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中國高速傳動設備集團有限公司*
China High Speed Transmission Equipment Group Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 658)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

Financial Highlight

	For the year ended 31 December 2014 *RMB'000*	For the year ended 31 December 2013 *RMB'000*	**Change**
Highlight of Results			
Revenue	**8,147,338**	6,539,058	**24.6%**
Gross Profit	**2,020,243**	1,630,832	**23.9%**
Profit for the year attributable to owners of the Company	**208,422**	64,573	**222.8%**
Basic earnings per share (RMB)	**0.127**	0.047	**170.2%**
Diluted earnings per share (RMB)	**n/a**	0.047	**n/a**

	As at 31 December 2014 *RMB'000*	As at 31 December 2013 *RMB'000*	**Change**
Highlight of Balance Sheet			
Total Assets	**26,562,355**	22,970,686	**15.6%**
Total Liabilities	**17,692,253**	14,208,985	**24.5%**
Net Assets	**8,870,102**	8,761,701	**1.2%**
Net Assets per Shares (RMB)	**5.4**	5.4	**—**
Gearing Ratio*(%)	**66.6**	61.9	

* Gearing Ratio = Total Liabilities/Total Assets

* *For identification purpose only*

The board of directors (the "Board") of China High Speed Transmission Equipment Group Co., Ltd. (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with comparative figures as follows. The consolidated annual results have been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	**2014**	2013
		RMB'000	*RMB'000*
Revenue	3	**8,147,338**	6,539,058
Cost of sales		**(6,127,095)**	(4,908,226)
Gross profit		**2,020,243**	1,630,832
Other income		**399,563**	333,530
Other gains and losses	4	**(159,868)**	13,143
Distribution and selling costs		**(304,160)**	(281,246)
Administrative expenses		**(679,853)**	(613,280)
Research and development costs		**(167,482)**	(139,274)
Other expenses		**(84,000)**	(229,330)
Finance costs	5	**(741,608)**	(564,178)
Share of results of associates		**(5,686)**	(7,783)
Share of results of joint ventures		**29,458**	(53,985)
Profit before taxation		**306,607**	88,429
Taxation	6	**(130,925)**	(57,272)
Profit for the year	7	**175,682**	31,157

	NOTES	2014	2013
		RMB'000	*RMB'000*
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		41	(264)
Fair value (loss)gain on:			
Available-for-sale financial assets		(26,090)	89,283
Reclassified to profit or loss on: disposal of available-for-sale financial assets, net of income tax		(932)	(39,142)
Settlement of cash flow hedges		1,529	4,967
Other comprehensive (expense) income for the year		(25,452)	54,844
Total comprehensive income for the year		150,230	86,001
Profit (loss) for the year attributable to:			
Owners of the Company		208,422	64,573
Non-controlling interests		(32,740)	(33,416)
		175,682	31,157
Total comprehensive income (expense) attributable to:			
Owners of the Company		182,970	119,417
Non-controlling interests		(32,740)	(33,416)
		150,230	86,001
Earnings per share	8		
Basic (RMB)		0.127	0.047
Diluted (RMB)		n/a	0.047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	NOTES	**2014**	2013
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,939,512**	6,632,992
Prepaid lease payments		**596,690**	1,034,357
Goodwill		**2,991**	2,991
Intangible assets		**230,534**	284,188
Interests in associates		**165,905**	172,601
Interests in joint ventures		**55,007**	472,587
Available-for-sale investments	9	**135,691**	165,098
Deposit for land lease		**280,800**	280,800
Prepayment for acquisition of property, plant and equipment		**115,832**	123,599
Deferred tax assets		**117,200**	168,062
		7,640,162	9,337,275
CURRENT ASSETS			
Inventories		**2,275,180**	2,389,806
Prepaid lease payments		**13,849**	22,639
Trade and other receivables	10	**9,082,335**	6,237,694
Amounts due from associates		**34,780**	—
Amounts due from joint ventures		**44,529**	33,239
Tax asset		**5,561**	47
Structured bank deposits		**1,097,399**	200,000
Pledged bank deposits		**2,756,201**	2,514,615
Bank balances and cash		**1,649,705**	2,235,371
		16,959,539	13,633,411
Assets classified as held for sale		**1,962,654**	—
		18,922,193	13,633,411

	NOTES	2014	2013
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade and other payables	11	4,279,154	3,985,945
Amounts due to associates		96,089	71,462
Amount due to joint ventures		—	8,553
Tax liabilities		43,067	145,068
Borrowings	12	7,971,209	7,108,698
Held-for-trading financial liabilities		327,072	—
Warranty provision		99,781	55,542
Obligation under finance leases		167,073	133,333
		12,983,445	11,508,601
Liabilities directly associated with assets classified as held for sale		1,465,774	—
		14,449,219	11,508,601
NET CURRENT ASSETS		4,472,974	2,124,810
TOTAL ASSETS LESS CURRENT LIABILITIES		12,113,136	11,462,085
NON-CURRENT LIABILITIES			
Borrowings	12	2,967,562	2,338,196
Deferred tax liabilities		39,089	19,574
Deferred income		81,824	74,418
Derivative financial instruments		—	1,529
Obligation under finance leases		154,559	266,667
		3,243,034	2,700,384
		8,870,102	8,761,701
CAPITAL AND RESERVES			
Share capital		119,218	119,218
Reserves		8,569,153	8,394,659
Equity attributable to owners of the Company		8,688,371	8,513,877
Non-controlling interests		181,731	247,824
		8,870,102	8,761,701

NOTES

1. GENERAL

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 (the "Hong Kong Stock Exchange") with effect from 4 July 2007.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)")

(a) ***New and revised IFRSs adopted during the year***

The Group has applied for the first time in the current year the following amendments to IFRSs, and a new Interpretation:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to International Accounting Standard ("IAS") 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

IFRIC — Int 21 Levies

The Group has applied IFRIC - Int 21 Levies for the first time in the current year. IFRIC — Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC - Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

(b) ***New and revised IFRSs issued but not yet effective***

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

[3] Effective for annual periods beginning on or after 1 January 2017.

[4] Effective for annual periods beginning on or after 1 July 2014.

[5] Effective for annual periods beginning on or after 1 January 2016.

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for goods sold, net of sales taxes and return. 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, make decisions according to the revenue and operating results of each geographical area by location of customers and the related reports on the ageing analysis of trade 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. Therefore only segment revenue, segment results and segment assets are presented.

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

Segment revenue and results

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

	2014	2013
	RMB'000	*RMB'000*
Segment revenue		
- PRC	**6,782,672**	5,236,462
- USA	**1,178,110**	1,175,261
- Europe	**65,236**	52,918
- Others	**121,320**	74,417
	8,147,338	6,539,058
Segment profit		
- PRC	**1,420,153**	1,114,950
- USA	**437,991**	444,477
- Europe	**33,106**	11,203
- Others	**8,629**	6,841
	1,899,879	1,577,471
Other income, gains and losses	**55,899**	118,788
Finance costs	**(741,608)**	(564,178)
Share of results of associates	**(5,686)**	(7,783)
Share of results of joint ventures	**29,458**	(53,985)
Unallocated expenses	**(931,335)**	(981,884)
Profit before taxation	**306,607**	88,429

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.

Segment assets

	2014	2013
	RMB'000	*RMB'000*
Segment assets		
- PRC	**6,206,181**	4,633,555
- USA	**146,268**	501,913
- Europe	**105,552**	30,883
- Others	**37,116**	22,045
Total segment assets	**6,495,117**	5,188,396
Unallocated assets	**20,067,238**	17,782,290
Consolidated total assets	**26,562,355**	22,970,686

Only trade receivables of each segment are reported to the CODM for the purposes of resources allocation and performance assessment. Hence, total segment assets represent the trade receivables of the Group while the unallocated assets represent the assets of the Group excluding trade receivables. The related impairment loss on trade receivables are not reported to the CODM as part of segment results.

Other segment information

2014

	PRC	**USA**	**Europe**	**Others**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit:						
Write-down of inventories	**32,743**	**4,688**	**1,125**	**667**	**—**	**39,223**
Depreciation of production plants	**489,460**	**84,345**	**7,478**	**8,575**	**39,660**	**629,518**
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:						
Impairment loss recognised on trade receivables	**36,041**	**—**	**—**	**—**	**—**	**36,041**
Impairment loss on intangible assets	**47,959**	**—**	**—**	**—**	**—**	**47,959**

2013

	PRC *RMB'000*	USA *RMB'000*	Europe *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit:						
Write-down of inventories	178,639	39,795	2,451	1,993	—	222,878
Depreciation of production plants	408,188	90,930	5,602	4,552	42,503	551,775
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:						
Impairment loss recognised on trade receivables	135,527	1,687	3,327	—	—	140,541
Impairment loss on goodwill	14,724	—	—	—	—	14,724
Impairment loss on intangible assets	21,065	—	—	—	—	21,065

Revenue from major product and services

The following is an analysis of the Group's revenue from its major products:

	2014 ***RMB'000***	2013 *RMB'000*
Wind gear transmission equipment	**5,801,985**	4,140,327
Gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills	**277,243**	455,939
Gear transmission equipment for construction materials	**327,527**	362,512
Marine gear transmission equipment	**350,417**	340,523
Diesel engine products	**151,990**	181,052
Computer numerical controlled products	**225,325**	238,255
General purpose gear transmission equipment	**63,230**	63,539
Transmission equipment for high-speed locomotives, metros and urban light rails	**157,623**	106,308
High-speed heavy-load gear transmission equipment	**14,712**	10,961
Others	**777,286**	639,642
	8,147,338	6,539,058

Others mainly include the revenue from metallurgical engineering and equipment, boiler products, transmission parts and mining equipment.

Geographical information

The Group's non-current assets by location of assets at the end of the reporting period are detailed below.

	Non-current assets	
	2014	2013
	RMB'000	*RMB'000*
PRC	**7,283,972**	8,967,063
USA	**90,281**	36,869
Others	**13,018**	183
	7,387,271	9,004,115

Note: The non-current assets exclude available-for-sale investments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2014	2013
	RMB'000	*RMB'000*
Customer A[1]	**1,234,177**	1,165,980
Customer B[2]	**906,118**	N/A[3]
Customer C[2]	**892,254**	N/A[3]

1 Revenue from sale of wind gear transmission equipment in the USA segment.

2 Revenue from sale of wind gear transmission equipment in the PRC segment.

3 The corresponding revenue did not contribute over 10% of the total sales of the Group.

4. OTHER GAINS AND LOSSES

	2014	2013
	RMB'000	*RMB'000*
Gain on disposal of available-for-sale investments	**932**	39,142
Net exchange (losses) gains	**(32,139)**	20,116
Loss on disposal of a joint venture	**(129,577)**	—
Gain on disposal of a subsidiary	**3,747**	—
Loss on disposal of property, plant and equipment	**(530)**	(46,115)
Changes in fair value of held-for-trading financial liabilities	**(2,301)**	—
	(159,868)	13,143

5. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interests on bank borrowings wholly repayable within five years	**778,465**	611,489
Less: amount capitalised	**(36,857)**	(47,311)
	741,608	564,178

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.34% (2013: 6.14%) per annum to expenditure on qualifying assets.

6. TAXATION

	2014	2013
	RMB'000	*RMB'000*
Current tax		
- PRC Enterprise Income Tax	**47,300**	156,374
- USA Corporate Income Tax	**100**	123
	47,400	156,497
Under (over) provision in prior years		
- PRC Enterprise Income Tax	**13,148**	(1,020)
	13,148	(1,020)
Deferred tax charge (credit)	**70,377**	(98,205)
	130,925	57,272

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

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2013: 25%).

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

Name of subsidiary	**Year ended during which approval was obtained**	**Year ending during which approval will expire**
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Accurate Marine Equipment Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Speed & Accurate Gear (Group) Co., Ltd	31 December 2014	31 December 2016
Nanjing Gaote Gear Box Manufacturing Co., Ltd.	31 December 2012	31 December 2014
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd.	31 December 2012	31 December 2014
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd.	31 December 2012	31 December 2014
Zhenjiang Tongzhou Propeller Co., Ltd.	31 December 2013	31 December 2015

The EIT Law imposes withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their overseas shareholders. At 31 December 2014, deferred tax liabilities of RMB17,199,000 (2013: RMB17,199,000) has been recognised in the consolidated financial statements in respect of the temporary differences attributable to such undistributed profits.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**306,607**	88,429
Tax at income tax rate of 25% (2013: 25%)	**76,652**	22,107
Tax effect of share of results of associates and joint ventures	**(5,943)**	15,442
Tax effect of expenses not deductible for tax purpose	**41,519**	40,671
Tax effect of income not taxable for tax purpose	**(1,761)**	(101)
Tax effect of tax losses not recognised	**75,517**	47,042
Utilisation of tax losses previously not recognised	**(18,747)**	(155)
Income tax on concessionary rate	**(49,501)**	(66,765)
Under (over) provision in respect of prior years	**13,148**	(1,020)
Effect of different tax rate of a subsidiary operating in a jurisdiction other than PRC	**41**	51
Tax charge for the year	**130,925**	57,272

7. PROFIT FOR THE YEAR

	2014	2013
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Total staff costs, including directors' emoluments	**1,231,354**	1,116,800
Less: staff cost included in research and development costs	**(78,889)**	(71,990)
staff cost included in intangible assets	**(11,415)**	(7,710)
	1,141,050	1,037,100
Auditor's remuneration	**4,000**	3,450
Write-down of inventories (included in cost of sales)	**39,223**	222,878
Cost of inventories recognised as an expense	**6,113,118**	4,681,511
Depreciation of property, plant and equipment	**629,518**	551,775
Amortisation of prepaid lease payments	**18,687**	17,254
Amortisation of intangible assets	**95,310**	78,969
Net exchange losses (gains)	**32,139**	(20,116)
Loss on disposal of a joint venture	**129,577**	—
Gain on disposal of a subsidiary	**(3,747)**	—
Loss on disposal of property, plant and equipment	**529**	46,115
Impairment losses on intangible assets (included in other expenses)	**47,959**	21,065
Impairment losses on trade and other receivables (included in other expenses) (note)	**36,041**	140,541
Impairment losses on goodwill (included in other expenses)	**—**	14,724
Impairment losses on interests in a joint venture (included in other expenses)	**—**	53,000
Impairment loss on property, plant and equipment(included in cost of sales)	**23,119**	—

Note: During the year ended 31 December 2014, the Group provided RMB36,041,000 (2013: RMB140,541,000) of impairment loss on trade receivable. The Group assesses the recoverable and impairment has been made for the difference between recoverable amounts and carrying amounts.

8. EARNINGS PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**208,422**	64,573

	2014	2013
	'000	*'000*
Number of shares		
Number of ordinary shares (2013: weighted average number of ordinary shares) for the purpose of basic and diluted earnings per share	**1,635,291**	1,372,451

No diluted earnings per share is presented for the year ended 31 December 2014 as there was no potential dilutive shares in issue.

The computation of diluted earnings per share for the year ended 31 December 2013 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares in 2013. Accordingly, the diluted earnings per share is same as the basic earnings per share for the year ended 31 December 2013.

9. AVAILABLE-FOR-SALE INVESTMENTS

		2014	2013
		RMB'000	*RMB'000*
Equity securities listed in Hong Kong, at fair value	(1)	**49,415**	81,092
Unlisted equity securities issued by private entities established in the PRC, at cost	(2)	**86,276**	84,006
		135,691	165,098

Notes:

(1) On 2 December 2011, the Group entered into a cornerstone agreement ("the Cornerstone Investment Agreement") with, amongst other parties, 國電科技環保集團股份有限公司 Guodian Technology & Environment Group Corporation Limited ("Guodian Tech"), a joint stock limited company incorporated in the PRC with limited liability, to the proposed USD40,000,000 (equivalent to approximately RMB254,879,000) equity investment in Guodian Tech. Upon the listing of Guodian Tech's shares on the Hong Kong Stock Exchange on 30 December 2011, the Cornerstone Investment Agreement is completed and 144,100,000 H shares of Guodian Tech each priced at HKD2.16 are issued to the Group, which accounts for 12.12% of the total issued H share, and 2.42% of the total issued shares of Guodian Tech at 30 December 2011.

In 2013, the Group disposed of 92,007,000 H shares of Guodian Tech. In the current year, the Group disposed of a further 2,000,000 H share of GuodianTech, which had been carried at fair value before disposal. A gain of disposal of RMB932,000 (2013: RMB39,142,000) has been recognised and shown under other gain and losses in the current year.

At 31 December 2014, the amount represents the Group's 50,093,000 H shares (2013: 52,093,000 H shares) in Guodian Tech, measured at fair value at end of reporting period.

(2) The 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.

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Accounts receivable	**3,752,789**	4,577,676
Bills receivable	**3,044,314**	1,016,063
Less: allowance for doubtful debts of accounts receivable	**(301,986)**	(405,343)
Total trade receivables	**6,495,117**	5,188,396
Advances to suppliers	**956,639**	776,293
Value-added tax recoverable	**193,809**	201,580
Other receivables	**176,449**	73,955
Amount due from held-for-sale entities	**1,262,851**	—
Less: allowance for doubtful debts of other receivable	**(2,530)**	(2,530)
Total trade and other receivables	**9,082,335**	6,237,694

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

	2014	2013
	RMB'000	*RMB'000*
0 - 90 days	**4,313,551**	2,518,390
91 - 120 days	**529,655**	529,705
121 - 180 days	**524,310**	889,187
181 - 365 days	**719,570**	929,522
1 - 2 years	**377,192**	238,719
Over 2 years	**30,839**	82,873
	6,495,117	5,188,396

The trade receivable balances of RMB5,367,516,000 (2013: RMB3,937,282,000) are neither past due nor impaired at the end of the reporting period for which the Group has not provided for impairment loss since they are mainly the customers with good quality. No impairment loss was made on advance to suppliers since they are with good credit quality.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB1,127,601,000 (2013: RMB1,251,114,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable as there are continuing subsequent settlement.

Ageing of trade receivables which are past due but not impaired

	2014	2013
	RMB'000	*RMB'000*
181 - 365 days	**719,570**	929,522
1 - 2 years	**377,192**	238,719
Over 2 years	**30,839**	82,873
Total	**1,127,601**	1,251,114

Movement in the allowance for doubtful debts for trade receivables

	2014	2013
	RMB'000	*RMB'000*
Balance at beginning of the year	**405,343**	264,802
Acquisition of subsidiaries	**436**	—
Impairment losses recognised on trade receivables	**36,041**	140,541
Amounts written off as uncollectible	**(134,487)**	—
Transfer to assets of a disposal group classified as held for sale	**(5,347)**	—
Balance at end of the year	**301,986**	405,343

Movement in the allowance for doubtful debts for other receivables

	2014	2013
	RMB'000	*RMB'000*
Balance at beginning of the year	**2,530**	—
Impairment losses recognised on other receivables	**—**	2,530
Balance at end of the year	**2,530**	2,530

Included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB304,516,000 (2013: RMB407,873,000) which have either been placed under liquidation or in financial difficulties. The Group does not hold any collateral over these balances.

Transfers of financial assets

The following were the Group's financial assets that were transferred to suppliers to settle its payables by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the payables to suppliers. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivable endorsed to suppliers with full recourse

	2014	2013
	RMB'000	*RMB'000*
Carrying amount of transferred assets	**451,721**	165,718
Carrying amount of associated liabilities	**(451,721)**	(165,718)
Net position	**—**	—

In addition to the above, as at 31 December 2014, the Group has discounted certain bills receivable to banks and transferred certain bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers, both with full recourse. The Group has derecognised these bills receivables and the payables to suppliers in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers under the relevant PRC practice, rule and regulations. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2014, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB545,000,000 and RMB451,721,000, respectively (2013:RMB462,344,000 and RMB 803,280,000,respectively).

All the bills receivable discounted to banks or endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

11. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Accounts payable	**1,600,661**	1,634,477
Notes payable (Note)	**1,608,515**	1,260,378
Total trade payables	**3,209,176**	2,894,855
Advances from customers	**373,214**	416,563
Purchase of property, plant and equipment	**175,289**	241,165
Payroll and welfare payables	**158,547**	172,002
Accrued expenses	**197,489**	132,075
Value-added and other tax payable	**41,663**	39,605
Deferred income	**11,256**	11,256
Other payables	**112,520**	78,424
	4,279,154	3,985,945

Note: Notes payable are secured by certain of the Group's assets, details of which are set out in note 14.

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

	2014	2013
	RMB'000	*RMB'000*
0 - 30 days	**966,795**	978,386
31- 60 days	**637,576**	496,827
61 - 180 days	**1,143,915**	1,174,685
181 - 365 days	**345,111**	157,730
Over 365 days	**115,779**	87,227
	3,209,176	2,894,855

The credit period on purchases of goods is 30 days to 180 days.

12. BORROWINGS

	2014	2013
	RMB'000	*RMB'000*
Bank loans	**7,208,671**	7,446,894
Short-term unsecured commercial papers (Note 1)	**800,000**	700,000
Medium-term notes (Note 2)	**1,000,000**	500,000
Private placement bond (Note 3)	**800,000**	800,000
Guaranteed bonds (Note 4)	**630,100**	—
Monetary direct financing instruments (Note 5)	**500,000**	—
	10,938,771	9,446,894
Secured	**3,450,925**	1,933,042
Unsecured	**7,487,846**	7,513,852
	10,938,771	9,446,894
Carrying amount repayable*:		
Within one year	**7,971,209**	6,877,171
More than one year, but not exceeding two years	**214,337**	1,382,696
More than two years, but not more than five years	**2,753,225**	955,500
	10,938,771	9,215,367
Carrying amount of an unsecured syndicated loan that is repayable on demand due to breach of covenants (shown under current liabilities)	**—**	231,527
	10,938,771	9,446,894
Less: Amounts due within one year shown under current liabilities	**(7,971,209)**	(7,108,698)
Amounts due over one year	**2,967,562**	2,338,196

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Note 1: In January 2014, Nanjing High Speed Gear Manufacturing Co., Ltd, a wholly-owned subsidiary of the Group, issued an unlisted and unsecured short-term commercial paper of RMB800,000,000, which carries an interest rate of 8.7% per annum and shall be repayable in January 2015. The balance at 31 December 2013 represented unsecured short-term commercial paper of RMB 700,000,000 issued by the same subsidiary in February 2013 repayable in February 2014 and carried an interest rate at 5.3% per annum.

Note 2: In May 2013, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd, a wholly-owned subsidiary of the Group, issued an unlisted and unsecured medium-term notes of RMB500,000,000, which carries an interest rate of 6.2% per annum and shall be repayable in May 2018.

In April 2014, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. issued another unlisted and unsecured medium-term notes of RMB500,000,000, which carries an interest rate of 8.5% per annum and shall be repayable in April 2019.

Note 3: In September 2013, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd, issued an unlisted and unsecured private placement bond of RMB800,000,000, which carries an interest of 7% per annum and shall be repayable in September 2015.

Note 4: In November 2014, the Company issued listed guaranteed bonds(the "Guaranteed Bonds") with a principal amount of RMB650,000,000 bearing interest at the coupon rate of 8.3% per annum, which will mature on 19 November 2017. The Guaranteed Bonds are guaranteed by subsidiaries of the Group, namely Goodgain Group Limited and China Transmission Holdings Limited.

Note 5: In December 2014, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd, issued an unsecured monetary direct financing instruments of RMB 500,000,000, which carries an interest rate ranging from 7.3% to 7.4% per annum and shall be repayable in December 2015.

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates (or reset dates) are as follows:

	2014	2013
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Within one year	**6,727,841**	4,539,216
More than one year	**2,133,600**	1,383,571
	8,861,441	5,922,787

In addition, the Group has variable-rate borrowings of RMB2,077,330,000 (2013: RMB3,524,107,000) which carry interest rates based on the rate of People's Bank of China prescribed interest rate, the HIBOR or the LIBOR.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2014	2013
	%	*%*
Effective interest rate:		
Fixed-rate borrowings	**4.73—9.77**	2.69-6.90
Variable-rate borrowings	**1.41—6.72**	1.41-6.72

As at 31 December 2014, the Group's borrowings that are denominated in currencies other than RMB (the functional currency of relevant group entities) are USD110,000,000, and HKD587,820,000, which are equivalent to RMB673,090,000 and RMB463,731,000 respectively (2013: USD132,420,000, and HKD672,500,000, which are equivalent to RMB807,031,000 and RMB528,720,000). All other bank borrowings are denominated in RMB.

The above secured borrowings at the end of the reporting period were secured by pledge of assets, details of which are set out in note 14.

13. CAPITAL COMMITMENTS

	2014	2013
	RMB'000	*RMB'000*
Commitments contracted for but not provided in the consolidated financial statements in respect of:		
- the acquisition of land leases	**83,400**	83,400
- the acquisition of property, plant and equipment	**453,065**	567,364
	536,465	650,764

14. PLEDGE OF ASSETS

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

	2014	2013
	RMB'000	*RMB'000*
Bank deposits	**2,756,201**	2,514,615
Accounts receivable	**451,271**	418,304
Bills receivable	**1,196,721**	241,066
Property, plant and equipment	**66,274**	68,767
Prepaid lease payments	**25,062**	25,273
Structured bank deposits	**153,499**	—
	4,649,028	3,268,025

At the end of the reporting period, the Group also pledged its 25% equity interest in Nanjing High Speed Gear Manufacturing Co., Ltd, a wholly-owned subsidiary, for banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that are used in a wide range of industrial applications. For the year ended 31 December 2014, the Group recorded sales revenue of approximately RMB8,147,338,000 (2013: RMB6,539,058,000), representing an increase of approximately 24.6% from 2013. The gross profit margin was approximately 24.8% (2013: 24.9%). Profit attributable to owners of the Company was approximately RMB208,422,000 (2013: RMB64,573,000), representing an increase of 222.8% from 2013. Basic and diluted earnings per share attributable to the owners of the Company were both amounted to RMB0.127 (2013: RMB0.047).

Principal business review

1. **Wind gear transmission equipment**

Large and diversified development

The wind gear transmission equipment is a major product that has been developed by the Group. During the Period under Review, sales revenue of wind power gear transmission equipment business increased by approximately 40.1% to approximately RMB5,801,985,000 (2013: RMB4,140,327,000) as compared with last year. The increase was attributable to the fact that there were signs of the overcoming of the grid connection issues and the PRC government had successively issued policies encouraging the development of renewable energy and offshore wind power, leading to the significant increase of product delivery.

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

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

2. **Marine gear transmission equipment**

Actively expand the domestic market

The Group continued to focus on research and development of new products and market expansion, and nine series of marine products have been applied in all equipment of overall ship propulsion system. The propulsion equipment manufactured by Nanjing High Accurate Marine Equipment Co., Ltd. ("NGC-MARINE"), a wholly-owned subsidiary of the Group, is also applied in fishery patrols in the domestic sea area and is well known in the overall marine supplementary business as the only technology-driven manufacturer of marine supplementary products in the PRC which is capable of providing global shipment and global warranty services. In 2014, observing requirements in the Implementation Programs to Accelerate the Structural Adjustment for Promoting the Transformation and Upgrading in the Shipbuilding Industry (2013-2015) promulgated by the State Council《(船舶工業加快結構調整促進轉型升級實施方案(2013—2015)》), the Group will continue to increase its innovation capabilities by launching more high-end products, and strive to provide the best marine propulsion system, platform gear box and marine transmission equipment for special purposes for more domestic and overseas customers. The Group has expanded its awareness of brands in the overseas market. In April 2014, the Group participated in the thirteenth Asia Pacific Maritime held at Marina Bay Sands Conference Centre in Singapore. Over 1,500 players from around 50 countries joined the exhibition, with the participation of about 15,000 visitors from more than 60 countries. At the exhibition, the Group displayed and demonstrated marine platform lifting system gear box, adjustable propulsion system and sideways-acting propeller and rudder propeller, etc. to domestic and international customers, which brought about excellent performance and attracted a great deal of attention of visitors. The Group will continue to promote the diversity of its marine transmission equipment products in order to leverage the momentum of market recovery to lay a solid foundation for its future development.

During the Period under Review, sales revenue of marine gear transmission equipment was approximately RMB350,417,000 (2013: RMB340,523,000), representing an increase of 2.9% over last year.

3. **Transmission equipment for high-speed locomotives, metros and urban light rails**

Achievements in the research and development and promising market potential

The Group also recorded solid performance in respect of transmission equipment for high-speed locomotives, metro lines and urban light rail segments. In addition to an order of over 380 units of metro gear boxes by Qingdao Metro Line 3, it also entered into sales agreements in respect of Hong Kong Metro South District Line (香港地鐵南島線), and Singapore Metro CCL Line and NEL Line. The Group has obtained the International Railway Industry Standard (IRIS) certificate for its rail transportation products, which has laid a solid foundation for the Group's rail transportation products to expand into high-end international railway markets. Furthermore, locomotive tractive gears manufactured by Nanjing High Speed Gear Manufacturing Co., Ltd., a wholly-owned subsidiary of the Group, successfully passed the certification of China Railway Test & Certification Centre (CRCC) in 2013, signaling that the Group has formally become a qualified supplier of China Railway Corporation. Currently its products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Qingdao, Dalian, Suzhou, Hong Kong and Singapore. The Group will continue to expand three major business segments being high-speed railway, metro line and urban light rail and accelerate the research and development of light rail and high-speed railway gear equipment. The Group secured again an order of metro gear box from Brazil, purchasing above 300 units of PDM490 metro gear boxes with two-stage transmission structure. The previous gear box orders pertaining to Brazil's two MTR lines were completed for delivery and those products are operating smoothly. During the period under review, the Group obtained an order of more than 4,800 units of gear boxes for trains in suburbs of South Africa, which will be delivered within coming 10 years. That is the ever largest order in railway transportation business for the Group. The gear box ordered is PDM460 type with two-stage transmission structure, which has passed the initial inspection during the period under review, including various testing materials of gear box, appearance of gear box, spare parts and relevant technical documentations. That ensures high reliability of gear box during variable loads and high vibration and other complex conditions. Also, the application of unique gear modification technology increased the load-carrying capacity of gear box. This type of gear box has a no-repairing life exceeding 1,200,000 kilometers, meeting the requirement of low noise and high density power. PDM460 gear box will be used on new suburb trains at Pretoria, Johannesburg, Cape Town and Durban in South Africa. Such new trains are used for increasing number of passengers in these areas while providing efficient and safe public transportation for them, so as to enable the rail transportation transmission equipment to become a new source of growth of the Group.

During the Period under Review, such business generated sales revenue of approximately RMB157,623,000 for the Group (2013: RMB106,308,000), representing an increase of 48.3% over last year.

4. **Traditional transmission products**

Maintain its position as a major supplier of traditional transmission product in the market

The Group's traditional gear transmission equipment products are mainly provided for customers from various industries including metallurgy, construction materials, traffic, transportation, petrochemicals, aerospace and mining. During the period under review, sales of high speed heavy load gear transmission equipment and other products increased by 34.2% and 21.5% to RMB14,712,000 (2013: RMB10,961,000) and RMB777,286,000 (2013: RMB639,642,000), respectively; sales of gear transmission equipment for construction materials, general purpose gear transmission equipment and gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills decreased by 9.7%, 0.5% and 39.2% to RMB327,527,000 (2013: RMB362,512,000), RMB63,230,000 (2013: RMB63,539,000) and RMB277,243,000 (2013: RMB455,939,000), respectively.

Due to the worsening global economy and the PRC government's monetary tightening policies for curbing its overheating economy, the equipment industry is still under excess product capacity in PRC, thus the Group reduced prices of certain traditional transmission products accordingly. By leveraging its research and development technologies, the Group focused on the development of energy-saving and environmentally-friendly products. New products were also launched to facilitate the development strategies. Furthermore, the Group enhanced efforts in providing and selling to client spare parts of relevant products, helping them improve efficiency of products without incurring any additional capital expenditures. As a result, the Group remained one of the major suppliers of traditional transmission products in the market.

5. **Computer numerical controlled ("CNC") machine tool products**

CNC machine tool products industry

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

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

From 24 to 28 February 2014, China Machine Tool & Tool Builders' Association held the eighth CNC Machine Tool Show (CCMT2014) in Shanghai New International Expo Centre. Machine tool companies of the Group which are high-tech enterprises specialising in the research & development, production and sales of CNC machine tools, participated in the exhibition.

During the Period under Review, the world's largest screw propeller Lathe-Mill NC Machine with seven-six axis, as developed by the Group in-house, was assembled on site in a user and conducted trial machining on typical screw propeller workpieces according to the user's requirement. The lathe's various operational performance indicators reach and even exceed the requirements expected by the user, winning recognition and praise from user representatives, ship-owner representatives. The lathe is able to process propellers with a diameter of eleven meters to the maximum by applying first Seven-Six Axis. Thus the processing efficiency doubled as compared to original five-axis, and its processing accuracy also increased significantly. Seven-six axis CNC milling machine is the largest and the most complicated machine tool in the world. The successful development of this machine tool demonstrates strong research and development and manufacturing capabilities of the Group, indicating the ability of Chinese machine tool enterprises to compete with leading global machine tool enterprises in the international market.

During the Period under Review, the Group provided CNC machine tool products to customers through various subsidiaries and recorded sales revenue of approximately RMB225,325,000 (2013: RMB238,255,000), representing a decrease of 5.4% over last year.

6. **Diesel engine product industry**

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

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

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

Nantong Diesel Engine possessed the proprietary intellectual property rights and was recognised as “Famous Brand Product of China Fishery Vessel & Machine Field”, “China’s Key New Product”, “Jiangsu Province Key Protective Product” and “Jiangsu Province Credit Product”. It was also awarded “Scientific & Technological Progress Prize of State Mechanical Industry”.

During the Period under Review, the Group’s sales revenue from diesel engines amounted to approximately RMB151,990,000 (2013: RMB181,052,000), representing a decrease of 16.1% over 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 RMB1,364,666,000 (2013: RMB1,302,596,000), representing an increase of 4.8% over last year. Overseas sales accounted for 16.7% to total sales (2013: 19.9%), representing a decrease of 3.2% to total sales over the previous year. At present, the overseas customers of the Group are based mainly in the U.S. and other countries such as India, Japan and Europe. Although the economies in Europe and the U.S. were yet to be fully recovered during the Period under Review, the Group introduced different types of products in order to extend its coverage to the overseas market.

PROSPECTS

In 2014, the global economy generally maintained a moderate growth trend, and the structure adjustment after financial crisis was yet to complete, which resulted in the imbalance of economic development of each country. Meanwhile, some new challenges, such as regional and geopolitical conflicts and Ebola epidemic threatened the economic recovery. In the major economies, the United States outperformed amongst developed countries with stable recovery of economy and improvement of financial condition. Although the interest rate in the Eurozone remained low and the public financing costs were also gradually decreasing, the credit growth rate was still depressing and verging on recession. In 2014, it showed overall weakness in the emerging markets, and the macroeconomic growth rate slowed down in the PRC, however, with the deepening of reform under the "new normal", the progress of in-depth adjustment began to appear.

In respect of the wind power industry, in 2014, with the decline of costs in the overall industry and the successive introduction of relevant policies on offshore wind power, wind power became a leader in the new energy field. According to preliminary statistics of Chinese Wind Energy Association, the aggregate installed capacity amounted to 114,763,390 kW in 2014 in the PRC, representing an increase of 25.5% as compared to the same period last year. The new factory lifting capacity of wind power also created another historical record in 2014. With the continued expansion of wind power installed capacity and driven by the adjustment of new energy development strategies and relevant supporting policies, the manufacturing capacities in the wind power industry have met the development needs of onshore and offshore wind power, which led to stable recovery of the wind power industry.

During the Period under Review, according to the national development strategies on wind power, the Group actively promoted the research and development of wind gear transmission equipment and optimized its production processes to improve the development of wind power equipment business. In 2014, the Group continued to provide 1.5MW, 2MW and 3MW wind power gear boxes to the customers. In addition, it also successfully offered 5MV wind gear transmission equipment to further cater for the different needs of customers, which further promoted the implementation of its development strategy of manufacturing large and diversified wind power products to gradually improve the technology manufacturing and service system of wind power transmission equipment. In 2014, the Group achieved significant orders and delivery. As at 31 December 2014, the Group recorded sales revenue from wind power transmission products of approximately RMB5,801,985,000, representing an increase of 40.1% as compared to the same period last year, and created a new high of sales historically. Furthermore, while strengthening its position in the domestic market, the Group also actively entered into overseas markets. In order to realize the goal of the globalization and sustainable development, the Group successively established wholly-owned subsidiaries in Germany, Singapore and Canada in 2014, which served not only as stable communication channels with potential overseas high-quality customers, but also networks for providing technical support, maintenance and services. We will proactively continue to maintain strict quality control on the products and meet various technical, commercial and service requirements of overseas wind turbine manufacturers to enhance the Group's competitiveness overseas, and thus enable the Company to record a new high in the profitability of its core business.

During the Period under Review, in addition to focusing on the improvement of wind power equipment business, the Group made efforts to change the sales strategies on traditional gear transmission equipment segment. During the Period under Review, due to the effects of domestic economy in the PRC, the equipment industry was still under oversupply. Our traditional industry gear equipment business realized a turnover of RMB1,459,998,000, representing a decrease of 4.7% as compared to the same period last year.

In respect of transmission equipment for high-speed locomotives, metros and urban light rails, the Group keeps in step with the popularization trend of high-speed railways and light rails in the PRC. And due to the recognition and re-order from overseas customers, the development prospect of its products is promising.

In respect of marine products, as one of the largest manufactures of ship propulsion system in the PRC and the only manufacturer of marine supplementary products in the PRC capable of providing global shipment and global warranty services, the Group has made improvement on structure and performance of its existing marine products, and has, in due time, developed certain products which meet the latest market demands, such as rudder propeller, sideways-acting propeller and platform lifting gear box, which has opened a new channel to expand the marine product market.

While striving to ensure the sound development of its existing business, with gear products as its core business in the future, the Group will continue to strengthen and develop the gear products, maintain a cautious and pragmatic operating strategy to monitor the development prospect of electric control, heavy duty high precision machine tools and LED sapphire substrate, keep in step with the market condition to formulate the development strategies of such products, and promote the development of related business on the attitude responsible to shareholders.

Looking forward to 2015, the positive effects on macro economy from in-depth reform are expected in the PRC. At the same time, with the gradual improvement of wind power grid connection conditions and the continuous introduction of favorable policies by the state, the wind power industry will enter into a “new normal” of sound development. The Group will also capture this new round of development opportunities so as to continuously enhance the quality and economies of scale of its core business. Meanwhile, it will optimize other business segments and the layout of business globalization to build the Company as a listed equipment manufacturing company with advance technology, optimized structure and significant benefit, co-development of domestic and international markets, top-tier corporate governance and market value.

FINANCIAL PERFORMANCE

The Group's sales revenue increased by 24.6% to approximately RMB8,147,338,000 during the Period under Review.

Revenue

	Year ended 31 December		
	2014	2013	**Change**
	RMB'000	*RMB'000*	
High-speed Heavy-load Gear Transmission Equipment	**14,712**	10,961	**34.2%**
Gear Transmission Equipment for Construction Materials	**327,527**	362,512	**-9.7%**
General Purpose Gear Transmission Equipment	**63,230**	63,539	**-0.5%**
Gear Transmission Equipment for Bar-rolling, Wire-rolling and Plate-rolling Mills	**277,243**	455,939	**-39.2%**
Other products	**777,286**	639,642	**21.5%**
Traditional Products - Subtotal	**1,459,998**	1,532,593	**-4.7%**
Wind Gear Transmission Equipment	**5,801,985**	4,140,327	**40.1%**
Marine Gear Transmission Equipment	**350,417**	340,523	**2.9%**
Transmission Equipment for High-speed Locomotives, metros and Urban Light Rails	**157,623**	106,308	**48.3%**
CNC Products	**225,325**	238,255	**-5.4%**
Diesel Engine Products	**151,990**	181,052	**-16.1%**
Total	**8,147,338**	6,539,058	**24.6%**

REVENUE

The Group's sales revenue for 2014 was approximately RMB8,147,338,000, representing an increase of 24.6% as compared with last year. The increase was mainly due to the pickup in orders from customers for wind power gear box products during the Period under Review. During the Period under Review, the average selling prices of wind power gear box equipment remained steady, and sales revenue of wind power gear box equipment increased from approximately RMB4,140,327,000 last year to approximately RMB5,801,985,000 during the Period under Review, representing an increase of 40.1%.

During the Period under Review, the Group's sales revenue from traditional transmission products was approximately RMB1,459,998,000, representing a decrease of 4.7% as compared with last year. During the Period under Review, sales revenue of marine gear transmission equipment and transmission equipment for high-speed locomotives, metros and urban light rails, amounted to approximately RMB350,417,000 and RMB157,623,000 respectively, representing an increase of 2.9% and an increase of 48.3% as compared with last year respectively. During the Period under Review, the Group's sales revenue from CNC products and diesel engine products was approximately RMB225,325,000 (2013: RMB238,255,000) and RMB151,990,000 (2013: RMB181,052,000) respectively.

Gross profit margin and gross profit

The Group's consolidated gross profit margin for 2014 was approximately 24.8% (2013: 24.9%), representing a slight decrease of 0.1 percentage point from last year, and its consolidated gross profit amounted to approximately RMB2,020,243,000 (2013: RMB1,630,832,000), representing an increase of 23.9% from last year. The increases in both consolidated gross profit margin and consolidated gross profit were mainly due to the substantial increase in sales revenue of wind gear transmission products during the Period under Review, which also indicated that the Group reached the stage of economy of scale.

Other income, other gains and losses

The total amount of other income of the Group for 2014 was approximately RMB399,563,000 (2013: RMB333,530,000), representing an increase of 19.8% as compared with last year. Other income is mainly comprised of bank interest income, government grants, sales of scraps and materials etc.

During the Period under Review, other gains and losses recorded a net loss of approximately RMB159,868,000 (2013: a net gain of RMB13,143,000), is mainly comprised of loss from disposal of a joint venture, foreign currency exchange loss and loss on disposal of fixed assets.

Distribution and selling costs

The distribution and selling costs of the Group for 2014 were approximately RMB304,160,000 (2013: RMB281,246,000), representing an increase of 8.1% as compared with last year. The costs were mainly product packaging, transportation expenses and staff costs. The percentage of distribution and selling costs to sales revenue for the Period under Review, was 3.7% (2013: 4.3%), representing a decrease of 0.6% as compared with last year.

Administrative expenses

Administrative expenses of the Group increased from approximately RMB613,280,000 for 2013 to approximately RMB679,853,000 for 2014, mainly due to the increase in amortisation for intangible assets, professional consultation fee and expenses of staff remuneration. The percentage of administrative expenses to sales revenue decrease by 1.1% to 8.3% as compared with last year.

Other Expenses

Other expenses of the Group for 2014 were RMB84,000,000 (2013: RMB229,330,000), the decrease was mainly due to decrease in impairment of trade receivables and provision for impairment losses on interest in a joint venture.

Finance costs

In 2014, the finance costs of the Group were approximately RMB741,608,000 (2013: RMB564,178,000), representing an increase of 31.4% as compared with last year, which was mainly due to the increase of principle amount of medium-term notes and bonds issue.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2014, the equity attributable to owners of the Company amounted to approximately RMB8,688,371,000 (31 December 2013: RMB8,513,877,000). The Group had total assets of approximately RMB26,562,355,000 (31 December 2013: RMB22,970,686,000), representing an increase of RMB3,591,669,000, or 15.6%, as compared with the beginning of the year. Total current assets were approximately RMB18,922,193,000 (31 December 2013: RMB13,633,411,000), representing an increase of 38.8% as compared with the beginning of the year and accounting for 71.2% of total assets (31 December 2013: 59.4%). Total non-current assets were approximately RMB7,640,162,000 (31 December 2013: RMB9,337,275,000), representing a decrease of 18.2% as compared with the beginning of the year and accounting for 28.8% of the total assets (31 December 2013: 40.6%).

As at 31 December 2014, total liabilities of the Group were approximately RMB17,692,253,000 (31 December 2013: RMB14,208,985,000), representing an increase of RMB3,483,268,000 as compared with the beginning of the year. Total current liabilities were approximately RMB14,449,219,000 (31 December 2013: RMB11,508,601,000), representing an increase of 25.6% as compared with the beginning of the year, whereas total non-current liabilities were approximately RMB3,243,034,000 (31 December 2013: RMB2,700,384,000), representing an increase of 20.1% as compared with the beginning of the year.

As at 31 December 2014, the net current asset of the Group was approximately RMB4,472,974,000 (31 December 2013: RMB2,124,810,000), representing an increase of RMB2,348,164,000, or 110.5%, as compared with the beginning of the year.

As at 31 December 2014, total cash and bank balances of the Group were approximately RMB5,503,305,000 (31 December 2013: RMB4,949,986,000), including pledged bank deposits of RMB2,756,201,000 (31 December 2013: RMB2,514,615,000), and structured bank deposits of RMB1,097,399,000 (31 December 2013: 200,000,000).

As at 31 December 2014, the Group had total bank loans of approximately RMB10,938,771,000 (31 December 2013: RMB9,446,894,000), representing an increase of RMB1,491,877,000, or 15.8%, as compared with that at the beginning of the year, of which short-term bank loans were RMB7,971,209,000 (31 December 2013: RMB7,108,698,000), accounting for approximately 72.9% (31 December 2013: 75.2%) of the total bank loans. The short-term bank loans are repayable within one year. The fixed or floating interest rates of the Group's bank loans for 2014 ranged from 1.41% to 9.77% per annum.

Taking into account of the internal financial resources of and the banking facilities available to the Group, and the net current asset of RMB4,472,974,000, the Directors of the Company believe that the Group will have sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

Gearing ratio

The Group's gearing ratio (defined as total liabilities as a percentage of total assets) slightly increased from 61.9% as at 31 December 2013 to 66.6% as 31 December 2014, due to the increase of bank loans.

Capital structure

The Group's operations were financed mainly by shareholder's equity, bank 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 31 December 2014 amounted to approximately HK$58,782,000 and US$110,000,000 respectively.

During the Period under Review, the Group used interest rate swap as hedging instrument by converting certain bank borrowings from floating rate to fixed rate in order to control the risk of interest rate fluctuation of such bank borrowings.

During the Period under Review, after taking into account the impact from the utilisation by the Group of interest rate swap, the Group's borrowings with fixed interest rates to total borrowings was approximately 81%.

PLEDGE OF ASSETS

Save as disclosed in note 14 to the consolidated financial statements, the Group has made no further pledge of assets as at 31 December 2014.

OTHER SUPPLEMENTARY INFORMATION

FINAL DIVIDEND

The Board did not recommend payment of a final dividend for the year ended 31 December 2014.

FOREIGN EXCHANGE RISK

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

The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 31 December 2013 amounted to approximately HK$58,782,000 and US$110,000,000 respectively. Therefore, the Group may be exposed to certain foreign exchange rate risks.

The net loss of foreign exchange recorded by the Group during the Period under Review was approximately RMB32,139,000 (2013: a net gain of RMB20,116,000), which was mainly due to the appreciation of Renminbi against major foreign currencies during the Period under Review. In light of the above, the Group will actively manage the net amount of foreign currency assets and liabilities by formulating foreign currency control measures and strategies, with a view to reducing its exposures to exchange risks in 2015.

INTEREST RATE RISK

The loans of the Group are mainly sourced from bank borrowings and mediun-term notes. Therefore, the benchmark lending rate announced by the People's Bank of China, the LIBOR and HIBOR 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. During the Period under Review, the Group used interest rate swap as hedging instrument by converting certain bank borrowings from floating rate to fixed rate which ranges from 1.4% to 2.93% per annum in order to control the risk of interest rate fluctuation of such bank borrowings.

EMPLOYEES AND REMUNERATION

As at 31 December 2014, the Group employed approximately 8,768 employees (31 December 2013: 9,293). Staff cost of the Group for 2014 approximated to RMB1,231,354,000 (2013: RMB1,116,800,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

SIGNIFICANT INVESTMENT HELD

There was no significant investment held by the Group during the Period under Review.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal of subsidiaries and associated companies during the Period under Review.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the report period, the Group disposed of its equity interests in Nanjing Gaote Gear Box Manufactory Co., Ltd and Zhong-Chuan Heavy Duty Equipment Co., Ltd, details of which is set out in the Company's announcement dated 21 January 2015. The assets and liabilities of these subsidiaries are classified as held for sale in a disposal group as at 31 December 2014.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2014 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 deviation from 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 functions and power under the present arrangement will not be impaired and this arrangement will enable the Company to formulate and implement decisions promptly and efficiently.

The Company's Chairman and Chief Executive Officer, most of the independent non-executive Directors, Chairman of the Audit Committee, Chairman of the Remuneration Committee, Chairman of the Nomination Committee and external auditors have attended the 2013 Annual General Meeting, except one independent non-executive Director, who was absent from the 2013 Annual General Meeting due to the fact that he had to deal with other important matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as its internal code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities for the year ended 31 December 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu in this announcement.

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

Hong Kong, 27 March 2015

As at the date of this announcement, the executive directors of the Company are Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Lu Xun, Mr. Li Shengqiang, Mr. Liu Jianguo, Mr. Liao Enrong and Mr. Jin Maoji; and the independent non-executive directors are Mr. Jiang Xihe, Mr. Zhu Junsheng, Mr. Chen Shimin and Ms. Jiang Jianhua.