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 2016

* For identification purpose only

CONTENTS

	Page
Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Corporate Governance and Other Information	19
Condensed Consolidated Interim Financial Statements	
– Report on Review of Condensed Consolidated Financial Statements	25
– Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	26
– Condensed Consolidated Statement of Financial Position	28
– Condensed Consolidated Statement of Changes in Equity	30
– Condensed Consolidated Statement of Cash Flows	31
– Notes to the Condensed Consolidated Financial Statements	33

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Yueming *(Chairman and Chief Executive Officer)*
Mr. Chen Yongdao
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
COFCO 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. Hu Yueming
Mr. Lui Wing Hong, Edward

PRINCIPAL BANKERS

China Construction Bank
Industrial and Commercial Bank of China
China Minsheng Bank
China Merchants Bank
SPD Bank
Citibank
Australia and New Zealand Bank
BNP Paribas

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 2016 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000 (Unaudited & restated)	Change
Revenue	**4,532,454**	4,751,493	-4.6%
Gross profit	**1,530,825**	1,408,909	8.7%
Profit for the period attributable to the owners of the Company	**575,843**	524,168	9.9%
Basic earnings per share (RMB)	**0.352**	0.321	9.7%

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)	Change
Total assets	**27,315,100**	25,292,081	8.0%
Total liabilities	**17,108,684**	15,317,343	11.7%
Net asset	**10,206,416**	9,974,738	2.3%
Net asset per share (RMB)	**6.2**	6.1	1.6%
Gearing ratio* (%)	**62.6**	60.6	

* 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 six months ended 30 June 2016 (the "**Period Under Review**"), the Group recorded sales revenue of approximately RMB4,532,454,000 (30 June 2015: RMB4,751,493,000), representing a decrease of 4.6% as compared with the corresponding period of 2015. The gross profit margin was approximately 33.8% (30 June 2015: 29.7%). Profit attributable to the owners of the Company was approximately RMB575,843,000 (30 June 2015: RMB524,168,000), representing an increase of 9.9% as compared with the corresponding period of 2015. Basic earnings per share were RMB0.352 (30 June 2015: RMB0.321), representing an increase of 9.7% as compared with the corresponding period of 2015.

Principal business review

1. **Gear segment**

   (i) **Wind gear transmission equipment**

   Large, diversified and overseas 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 3.2% to approximately RMB3,863,558,000 (30 June 2015: RMB3,744,553,000) as compared with the corresponding period last year. The increase was attributable to the fact that there were an increasing overall demands for wind power equipment from customers and the PRC government had successively launched policies encouraging the development of renewable energy and offshore wind power through energy structure reform, as well as the 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 has a range of products including 750KW, 1.5MW, 2MW and 3MW wind gear transmission equipment which have been provided to domestic and overseas customers in bulk. The product technology has reached an internationally advanced technical level and is well recognised by customers in general. In addition to the provision of diversified large wind gear transmission equipment to customers, the Group has also successfully developed 5MW and 6MW wind gear transmission equipment with a technological level comparable to its international peers, thus enabling us to have the capability and technology to produce those products.

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 Renewable Energy, Nordex, Senvion, etc. With the Group's increasingly globalised operation, major overseas wind power equipment manufacturers such as Alstom Wind, Unison, Suzlon 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 Germany, Singapore, India 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.

Owing to the uncertainty of global economic environment and in light of the PRC government's conservative views on the future growth of the national economy, the equipment industry in the PRC remained in overcapacity during the Period Under Review, the Group therefore adjusted the development strategy for traditional industrial gear transmission equipment. Above all, by leveraging its self-developed technologies, the Group focused on the development of energy-saving and environmentally-friendly products, and facilitated 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 their current production efficiency without increasing capital expenditure, thereby maintaining its position as a major supplier in the traditional industrial transmission product market.

During the Period Under Review, in respect of transmission equipment for high-speed rails, metro lines, urban train and tram segments, the Group received orders of metro gear boxes continuously from metro lines of various cities in China and secured more orders of metro gear boxes from metro lines in Sydney. 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. 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, Lanzhou, Nanchang, Shijiazhuang, Hong Kong, Singapore, Brazil, India, Mexico and Australia. The Group will continue to actively expand the transmission equipment business for high-speed rails, metro lines, urban train and tram segments, and accelerate the research and development of rail transportation gear equipment products. During the Period Under Review, we had successfully developed two types of gear boxes for train segments, and received the initial orders; and three types of gear boxes for 160km/h urban train, one of which has been awarded domestic bulk orders. This type of gear boxes applies the unique gear modification technology and advanced heat treatment technical process, which meets the high reliability requirements during complex conditions. As a new platform, it will add new energy to the future development of the Company. During the Period Under Review, such business generated sales revenue of approximately RMB37,267,000 (30 June 2015: RMB81,663,000), representing a decrease of 54.4% as compared with the corresponding period last year.

During the Period Under Review, the industrial gear business segment generated sales revenue of approximately RMB473,051,000 for the Group (30 June 2015: RMB724,379,000), representing a decrease of 34.7% as compared with the corresponding period last year.

2. **Marine gear transmission equipment**

Actively expand domestic and foreign markets

Although the current shipbuilding market goes downturn as a result of the decrease in oil price and international political and economic factors, Nanjing High Accurate Marine Equipment Co., Ltd. ("**Nanjing Marine**"), a wholly-owned subsidiary of the Group, still achieved great performance in high, accurate and advanced products and major domestic project supporting. Recently, Nanjing Marine has equipped China Communications Construction Company Limited with the offshore wind power installation platform propeller system and the worldwide biggest cutter-suction dredger with gear box. At present, with the aim to be better, Nanjing Marine is playing a more and more important role in the domestic and international marine industry.

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. During the Period Under Review, the Group participated in the Asia Pacific Maritime on 16 March 2016, which was held in Marina Bay Sands Convention and Exhibition Center, Singapore and lasted for 3 days. Nanjing Marine and its wholly-owned subsidiary, NGC Marine Propulsion Southeast Asia Pte. Ltd., joined the exhibition together with a local partner, AME2 Pte. Ltd.. Nanjing Marine demonstrated various propulsion and transmission products with proprietary intellectual property rights to exhibitor and customers from over 60 countries and districts, attracting a significant amount of visitors to consult and negotiate. The Group will continue to promote the diversity of its marine gear 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 RMB79,934,000 (30 June 2015: RMB145,514,000), representing a decrease of 45.1% as compared with the corresponding period last year.

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

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.

During the Period Under Review, China's economy had no obvious improvement, and the equipment industry still oversupplied, thus, the machine tool products business of the Group was also exposed to challenges.

During the Period Under Review, the Group provided CNC machine tool products to customers through various subsidiaries and recorded sales revenue of approximately RMB49,096,000 (30 June 2015: RMB73,628,000), representing a decrease of 33.3% as compared with the corresponding period last year.

4. **Diesel engine products**

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.

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".

The global economy remained uncertain, which gave direct impact on the recovery of the shipping industry, the Group's sales of diesel engine products were therefore inevitablely affected.

During the Period Under Review, the Group's sales revenue from diesel engines products amounted to approximately RMB66,815,000 (30 June 2015: RMB63,419,000), representing an increase of 5.4% 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 RMB1,569,714,000 (30 June 2015: RMB926,328,000), an increase of 69.5% as compared with the corresponding period last year, accounting for 34.6% of total sales (30 June 2015: 19.5%) and representing an increase of 15.1 percentage point 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.

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 of 30 June 2016, a total of 323 patents were granted by the PRC. In addition, 69 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 has successively 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 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

In the first half of 2016, as for international market, the global economy underwent sluggish recovery. Among the major economies, US economic recovery slowed down and there were uncertainties for the Federal Reserve to raise interest rates. The Eurozone economy was still in weak recovery with uneven development in industrial structure. British's exit from the European Union and other "black swan" events continued to occur. For emerging economies, the economy of South Africa, Russia and Brazil have suffered decline in different degrees. Despite the grim international economic environment, with the implementation of a series of structural reform policies, the PRC maintained a steady growth in economy in the first half of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

At present, the PRC actively implemented energy structure reform policies to develop renewable energy and promote green economy. Under China's definite direction to lower wind power tariff, wind power will be more competitive. However, the issue of "Wind Power Curtailment (棄風限電)" emerged with the rapid growth of wind power. To protect the development of wind power industry, National Development and Reform Commission and National Energy Administration jointly issued a document, clearly setting out minimum annual utilization hour of protective buyout in key regions. This means that after experiencing rapid development, the wind power industry will enter into a stage with more focus on efficiency and quality.

In the first half of 2016, the Group followed the wind power development strategy of the PRC and continued to supply quality wind power generation gear transmission equipment 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 2016. During the Period Under Review, sales revenue from wind power products of the Company was approximately RMB3.86 billion, representing an increase of 3.2% as compared with the corresponding period last year. The Group continued to lead domestic wind power equipment industry by focusing on customers' need, keeping up with market demand, and optimizing product mix and cost control to sharpen its core competitive edge. As a result, remarkable results were achieved for the first half of 2016.

In the PRC wind power market, the Group possesses the most advanced technologies with a market share of approximately 60% in the double-fed wind turbine market. Our customers include leading wind turbine equipment manufacturers both at home and abroad. In addition, we have expanded to American market with GE Renewable Energy as our largest overseas customer. In the future, the Group will further expand to Vietnam, India, South Korea, France and other international markets in Asia and Europe through our own technology platform and services. The Group will also focus on strengthening technology research and development, product quality control and market position, aiming to be well prepared for our wind power segment to expand to global market.

Industrial gear market is closely linked with the PRC economy development. The Company will seize opportunities arise in the critical moment of the PRC economic recovery, follow the pace of national development and promote the development of standardized products industry by improving production processes, strengthening scientific and technological research and development and enhancing customer communication. We aimed to compete with overseas product suppliers in the next five years.

In addition, the Company will continue to adhere to its centralized control management program. We will devote main resources to gear transmission equipment segment and gradually strip non-core business with unsatisfactory performance, so as to facilitate our future development and maintain our position as the gear supplier with best quality in the industry all over the world.

Looking forward the second half of the year, wind power industry will flourish in different aspects with more investment opportunities emerging. National Energy Administration issued a document, stipulating that by 2020, non-water renewable energy power production shall account for more than 15% of thermal power production, while the current proportion is only 5.3%, which reflected great development potential in wind power industry. The PRC government has always stressed to improve the implementation of the approval plan, and support the approval for projects in non-restricted regions, in order to optimize the rational distribution of wind power from a macro perspective. 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.

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 2016.

FINANCIAL PERFORMANCE

Sales revenue of the Group for the Period Under Review decreased by 4.6% to approximately RMB4,532,454,000.

	Revenue Six months ended 30 June		
	2016 **RMB'000**	2015 RMB'000	Change
Gear Segment	**4,336,609**	4,468,932	-3.0%
– Wind Gear Transmission Equipment	**3,863,558**	3,744,553	3.2%
– Industrial Gear Transmission Equipment	**473,051**	724,379	-34.7%
Marine Gear Transmission Equipment	**79,934**	145,514	-45.1%
CNC Machine Tool Products	**49,096**	73,628	-33.3%
Diesel Engine Products	**66,815**	63,419	5.4%
Total	**4,532,454**	4,751,493	-4.6%

Revenue

During the Period Under Review, the Group's sales revenue was approximately RMB4,532,454,000, representing a decrease of 4.6% as compared with the corresponding period last year. The decrease was mainly due to the uncovered economic condition which affected Group's business other than the wind power business and in turn caused the decrease of sales. Both customer orders for and shipments of wind gear transmission equipment rebounded during the Period Under Review. The average selling price of wind gear transmission equipment remained stable during the Period Under Review. Sales revenue from wind gear transmission equipment increased from approximately RMB3,744,553,000 for the corresponding period last year to approximately RMB3,863,558,000 for the Period Under Review, representing an increase of 3.2%.

During the Period Under Review, sales revenue from industrial gear transmission equipment was approximately RMB473,051,000, representing a decrease of 34.7% as compared with the corresponding period last year. The Group's sales revenue from marine gear transmission equipment was approximately RMB79,934,000, representing a decrease of 45.1% as compared with the corresponding period last year. During the Period Under Review, the Group's sales revenue from CNC machine tool products and diesel engine products were approximately RMB49,096,000 and RMB66,815,000, representing a decrease of 33.3% and an increase of 5.4% as compared with the corresponding period last year, respectively.

Gross profit margin and gross profit

During the Period Under Review, the Group's consolidated gross profit margin was approximately 33.8% (30 June 2015: 29.7%), representing an increase of 4.1 percentage point as compared with the corresponding period last year. Consolidated gross profit for the Period Under Review amounted to approximately RMB1,530,825,000 (30 June 2015: RMB1,408,909,000), representing an increase of 8.7% 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 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

During the Period Under Review, the total amount of other income of the Group was approximately RMB112,077,000 (30 June 2015: RMB77,185,000), representing an increase of 45.2% as compared with the corresponding period last year. Other income is mainly comprised of bank interest income, investment income and income from sales of scraps.

During the Period Under Review, other gains and losses recorded a net loss of approximately RMB36,496,000 (30 June 2015: a net gain of RMB11,361,000), mainly comprised of impairment loss on intangible assets, impairment loss on trade and other receivables, impairment loss on investments available for sale and foreign exchange gains.

Distribution and selling costs

During the Period Under Review, the distribution and selling costs of the Group were approximately RMB142,828,000 (30 June 2015: RMB139,097,000), representing an increase of 2.7% 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 3.2% (30 June 2015: 2.9%), representing an increase of 0.3 percentage point as compared with the corresponding period last year.

Administrative expenses

During the Period Under Review, administrative expenses of the Group were approximately RMB315,876,000 (30 June 2015: RMB292,420,000), representing an increase of 8.0% as compared with the corresponding period last year, mainly due to the increase in maintenance fee and staff costs. The percentage of administrative expenses to sales revenue increased by 0.8 percentage point to 7.0% as compared with the corresponding period last year.

Finance costs

During the Period Under Review, the finance costs of the Group were approximately RMB286,305,000 (30 June 2015: RMB317,489,000), representing a decrease of 9.8% as compared with the corresponding period last year, which was mainly due to the decrease in borrowing costs.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2016, the equity attributable to owners of the Company amounted to approximately RMB10,015,605,000 (31 December 2015: RMB9,759,102,000). The Group had total assets of approximately RMB27,315,100,000 (31 December 2015: RMB25,292,081,000), representing an increase of 8.0% as compared with that at the beginning of the year. Total current assets were approximately RMB19,503,246,000 (31 December 2015: RMB17,311,275,000), representing an increase of 12.7% as compared with that at the beginning of the year and accounting for 71.4% of the total assets (31 December 2015: 68.4%). Total non-current assets were approximately RMB7,811,854,000 (31 December 2015: RMB7,980,806,000), representing a decrease of 2.1% as compared with that at the beginning of the year and accounting for 28.6% of the total assets (31 December 2015: 31.6%).

As at 30 June 2016, total liabilities of the Group were approximately RMB17,108,684,000 (31 December 2015: RMB15,317,343,000), representing an increase of approximately RMB1,791,341,000, or 11.7% as compared with that at the beginning of the year. Total current liabilities were approximately RMB15,270,205,000 (31 December 2015: RMB13,214,731,000), representing an increase of 15.6% as compared with that at the beginning of the year. Total non-current liabilities were approximately RMB1,838,479,000 (31 December 2015: RMB2,102,612,000), representing a decrease of 12.6% as compared with that at the beginning of the year.

As at 30 June 2016, the net current assets of the Group were approximately RMB4,233,041,000 (31 December 2015: RMB4,096,544,000), representing an increase of approximately RMB136,497,000, or 3.3%, as compared with that at the beginning of the year.

As at 30 June 2016, total cash and bank balances of the Group were approximately RMB8,338,399,000 (31 December 2015: RMB6,280,513,000), representing an increase of approximately RMB2,057,886,000, or 32.8%, as compared with that at the beginning of the year. Total cash and bank balances include pledged bank deposits of RMB4,609,785,000 (31 December 2015: RMB2,403,640,000) and structured bank deposits of RMB372,000,000 (31 December 2015: RMB1,755,000,000).

As at 30 June 2016, the Group had total borrowings of approximately RMB9,148,564,000 (31 December 2015: RMB7,566,320,000), representing an increase of approximately RMB1,582,244,000, or 20.9%, as compared with that at the beginning of the year, of which loans within one year were RMB7,449,968,000 (31 December 2015: RMB5,618,194,000), accounting for approximately 81.4% (31 December 2015: 74.3%) of the total borrowings. The fixed or floating interest rates of the Group's borrowings ranged from 1.48% to 9.77% per annum during the Period Under Review.

Taking into account of the internal financial resources of and the banking facilities available to the Group, and the net current assets of RMB4,233,041,000, the Directors 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, which is defined as the percentage of total liabilities to total assets, increased from 60.6% as at 31 December 2015 to 62.6% as at 30 June 2016, mainly due to some of the borrowings were not due during the Period Under Review, which caused a slight increase in the borrowings.

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 2016 amounted to approximately HK$223,756,000 and US$68,217,000, respectively.

During the Period Under Review, the Group's borrowings with fixed interest rates accounted for approximately 72.56% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in note 21 to the condensed consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2016.

CONTINGENT LIABILITIES

Save as disclosed in note 25 to the condensed consolidated financial statements, as at 30 June 2016, the Directors were not aware of any other material contingent liabilities.

COMMITMENTS

As at 30 June 2016, the Group had 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 RMB203,819,000 (31 December 2015: RMB292,816,000). Details are set out in note 20 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 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 2016 amounted to approximately HK$223,756,000 and US$68,217,000, respectively. Therefore, the Group may be exposed to certain foreign exchange rate risks.

The net gain on foreign exchange recorded by the Group for the Period Under Review was approximately RMB33,408,000 (30 June 2015: net loss of RMB15,433,000), which was due to gains from the Group's export business transacted in U.S. dollars as a result of the depreciation of Renminbi against U.S. dollars during the Period Under Review. 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 2016.

INTEREST RATE RISK

During the Period Under Review, 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 2016, the Group had approximately 8,247 employees (30 June 2015: 8,398). Staff costs of the Group for the first half of 2016 were approximately RMB750,600,000 (30 June 2015: RMB683,542,000). 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

During the Period Under Review, there were no material acquisition and disposal of subsidiaries and associated companies by the Group.

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 2016.

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 2016, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the 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, some of the independent non-executive Directors, Chairman of the Audit Committee, Chairman of the Nomination Committee and external auditors have attended the 2015 Annual General Meeting of the Company, except Mr. Zhu Junsheng and Mr. Chen Shimin, independent non-executive Directors, who were absent from the 2015 Annual General Meeting due to other important committment.

BOARD OF DIRECTORS

Mr. Chen Yongdao, Mr. Gou Jianhui, Mr. Wang Zhengbing, Mr. Zhou Zhijin, Mr. Hu Jichun, Mr. Jiang Xihe, Mr. Zhu Junsheng and Mr. Chen Shimin were re-elected as Directors by shareholders at the 2015 Annual General Meeting held on 17 June 2016 with a term of three years commencing from 17 June 2016.

Due to his age and focus on other commitment, Mr. Liao Enrong ("**Mr. Liao**") has tendered his resignation as an executive Director of the Company with effect from 3 June 2016 and also ceased to act as an authorized representative of the Company (the "**Authorized Representative**") under Listing Rules with effect from 3 June 2016. Mr. Hu Yueming, the Chairman, Chief Executive Officer and executive Director of the Company, has been appointed to succeed Mr. Liao as an Authorized Representative with effect from 3 June 2016.

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. 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

CHANGES TO THE INFORMATION RELATING TO THE DIRECTORS DURING THEIR TENURE

For the six months ended 30 June 2016, the changes of the directorship or other major positions held by our Directors in other public listed companies are as follows:

During the Period Under Review, Mr. Chen Shimin, an independent non-executive Director, ceased to be a guest professor and Ph.D. supervisor of the School of Accounting, Shanghai University of Finance and Economics and ceased to be an executive editor of China Accounting and Finance Review (《中國會計與財務研究》). He ceased to be an independent director of Hangzhou i-Cafe Information Technology Co., Ltd. (杭州順網科技股份有限公司), a company listed on the Shenzhen Stock Exchange and an external supervisor of Shanghai Pudong Development Bank (上海浦東發展銀行股份有限公司), a company listed on the Shanghai Stock Exchange. He was appointed as an independent non-executive director of Hailan Holdings Limited, a company listed on the Stock Exchange (stock code: 2278).

During the Period Under Review, Ms. Jiang Jianhua, an independent non-executive Director, was appointed as an independent director of Jiangsu Hongye Company Limited (江蘇弘業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600128) and Sainty Marine Corporation Limited (江蘇舜天船舶股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002608).

Save as disclosed above, no other changes to the information relating to the Directors shall be disclosed under the Rule 13.51(B) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**") as its internal code of conduct regarding Directors' securities transactions. The Company has made specific enquiries 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 2016.

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 2016.

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 2016 interim report and unaudited condensed consolidated financial statements for the six months ended 30 June 2016 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.

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.

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

As at 30 June 2016, 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 Period Under Review, 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 Period Under Review, 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 debentures of the Company or other body corporate.

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

As at 30 June 2016, 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	148,562,000 (long position)	9.08 (long position)

Note:

(1) As at 30 June 2016, 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 together own 100% interest in the issued share capital of Fortune Apex Limited. The following table sets out the shareholdings of the above shareholders in Fortune Apex Limited:

	Name	Shareholdings
1	Mr. Hu Yueming (executive Director)	30.3813%
2	Mr. Liu Jianguo	12.3989%
3	Mr. Lu Xun	10.4520%
4	Mr. Chen Yongdao (executive Director)	10.5343%
5	Mr. Li Cunzhang*	8.8945%
6	Mr. Li Shengqiang	8.9725%
7	Mr. Liao Enrong	5.3422%
8	Mr. Jin Maoji	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 rights at the 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 above shareholders.

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

Save as disclosed above and so far as the Directors are aware of, as at 30 June 2016, 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 reward the eligible participants who have had or may have made contributions 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, 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 2016.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
CHINA HIGH SPEED TRANSMISSION EQUIPMENT GROUP CO., LTD.
中國高速傳動設備集團有限公司
(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 26 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 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.

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
19 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended	
	NOTES	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited & restated)
Revenue	3	4,532,454	4,751,493
Cost of sales		(3,001,629)	(3,342,584)
Gross profit		1,530,825	1,408,909
Other income		112,077	77,185
Other gains and losses	4	(36,496)	11,361
Distribution and selling costs		(142,828)	(139,097)
Administrative expenses		(315,876)	(292,420)
Research and development costs		(136,782)	(74,499)
Finance costs		(286,305)	(317,489)
Share of results of associates		3,178	(7,875)
Share of results of joint ventures		2,101	6,981
Profit before taxation		729,894	673,056
Taxation	5	(178,876)	(163,853)
Profit for the period	6	551,018	509,203
Other comprehensive 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		(396)	—
Fair value loss on available-for-sale financial assets		—	(3,195)
Other comprehensive expense for the period		(396)	(3,195)
Total comprehensive income for the period		550,622	506,008

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June 2016 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000 (Unaudited & restated)
Profit for the period attributable to:			
Owners of the Company		**575,843**	524,168
Non-controlling interests		**(24,825)**	(14,965)
		551,018	509,203
Total comprehensive income attributable to:			
Owners of the Company		**575,447**	520,973
Non-controlling interests		**(24,825)**	(14,965)
		550,622	506,008
EARNINGS PER SHARE	8		
Basic (RMB)		**0.352**	0.321

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**5,278,923**	5,520,057
Prepaid lease payments	9	**707,249**	669,923
Goodwill		**2,991**	2,991
Intangible assets	10	**143,910**	163,800
Interests in associates		**160,455**	157,277
Interests in joint ventures	11	**98,692**	96,591
Other receivable	12	**535,656**	519,874
Available-for-sale investments	13	**485,313**	196,174
Deposit for land lease		**191,800**	191,800
Prepayment for acquisition of property, plant and equipment	9	**336**	3,656
Deferred tax assets		**206,529**	232,385
Amounts due from an associate	24(II)	**—**	226,278
		7,811,854	7,980,806
CURRENT ASSETS			
Inventories		**2,186,125**	2,075,239
Prepaid lease payments	9	**16,689**	15,276
Trade and other receivables	14	**8,395,098**	8,650,502
Amounts due from associates	24(II)	**536,446**	247,016
Amounts due from joint ventures	24(II)	**30,489**	39,270
Tax asset		**—**	3,459
Structured bank deposits	15	**372,000**	1,755,000
Pledged bank deposits		**4,609,785**	2,403,640
Bank balances and cash		**3,356,614**	2,121,873
		19,503,246	17,311,275

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	16	**7,065,178**	6,408,813
Amounts due to associates	24(II)	**14,716**	1,888
Amount due to a joint venture	24(II)	**889**	510
Tax liabilities		**234,529**	329,772
Borrowings	17	**7,449,968**	5,618,194
Financial liabilities at fair value through profit or loss	18	**—**	596,656
Dividend payable	7	**318,944**	—
Warranty provision		**99,808**	100,342
Obligation under finance leases		**86,173**	158,556
		15,270,205	13,214,731
NET CURRENT ASSETS		**4,233,041**	4,096,544
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,044,895**	12,077,350
NON-CURRENT LIABILITIES			
Borrowings	17	**1,698,596**	1,948,126
Deferred tax liabilities		**51,160**	51,319
Deferred income		**88,723**	96,651
Obligation under finance leases		**—**	6,516
		1,838,479	2,102,612
		10,206,416	9,974,738
CAPITAL AND RESERVES			
Share capital	19	**119,218**	119,218
Reserves		**9,896,387**	9,639,884
Equity attributable to owners of the Company		**10,015,605**	9,759,102
Non-controlling interests		**190,811**	215,636
		10,206,416	9,974,738

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	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	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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 (unaudited)	—	—	—	—	—	—	—	—	524,168	524,168	(14,965)	509,203
Other comprehensive expense for the period (unaudited)	—	—	—	—	(3,195)	—	—	—	—	(3,195)	—	(3,195)
Total comprehensive (expense) income for the period (unaudited)	—	—	—	—	(3,195)	—	—	—	524,168	520,973	(14,965)	506,008
Acquisition of a subsidiary (unaudited)	—	—	—	—	—		—	—	—	—	(31)	(31)
Disposal of subsidiaries (unaudited)	—	—	—	—	—	—	—	—	—	—	(33,038)	(33,038)
Capital contributions by non-controlling shareholders of subsidiaries (unaudited)	—	—	—	—	—	—	—	—	—	—	1,960	1,960
Acquisition of additional interest in subsidiaries (unaudited)	—	—	—	1,308	—	—	—	—	—	1,308	(1,808)	(500)
At 30 June 2015 (unaudited)	119,218	5,010,141	77,651	150,597	(39,663)	366,306	52,335	(1,133)	3,475,200	9,210,652	133,849	9,344,501
At 1 January 2016 (audited)	119,218	5,010,141	77,651	150,148	—	366,458	52,335	(826)	3,983,977	9,759,102	215,636	9,974,738
Profit (loss) for the period (unaudited)	—	—	—	—	—	—	—	—	575,843	575,843	(24,825)	551,018
Other comprehensive expense for the period (unaudited)	—	—	—	—	—	—	—	(396)	—	(396)	—	(396)
Total comprehensive (expense) income for the period (unaudited)	—	—	—	—	—	—	—	(396)	575,843	575,447	(24,825)	550,622
Dividends (note 7)	—	—	—	—	—	—	—	—	(318,944)	(318,944)	—	(318,944)
At 30 June 2016 (unaudited)	119,218	5,010,141	77,651	150,148	—	366,458	52,335	(1,222)	4,240,876	10,015,605	190,811	10,206,416

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

		Six months ended	
	NOTE	**30 June 2016**	30 June 2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Net cash from operating activities		**1,881,858**	2,815,448
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(152,394)**	(26,943)
Additions of intangible assets		**(6,520)**	(6,203)
Purchase of available-for-sale investments		**(300,000)**	(61,483)
Prepayment for acquisition of property, plant and equipment		**—**	(186,988)
Payment for prepaid lease payments		**(47,881)**	—
Placement of pledged bank deposits		**(7,097,111)**	(5,255,634)
Withdrawal of pledged bank deposits		**4,890,966**	4,642,775
Government grants related to non-current assets		**—**	17,090
Interest received		**59,142**	29,838
Proceeds on disposal of property, plant and equipment		**17,984**	39,207
Inflow from acquisition of a subsidiary		**—**	69
(Outflow) inflow from disposal of subsidiaries	23	**(2,459)**	401,236
Acquisition of interest in an associate		**—**	(734)
Placement of structured bank deposits		**(370,600)**	(377,000)
Withdrawal of structured bank deposits		**1,753,600**	1,107,109
Purchase of other receivable		**—**	(500,000)
Net cash used in investing activities		**(1,255,273)**	(177,661)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	NOTE	Six months ended 30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
FINANCING ACTIVITES			
New bank borrowings raised		**5,421,023**	2,610,908
Capital contribution by non-controlling shareholders		**—**	1,960
Repayment of bank borrowings		**(3,844,169)**	(5,511,207)
Interest paid		**(293,143)**	(337,337)
Acquisition of additional interest in subsidiaries		**—**	(500)
Repayment of obligation under finance leases		**(78,899)**	(78,050)
Amounts raised from financial liabilities at fair value through profit or loss		**—**	843,718
Settlement of financial liabilities at fair value through profit or loss		**(596,656)**	—
Net cash from (used in) financing activities		**608,156**	(2,470,508)
Net increase in cash and cash equivalents		**1,234,741**	167,279
Cash and cash equivalents at 1 January		**2,121,873**	1,649,705
Cash and cash equivalents at 30 June, representing bank balances and cash		**3,356,614**	1,816,984

1. GENERAL AND BASIS OF PREPARATION

China High Speed Transmission Equipment Group Co., Ltd. (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).

Since the end of last annual reporting period, there has been no significant events or transactions which have had a significant impact on the Group's current interim financial position and performance.

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 as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

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 relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

No information of liabilities is provided to CODM for the assessment of performance of different geographical area while there is no significant change in segment assets during the current period. Therefore, only segment revenue and segment results are presented.

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

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results

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

	Six months ended	
	30 June 2016 **RMB'000** **(Unaudited)**	30 June 2015 RMB'000 (Unaudited & restated)
Segment revenue		
– PRC	**2,962,740**	3,825,165
– USA	**1,121,819**	883,088
– Europe	**421,500**	30,583
– Others	**26,395**	12,657
	4,532,454	4,751,493
Segment profit		
– PRC	**755,005**	957,941
– USA	**506,899**	318,612
– Europe	**145,967**	11,696
– Others	**2,556**	2,530
	1,410,427	1,290,779
Other income, gains and losses	**53,151**	67,579
Finance costs	**(286,305)**	(317,489)
Share of results of associates	**3,178**	(7,875)
Share of results of joint ventures	**2,101**	6,981
Unallocated expenses	**(452,658)**	(366,919)
Profit before taxation	**729,894**	673,056

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

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited & restated)
(Loss) gain on disposal of property, plant and equipment	**(83)**	888
Changes in fair value of financial liabilities at fair value through profit or loss	**—**	(6,508)
(Loss) gain on disposal of subsidiaries	**(2,305)**	53,536
Net exchange gains (losses)	**33,408**	(15,433)
Impairment losses on intangible assets	**(5,094)**	(5,653)
Impairment losses on property, plant and equipment	**—**	(532)
Impairment losses on trade and other receivables	**(51,561)**	(14,937)
Impairment losses on available for sales investments	**(10,861)**	—
	(36,496)	11,361

5. TAXATION

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax	**139,892**	151,017
– USA Corporate Income Tax	**—**	497
	139,892	151,514
Under provision in prior years		
– PRC Enterprise Income Tax	**13,287**	18,787
Deferred tax charge (credit)	**25,697**	(6,448)
	178,876	163,853

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 2015: 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. ("Nanjing High Speed")	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 2015	31 December 2017
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd.	31 December 2015	31 December 2017

At 30 June 2016, the Group has unused tax losses of RMB889,352,000 (31 December 2015: RMB677,528,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB25,129,000 (31 December 2015: RMB23,901,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB864,223,000 (31 December 2015: RMB653,626,000) 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.

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Other than the PRC withholding income tax provided in respect of undistributed profits of PRC subsidiaries of approximately RMB644 million (31 December 2015: approximately RMB644 million), no deferred taxation has been provided for the remaining profits of approximately RMB5,631 million as at 30 June 2016 (31 December 2015: RMB4,798 million), which was derived from the PRC subsidiaries, as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future. The Group has applied the preferential rate of 5% as all the Company's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

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 (crediting):

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales)	**65,894**	37,024
Amortisation of intangible assets	**21,316**	42,090
Bank interest income	**(59,142)**	(29,838)
Depreciation of property, plant and equipment	**280,519**	290,471
Release of prepaid lease payments	**7,494**	10,243
Exchange (gains) losses (included in other gains and losses)	**(33,408)**	15,433
Loss (gain) on disposal of subsidiaries (included in other gains and losses)	**2,305**	(53,536)
Loss (gain) on disposal of property, plant and equipment (included in other gains and losses)	**83**	(888)
Impairment loss on trade and other receivables, net (included in other gains and losses)	**51,561**	14,937
Impairment loss on intangible assets (included in other gains and losses)	**5,094**	5,653
Impairment loss on property, plant and equipment (included in other gains and losses)	**—**	532
Impairment loss on available-for-sale investments (included in other gains and losses)	**10,861**	—

7. DIVIDENDS

During the current interim period, 2015 final dividend amounting to Hong Kong 23 cents (approximately RMB19.5 cents) per share was proposed by the Company's directors on 18 March 2016, and subsequently approved at the annual general meeting on 17 June 2016. The aggregated amount of the 2015 final dividend declared amounted to approximately RMB318,944,000.

The directors of the Company have determined that no dividend will be declared in respect of the interim period (six-month period ended 30 June 2015: 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 June 2016	30 June 2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share		
(Profit for the period attributable to owners of the Company)	**575,843**	524,168

	30 June 2016	30 June 2015
	'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 2016 and 2015 as there is no potential dilutive shares in issue.

9. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

For the six months ended 30 June 2016, the Group acquired and prepaid for property, plant and equipment of RMB140,410,000 (the six months ended 30 June 2015: RMB186,988,000) in order to upgrade the manufacturing capabilities.

At 30 June 2016, the Group is in the process of obtaining property certificates for the buildings with carrying amount of RMB1,228,160,000 (at 31 December 2015: RMB1,227,000,000).

At 30 June 2016, 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 RMB317,421,000 (at 31 December 2015: RMB303,706,000).

10. INTANGIBLE ASSETS

During the six months ended 30 June 2016, the Group capitalised development cost of RMB6,520,000 (six months ended 30 June 2015: RMB6,203,000) for the purpose of developing new products.

11. INTERESTS IN JOINT VENTURES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cost of unlisted investments in joint ventures	38,658	38,658
Accumulated share of post-acquisition results	60,034	57,933
	98,692	96,591

12. OTHER RECEIVABLE

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Other receivable	535,656	519,874

At 30 June 2016, the amount represents an advance made to an insurance company in the PRC, which will mature in 2018, and carries interest at an annualised fixed rate at 6.33% per annum. Interest and the principal amount are repayable at the maturity date. It is stated at amortised cost less impairment, if any, at the end of the reporting period.

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Equity securities listed in Hong Kong, at fair value	**17,553**	28,414
Investment in a partnership, at fair value (Note i)	**300,000**	—
Unlisted equity securities issued by private entities established in the PRC, at cost (Note ii)	**168,160**	167,760
	485,313	196,174

Note i: During the period, the Group has entered into an agreement with 南京伊晶能源有限公司Nanjing E-crystal Energy Co., Ltd., an associate of the Group ("Nanjing E-crystal"), and three independent third parties, 南京豐盛產業控股集團有限公司Nanjing Fengsheng Industrial Holding Group Co., Ltd., 南京豐盛大族科技股份有限公司Nanjing Fengsheng Dazu Technologies Inc., and 杭州基建華融投資合夥企業(有限合夥) Hangzhou Huarong Infrastructure Investment Partnership (Limited Partnership) ("Hangzhou Huarong"), to establish 杭州國京匯章股權投資基金合夥企業(有限合夥) Hangzhou Guojing Huizhang Equity Investment Fund Partnership (Limited Partnership) (the "Partnership"). The Group has invested RMB300,000,000 to the Partnership during the period.

Other than Hangzhou Huarong which is a general partner, all the remaining partners are limited partners.

The Group has 33% equity interest in the Partnership. In the opinion of the directors of the Company, the Group could not control the Partnership because the Group does not expose, or have rights, to variable returns from its involvement with the Partnership and does not have the ability to affect those returns through its power over the Partnership, and the Group do not participate in the financial and operating decision, the Group could neither exercise significant influence nor joint control over the Partnership, therefore, in the opinion of the directors of the Company, the Partnership is classified as available-for-sale investment.

Note ii: The remaining amount represents the investments in unlisted equity securities issued by private entities established in the PRC and are held by the Group as non-current assets, which are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

14. TRADE AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Accounts receivable	**4,621,883**	4,107,314
Bills receivable	**2,543,938**	3,248,346
Less: allowance for doubtful debts	**(468,736)**	(418,288)
Total trade receivables	**6,697,085**	6,937,372
Advances to suppliers	**1,203,275**	1,232,041
Value-added tax recoverable	**140,084**	165,099
Other receivables (Note)	**357,184**	318,520
Less: allowance for doubtful debts of other receivable	**(2,530)**	(2,530)
Total trade and other receivables	**8,395,098**	8,650,502

Note: At 30 June 2016, the balance of approximately RMB62,003,000 (31 December 2015: RMB77,504,000), included in the Group's other receivables, was the consideration for disposal of Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd. ("Nanjing Gaochuan"). The balance was subsequently settled.

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 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 - 90 days	**4,442,224**	3,991,092
91 - 120 days	**380,160**	867,774
121 - 180 days	**281,551**	614,221
181 - 365 days	**1,061,380**	1,072,427
1 - 2 years	**382,502**	261,436
Over 2 years	**149,268**	130,422
	6,697,085	6,937,372

15. STRUCTURED BANK DEPOSITS

As at 30 June 2016 and 31 December 2015, 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 within one year. Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rate per annum with reference to the performance of interest rate or commodity price during the investment period and the principal sums are denominated in RMB and guaranteed by the banks. In the opinion of the directors of the Company, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

16. TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Accounts payable	1,955,006	1,630,110
Notes payable (note)	3,629,134	3,142,814
Total trade payables	5,584,140	4,772,924
Advances from customers	460,572	365,432
Purchase of property, plant and equipment	145,173	160,477
Payroll and welfare payables	78,290	152,200
Accrued expenses	86,609	123,266
Value-added and other tax payable	101,037	50,261
Deferred income	11,204	10,326
Other payables and payment received from government (see note 26)	598,153	773,927
Total trade and other payables	7,065,178	6,408,813

Note: Notes payable are secured by certain of the Group's assets as set out in note 21.

16. TRADE AND OTHER PAYABLES *(Continued)*

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 - 30 days	**906,288**	1,107,968
31- 60 days	**1,110,173**	927,507
61 - 180 days	**2,656,317**	2,478,526
181 - 365 days	**741,243**	85,440
Over 365 days	**170,119**	173,483
	5,584,140	4,772,924

17. BORROWINGS

During the period, the Group obtained new borrowings in the amount of approximately RMB5,421,023,000 (six months ended 30 June 2015: RMB2,610,908,000). At 30 June 2016, the borrowings bear fixed or floating interest at interest rates ranging from 1.48% to 9.77% per annum (at 31 December 2015: fixed or floating interest at interest rates ranging from 1.48% to 9.77%) and are repayable within 1 to 5 years (at 31 December 2015: repayable within 1 to 6 years). The Group also repaid borrowings of approximately RMB3,844,169,000 (six months ended 30 June 2015: RMB5,511,207,000) during the period.

Certain borrowings are secured by certain of the Group's own assets as set out in note 21.

18. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Financial liabilities designated as fair value through profit and loss	—	536,982
Derivative financial liabilities	—	59,674
	—	596,656

In 2015, 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 banks when the agreement expires. The obligation to return the gold is recognised as financial liability. The financial liabilities extinguished upon the expiry of the agreement.

19. 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 2015, 31 December 2015 and 30 June 2016 (unaudited)	3,000,000	30,000	234,033
Issued and fully paid:			
At 1 January 2015, 31 December 2015 and 30 June 2016 (unaudited)	1,635,291	16,352	119,218

20. CAPITAL COMMITMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Commitments contracted for but not provided in the condensed consolidated financial statements in respect of:		
– prepaid lease payment	83,400	83,400
– property, plant and equipment	120,419	209,416
	203,819	292,816

21. 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 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Pledged bank deposits	4,609,785	2,403,640
Trade receivables	61,143	596,245
Bills receivable	844,786	960,656
Property, plant and equipment	127,500	127,500
Prepaid lease payments	338,747	348,411
Structured bank deposits	—	100,000
	5,981,961	4,536,452

At 30 June 2016 and 31 December 2015, the Group also pledged its 25% equity interest in Nanjing High Speed which is the Company's wholly-owned subsidiary, for banking facilities granted to the Group.

22. 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).

Financial assets/ financial liabilities		Fair value as at 30 June 2016	Fair value as at 31 December 2015	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 – RMB17,553,000	Listed equity securities in Hong Kong: – Manufacturing industry – RMB28,414,000	Level 1	Quoted bid prices in an active market.
2)	Investment in a partnership classified as available-for-sale investments in the condensed consolidated statements of financial position	Investment in a partnership – RMB300,000,000	N/A	Level 2	Based on the listed prices of the underlying investment in securities.
3)	Financial liabilities at fair value through profit or loss in the condensed consolidated statements of financial position	Financial liabilities at FVTPL – nil	Financial liabilities at FVTPL – RMB536,982,000	Level 2	Based on the quoted prices of the underlying commodity.
4)	Financial liabilities at fair value through profit or loss in the condensed consolidated statements of financial position	Derivative financial liabilities at FVTPL – nil	Derivative financial liabilities at FVTPL – RMB59,674,000	Level 2	Based on the forward 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.

23. DISPOSAL OF SUBSIDIARIES

30 June 2016

During the current period, Nanjing High Speed entered into an agreement with an independent third party to dispose of the Group's 100% equity interest in 南京寧宏建機械有限公司 Nanjing Ninghongjian Machinery Co., Ltd. ("Nanjing Ninghongjian"). The disposal was completed on 30 April 2016.

The net assets of Nanjing Ninghongjian at the date of disposal and the resulting loss on disposal recognised were as follows:

	Nanjing Ninghongjian RMB'000
Bank balances and cash	9,459
Trade and other receivables	16,446
Property, plant and equipment	36,949
Prepaid lease payments	1,648
Trade and other payables	(39,297)
Net assets disposed of	25,205
Loss on disposal recognised and charged to profit or loss	(2,305)
Net consideration	22,900
Satisfied by:	
Cash	7,000
Deferred cash consideration (Note)	15,900
	22,900
Net cash inflow (outflow) arising on disposal:	
Total cash consideration received	7,000
Bank balances and cash disposed of	(9,459)
	(2,459)

Note: Pursuant to the disposal agreement, the deferred consideration will be settled on or before 30 June 2017.

23. DISPOSAL OF SUBSIDIARIES *(Continued)*

30 June 2015

(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 trade debts of RMB1,000 million owned by Zhong-Chuan and Nanjng Gaote to Nanjing Drive. Before the disposal, Zhong-Chuan owned 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 six months period ended 30 June 2015, 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.

23. 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 (loss) 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)
Gain (loss) on disposal recognised and charged to profit or loss	54,280	(744)	53,536
Fair value of the 8% investment retained	(20,000)	—	(20,000)
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 inflow (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: The deferred consideration was settled by the buyer in 2015.

24. RELATED PARTY DISCLOSURES

(I) Related party transactions

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

Name of company	Relationship	Nature of transactions	Six months ended 30 June 2016 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000 (Unaudited)
Nanjing Longwin Windpower Equipment Manufacturing Co., Ltd.	Associate	Purchase of goods	**60,476**	36,598
Nanjing High Accurate Construction Equipment Co., Ltd.	Joint venture	Sales of goods	**2,229**	13,772
Shandong Energy Machinery Group Zhong-Chuan Heavy Duty Mine Equipment Manufacturing Co., Ltd.	Joint venture	Purchase of goods	**430**	—
Nantong FLW Agricultural Equipment Co., Ltd.	Associate	Purchase of goods	**6,475**	75
Inner Mongolia Jingjing Photoelectric Technology Co., Ltd. 內蒙古京晶光電科技有限公司 ("Inner Mongolia Jingjing")	Associate	Purchase of goods	**11,408**	1,673
		Rental income	**—**	9,766
Nanjing Jingze Lighting Technology USA Inc.	Joint venture	Sales of goods	**1,972**	—
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**	600

24. 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 are related to trade balances, except for the amount due from associates namely Nanjing E-crystal of RMB6,575,000 (31 December 2015: RMB112,928,000) and Nanjing Gaochuan of RMB95,634,000 (31 December 2015: RMB92,700,000) related to prepayment, and Inner Mongolia Jingjing of RMB226,278,000 (31 December 2015: RMB226,278,000) related to sales 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.

On 21 December 2015, the Group has entered into a sales and purchase agreement with Inner Mongolia Jingjing, a wholly-owned subsidiary of an associate, to dispose certain plants and machineries at an aggregate consideration of approximately RMB226,278,000 (including the value added tax) (the "Original Agreement"). According to the Original Agreement, the consideration should be settled to the Group by 31 December 2016. After further communication with the management of Inner Mongolia Jingjing, the Group allowed Inner Mongolia Jingjing to settle the balance on or before 30 June 2017, and classified the balance as non-current asset in the annual report of 2015. During the current period, the supplementary settlement agreement has been signed to ratify the above extension of settlement term.

(III) Guarantee granted to an associate

At 30 June 2016, the Group provided guarantees to Nanjing Gaochuan in favour of Nanjing Gaochuan's bank loans of RMB365,500,000 (31 December 2015: RMB199,500,000).

(IV) Compensation of key management personnel

	Six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Fees	**275**	275
Salaries and other emoluments	**8,285**	7,350
	8,560	7,625

25. 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.

26. 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 Government"). 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.

26. OTHER MATTER *(Continued)*

During the year 2015, the Group collected an aggregate RMB700 million from the Jiangning Government, representing the full amount of the first instalment and the second instalment. The RMB700 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 2016, the Group recognised and released of approximately RMB147 million against costs incurred in relation to the Land Resumption. At 30 June 2016, the balance of approximately RMB360 million is recorded as other payable in note 16.

	RMB'000 (Unaudited)
Receipt from the Jiangning Government	700,000
Release and credited to related costs in 2015	(192,505)
Release and credited to related costs during the period	(147,310)
Balance at 30 June 2016	360,185

27. RESTATEMENT OF COMPARATIVE FIGURES

During the period, certain comparative figures in respect of the six months ended 30 June 2015 have been reclassified to conform with the current period presentation.