuyi", Nanjing Gaote together with Nanjing Jiuyi are hereinafter referred to as the "Nanjing Gaote Group"). The Disposal Agreement is unconditioned and the disposal of Zhong-Chuan Group and Nanjing Gaote Group was completed on 20 January 2015, on which date the Group lost control of Zhong-Chuan Group and Nanjing Gaote Group. As part of the Disposal Agreement, the Group acquired the 50% equity interest in Shandong Heavy Duty from Zhong-Chuan at a cost consideration of RMB28,500,000.

(ii) During the current period, the Group entered into agreement to withdraw its investment in Tianjin Aokai Laser Technology Co., Ltd ("Tianjin Aokai"). The disposal was completed on 17 March 2015, on which date the Group lost control of Tianjin Aokai.

22. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net assets of Zhong-Chuan Group & Nanjing Gaote Group and Tianjin Aokai at the date of disposal and the resulting gain on disposal recognised were as follows:

	Zhong-Chuan Group & Nanjing Gaote Group RMB'000	Tianjin Aokai RMB'000	Total RMB'000
Net assets disposed of, excluding the joint venture retained	414,334	12,482	426,816
Non-controlling interests	(27,114)	(5,924)	(33,038)
Fair value of the 8% investment retained	(20,000)	—	(20,000)
Gain (loss) on disposal recognised and charged to profit or loss	54,280	(744)	53,536
Net Consideration	421,500	5,814	427,314
Satisfied by:			
Cash	421,500	—	421,500
Deferred cash consideration (Note)	—	5,814	5,814
	421,500	5,814	427,314
Net cash outflow arising on disposal:			
Total cash consideration received	421,500	—	421,500
Bank balances and cash disposed of	(16,301)	(3,963)	(20,264)
	405,199	(3,963)	401,236

Note: Pursuant to the relevant agreements, the deferred consideration will be settled by the buyer on or before 31 December 2015.

23. RELATED PARTY DISCLOSURES

(I) Related party transactions

During the period, the Group entered into the following transactions with related parties:

			Six months ended	
Name of company	**Relationship**	**Nature of transactions**	**30.06.2015 RMB'000 (Unaudited)**	30.06.2014 RMB'000 (Unaudited)
Nanjing Longwin Windpower Equipment Manufacturing Co., Ltd.	Associate	Purchase of goods	**36,598**	33,924
Nanjing High Accurate Construction Equipment Co., Ltd.	Joint venture	Sales of goods	**13,772**	14,463
		Purchase of goods	—	109
Shandong Energy Machinery Group Zhong-Chuan Heavy Duty Mine Equipment Manufacturing Co., Ltd.	Joint venture	Sales of goods	—	5,790
Suzhou Shengchuang Investments Co., Ltd.	Associate	Service fee	—	376
Nantong FLW Agricultural Equipment Co., Ltd.	Associate	Other income	—	5
Nanjing Yuhuatai District Saihong Bridge Office 南京雨花台賽虹橋街道辦事處	Holding company of a non-controlling shareholder of a subsidiary	Rental expenses	**600**	500

23. RELATED PARTY DISCLOSURES *(Continued)*

(II) Related party balances

Details of the Group's outstanding balances with related parties are set out on the condensed consolidated statement of financial position.

At the end of the reporting period, amounts due from(to) joint ventures and amounts due from (to) associates relate to trade balances, except for the amount due from an associate namely Nanjing E-crystal Energy Co., Ltd. ("E-crystal") of RMB100,933,000 (31 December 2014: RMB93,998,000) related to prepayment for purchase of property, plant and equipment. The trade amounts are aged within 180 days. All the amounts are unsecured, interest-free and repayable within 180 days.

(III) Compensation of key management personnel

	Six months ended	
	30.06.2015	30.06.2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	**275**	220
Salaries and other emoluments	**7,350**	7,350
	7,625	7,570

24. 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.

25. OTHER MATTER

On 14 March 2015, Nanjing High Speed entered into an agreement (the "Land Resumption Agreement") with the local district government of Jiangning (the "Jiangning Govenment"). Pursuant to the Land Resumption Agreement, Nanjing High Speed will return and the Jiangning Government will resume the land(together as the "Land Resumption") on which one of the plants currently owned by Nanjing High Speed is located (the "Resumed Land") by the end of 2016 in consideration for amount of RMB1.3 billion payable by the Jiangning Government to the Group. The amount will be payable by three instalments, with the first instalment of RMB300 million payable on or before 25 March 2015, the second instalment of RMB400 million payable on or before 30 September 2015, and the last instalment of RMB600 million payable when the Resumed Land is successfully sold by auction, subsequent to the resumption by the Jiangning Government.

During the period, the Group collected an aggregate RMB600 million from the Jiangning Government, representing the full amount of the first instalment and part of the second instalment. The RMB600 million is principally to compensate for the costs incurred in relation to and as a result of the Land Resumption and is accounted for as government grant for compensation of expenses or losses. During the six months ended 30 June 2015, the Group in accordance with the Group's accounting policy recognised and released a RMB77,280,000 against costs incurred in relation to the Land Resumption. At 30 June 2015, the balance of the RMB523 million is recorded in note 15.

	RMB'000 (Unaudited)
Receipt from the Jiangning Government	600,000
Release and credited to related costs during the period	(77,280)
Balance at 30 June 2015	522,720

26. 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.