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 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*	**Change**
Continuing operations			
Revenue from contracts with customers	**9,722,896**	8,203,500	18.5%
Gross profit	**1,934,893**	1,530,989	26.4%
Continuing operations and discontinued operations			
Profit/(loss) for the year attributable to owners of the Company	**438,188**	208,401	110.3%
– Continuing operations	**367,426**	282,805	29.9%
– Discontinued operations	**70,762**	(74,404)	N/A
Basic and diluted earnings per share *(RMB)*	**0.268**	0.128	109.4%
Proposed final dividend per share *(HKD)*	**0.20**	0.08	150.0%

	At 31 December 2019 *RMB'000*	At 31 December 2018 *RMB'000*	**Change**
Total assets	**24,858,848**	26,748,539	-7.1%
Total liabilities	**13,529,450**	15,883,275	-14.8%
Net assets	**11,329,398**	10,865,264	4.3%
Net assets per share *(RMB)*	**6.9**	6.6	4.5%
Gearing ratio* *(%)*	**54.4**	59.4	-5.0 percentage points

* *Gearing ratio = total liabilities/total assets*

* *For identification purpose only*

The board (the "**Board**") of directors (the "**Director(s)**") 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 2019 (the "**Year**") together with comparative figures for the year ended 31 December 2018 as follows. The consolidated annual results have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Continuing operations			
Revenue from contracts with customers	*3*	**9,722,896**	8,203,500
Cost of sales		**(7,788,003)**	(6,672,511)
Gross profit		**1,934,893**	1,530,989
Selling and distribution expenses		**(362,811)**	(292,946)
Administrative expenses		**(519,269)**	(494,546)
Research and development costs		**(394,961)**	(337,457)
Net impairment losses on financial assets		**(62,188)**	(57,059)
Other income	*4*	**182,307**	209,879
Other gains – net	*5*	**64,543**	192,107
Operating profit		**842,514**	750,967
Finance income	*7*	**80,841**	143,895
Finance costs	*7*	**(512,030)**	(630,963)
Finance costs – net		**(431,189)**	(487,068)
Share of net profit of associates and joint ventures accounted for using the equity method		**4,752**	15,884
Profit before income tax		**416,077**	279,783
Income tax expenses	*8*	**(62,430)**	(10,781)
Profit for the year from continuing operations		**353,647**	269,002
Profit/(loss) for the year from discontinued operations		**63,964**	(62,530)
Profit for the year		**417,611**	206,472

	Note	Year ended 31 December **2019** ***RMB'000***	 2018 *RMB'000*
Profit/(loss) attributable to:			
– Owners of the Company		**438,188**	208,401
– Non-controlling interests		**(20,577)**	(1,929)
		417,611	206,472
Profit/(loss) attributable to owners of the Company arises from:			
– Continuing operations		**367,426**	282,805
– Discontinued operations		**70,762**	(74,404)
		438,188	208,401
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company for the year (expressed in RMB per share)			
Basic and diluted earnings per share	*9*	**0.225**	0.173
Earnings per share for profit attributable to the ordinary equity holders of the Company for the year (expressed in RMB per share)			
Basic and diluted earnings per share	*9*	**0.268**	0.128

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**417,611**	206,472
Other comprehensive (loss)/income for the year:		
Items that may be reclassified to profit or loss		
– Changes in the fair value of debt instruments at fair value through other comprehensive income	**(9,006)**	15,317
– Currency translation differences	**(7,033)**	(4,486)
– Income tax relating to these items	**1,724**	(3,829)
	(14,315)	7,002
Items that may not be reclassified to profit or loss		
– Changes in the fair value of equity instruments at fair value through other comprehensive income	**146,287**	(85,519)
– Income tax relating to these items	**(38,833)**	18,846
	107,454	(66,673)
Other comprehensive income/(loss) for the year, net of tax	**93,139**	(59,671)
Total comprehensive income for the year	**510,750**	146,801
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	**530,205**	149,085
– Non-controlling interests	**(19,455)**	(2,284)
	510,750	146,801
Total comprehensive income/(loss) for the year attributable to owners of the Company arises from:		
– Continuing operations	**457,218**	223,489
– Discontinued operations	**72,987**	(74,404)
	530,205	149,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**3,973,655**	3,815,283
Land lease prepayments		**–**	531,801
Right-of-use assets		**658,942**	–
Goodwill		**26,414**	272
Intangible assets		**–**	14,825
Investments accounted for using the equity method		**287,011**	418,819
Financial assets at fair value through other comprehensive income		**2,597,819**	2,548,454
Financial assets at fair value through profit or loss		**541,900**	518,602
Other financial assets at amortised cost		**549,827**	517,327
Deposits for land leases		**11,361**	116,800
Deferred income tax assets		**298,766**	271,427
		8,945,695	8,753,610
Current assets			
Inventories		**2,568,569**	2,313,001
Land lease prepayments		**–**	11,486
Trade receivables	*11*	**2,378,101**	4,445,523
Other receivables	*11*	**2,226,429**	984,693
Other financial assets at amortised cost		**254,050**	205,861
Prepayments		**255,606**	361,851
Financial assets at fair value through other comprehensive income		**2,780,914**	1,368,456
Financial assets at fair value through profit or loss		**253,132**	1,993,594
Income tax prepaid		**33,377**	82,362
Pledged bank deposits		**2,642,560**	2,922,234
Cash and cash equivalents		**2,520,415**	2,062,624
Assets of disposal group classified as held-for-sale		**–**	1,243,244
		15,913,153	17,994,929

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Borrowings	*14*	**2,824,000**	4,960,387
Corporate bonds	*14*	**1,914,275**	–
Trade payables	*13*	**2,050,701**	1,716,846
Bills payable	*13*	**3,884,766**	4,526,958
Other payables	*13*	**1,041,008**	1,021,963
Contract liabilities		**529,255**	302,533
Deferred income		**17,124**	17,196
Income tax payable		**76,840**	43,125
Warranty provision		**216,868**	90,373
Liabilities of disposal group classified as held-for-sale		**–**	502,315
		12,554,837	13,181,696
Net current assets		**3,358,316**	4,813,233
Total assets less current liabilities		**12,304,011**	13,566,843
Non-current liabilities			
Borrowings	*14*	**736**	1,105
Corporate bonds	*14*	**498,437**	2,411,465
Deferred income		**180,273**	54,283
Warranty provision		**97,164**	72,528
Deferred income tax liabilities		**198,003**	162,198
		974,613	2,701,579
Net assets		**11,329,398**	10,865,264
Capital and reserves			
Share capital		**119,218**	119,218
Reserves		**11,087,825**	10,672,614
Equity attributable to owners of the Company		**11,207,043**	10,791,832
Non-controlling interests		**122,355**	73,432
Total equity		**11,329,398**	10,865,264

NOTES

1. GENERAL

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the disclosure requirements of Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities which are carried at fair value.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

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

The impact of the adoption of the IFRS 16 are disclosed in Note 2.2 below. The other amendments listed above did not have significant impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and amendments listed below have been published that are not mandatory to be adopted for the year ended 31 December 2019 and have not been early adopted by the Group. These developments are not expected to have a material impact on the Group or transaction in foreseeable future in the current or future periods.

- Amendments to IFRS 10 and IAS 28 on 'Sale or contribution of assets between an investor and its associate or joint venture', the effective date of the amendments have been deferred by IASB

- Amendments to IFRS 3 on 'Definition of a business', effective for the accounting period beginning on or after 1 January 2020

- Amendments to conceptual framework of IASB, effective for the accounting period beginning on or after 1 January 2020

- Amendments to IAS 1 and IAS 8 on 'Definition of Material', effective for the accounting period beginning on or after 1 January 2020

- New financial reporting standard, IFRS 17 'Insurance Contracts', effective for the accounting period beginning on or after 1 January 2021

2.2 Changes in accounting policies

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

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

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

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB6,900 thousands. Of these commitments, approximately RMB3,085 thousands relate to short-term leases which is recognised on a straight-line basis as expense in profit or loss.

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

3. OPERATING SEGMENT INFORMATION

The Group is organised in one business division only. The Group's chief operating decision maker (the "CODM"), being the Company's Board of Directors, make decisions according to the revenue and operating results of each geographical area by location of customers and the related reports on the ageing analysis of trade and bills receivables for the purposes of resource allocation and performance assessment. Accordingly, the Group's operating segments are based on geographical location of customers.

No information of liabilities is provided to CODM for the assessment of performance of different geographical area. Therefore, only segment revenue, segment results and segment assets 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.

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

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

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

(a) Segment information

	PRC *RMB'000*	USA *RMB'000*	Europe *RMB'000*	Other countries *RMB'000*	Total *RMB'000*
For the year ended 31 December 2019					
Segment revenue					
Total segment revenue	**9,178,669**	**2,108,333**	**616,165**	**318,496**	**12,221,663**
Inter-segment revenue	**(2,332,051)**	**(64,338)**	**(94,940)**	**(7,438)**	**(2,498,767)**
Revenue from external customers	**6,846,618**	**2,043,995**	**521,225**	**311,058**	**9,722,896**
Timing of revenue recognition					
At a point in time	**6,846,618**	**2,043,995**	**521,225**	**311,058**	**9,722,896**
Segment results	**1,123,404**	**390,123**	**92,432**	**54,536**	**1,660,495**
Unallocated other income					**93,894**
Unallocated other gains – net					**64,543**
Impairment losses on financial assets					**(62,188)**
Finance costs – net					**(431,189)**
Share of profits and losses of associates and joint ventures					**4,752**
Corporation and other unallocated expenses					**(914,230)**
Profit before income tax					**416,077**
Segment assets	**4,799,221**	**96,020**	**27,596**	**233,673**	**5,156,510**
Corporate and other unallocated assets					**19,702,338**
Total assets					**24,858,848**
Other segment information					
Reversal of provision recognised for decline in the value of inventories	**(1,838)**	**–**	**–**	**–**	**(1,838)**
Impairment losses on financial assets, net	**62,196**	**(16)**	**–**	**8**	**62,188**
Other impairment losses	**20,985**	**–**	**–**	**–**	**20,985**
Depreciation and amortisation	**464,267**	**7,729**	**1,200**	**274**	**473,470**
Capital expenditure	**581,033**	**775**	**234**	**25,584**	**607,626**

	PRC *RMB'000*	USA *RMB'000*	Europe *RMB'000*	Other countries *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018					
Segment revenue					
Total segment revenue	7,680,083	1,866,388	459,020	536,670	10,542,161
Inter-segment revenue	(2,279,964)	(58,697)	–	–	(2,338,661)
Revenue from external customers	5,400,119	1,807,691	459,020	536,670	8,203,500
Timing of revenue recognition					
At a point in time	5,400,119	1,807,691	459,020	536,670	8,203,500
Segment results	817,220	322,124	79,273	87,640	1,306,257
Unallocated other income					141,664
Unallocated other gains – net					192,107
Impairment losses on financial assets					(57,059)
Finance costs – net					(487,068)
Share of profits and losses of associates and joint ventures					15,884
Corporation and other unallocated expenses					(832,002)
Profit before income tax					279,783
Segment assets	5,579,604	57,343	45,411	131,621	5,813,979
Corporate and other unallocated assets					20,934,560
Total assets					26,748,539
Other segment information					
Reversal of provision recognised for decline in the value of inventories	(10,566)	–	–	–	(10,566)
Impairment losses on financial assets, net	57,196	(126)	(2)	(9)	57,059
Other impairment losses	16,076	–	–	–	16,076
Depreciation and amortisation	460,900	8,596	1,218	310	471,024
Capital expenditure	678,077	12,172	992	125	691,366

(b) Other geographical information

Non-current assets by the locations of the assets and excludes financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL"), other financial assets at amortised cost and deferred income tax assets are detailed below:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
PRC	**4,768,785**	4,714,493
USA	**154,886**	159,705
Europe	**7,558**	3,306
Other countries	**26,154**	20,296
	4,957,383	4,897,800

(c) Revenue from major products and services

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Wind gear transmission equipment	**8,178,999**	6,896,966
Industrial gear transmission equipment	**1,486,917**	1,298,567
Other products and services	**56,980**	7,967
	9,722,896	8,203,500

(d) Information about major customers

Revenue from customers of the corresponding year individually amounted to over 10% of the total sales of the Group is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Customer A *(Note (i))*	**2,980,529**	3,001,454
Customer B *(Note (ii))*	**1,224,934**	1,051,823

Note

(i) Revenue from sale of wind and industrial gear transmission equipment in the segments of PRC, USA, Europe and other countries.

(ii) Revenue from sale of wind gear transmission equipment in the PRC segment.

4. OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Dividend income *(Note (i))*	**30,449**	83,176
Interest income *(Note (ii))*	**47,602**	36,919
Government grants *(Note (iii))*		
– Deferred income recognised	**17,124**	20,418
– Other government subsidies	**46,083**	15,654
Sale of scraps and materials	**19,335**	23,357
Gross fixed rental income	**8,850**	12,246
Others	**12,864**	18,109
	182,307	209,879

Note

(i) Dividend income are received from financial assets at FVPL and at FVOCI.

(ii) Interest income derives from other financial assets at amortised cost.

(iii) Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. There are no unfulfilled conditions or the contingencies attaching to these grants.

5. OTHER GAINS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment, net	**(25,818)**	(1,442)
Gains on disposal of a subsidiary, net	**–**	69,362
Gains on disposal of joint ventures, net	**1,469**	–
Losses on disposal of associates, net	**(5,093)**	(583)
Foreign exchange gains, net	**28,241**	38,434
Net fair value gains on financial assets at FVPL	**73,747**	82,885
Impairment losses on property, plant and equipment	**(8,003)**	–
Others	**–**	3,451
	64,543	192,107

6. EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**6,408,722**	5,522,586
Employee benefit expenses	**1,359,689**	1,253,724
Depreciation of property, plant and equipment	**438,326**	423,191
Depreciation of right-of-use assets	**12,195**	–
Amortisation of intangible assets	**14,825**	15,964
Amortisation of land lease prepayments	**–**	13,477
Auditors remuneration	**3,600**	4,000
(Reversed) provision recognised for decline in the value of inventories	**(1,838)**	(10,566)
Other expenses	**829,525**	575,084
Total cost of sales, selling and distribution expenses, research and development costs and administrative expenses	**9,065,044**	7,797,460

7. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**80,841**	143,895
Finance costs		
Interest expense	**(510,020)**	(618,150)
Net foreign exchange losses	**(2,010)**	(12,813)
	(512,030)	(630,963)
Finance costs – net	**(431,189)**	(487,068)

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax – charge for the year		
– PRC	**85,021**	17,234
– Hong Kong	**12,545**	13,103
– Others	**669**	–
Current income tax -under/(over)-provision in respect of prior years	**5,894**	(10,254)
	104,129	20,083
Deferred tax	**(41,699)**	(9,302)
Income tax expenses	**62,430**	10,781

A reconciliation between income tax expenses and accounting profit at applicable tax rates is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax from continuing operations	**416,077**	279,783
Tax calculated at statutory tax rate of 25%	**104,019**	69,946
Tax effect of:		
– Lower tax rate enacted by local authority or different tax rates of subsidiaries in other jurisdictions	**(12,385)**	(42,834)
– Share of profit of investments accounted for using the equity method	**(4,552)**	(3,971)
– Other non-taxable income	**(1,910)**	(22,467)
– Non-deductible losses, expenses and costs	**20,215**	23,353
– Utilisation of previously unrecognised tax losses	**(112,022)**	–
– Tax losses for which no deferred income tax assets was recognised	**60,234**	16,270
– Temporary differences for which no deferred income tax assets was recognised in current year	**15,137**	12,963
– Additional deduction of research and development expenses	**(26,849)**	(33,693)
– Withholding tax at 5% on the undistributed earnings of the PRC subsidiaries	**14,649**	1,468
– Under/(over)-provision in respect of prior years	**5,894**	(10,254)
	62,430	10,781

(a) PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2018: 25%) on the taxable profits of the Group's PRC subsidiaries for the year ended 31 December 2019.

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

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2019.

(c) Other corporate income tax

Other corporate income tax has been provided at the rate of 8.5% to 18.5% (2018: 17% to 18.5%) on the estimated assessable profits arising from the jurisdictions at which the entities are operated.

(d) Withholding tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable to 5% withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008. The aggregate amount of temporary differences associated with unremitted earnings of RMB6,746 million (31 December 2018: RMB6,485 million) of investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately RMB337 million as at 31 December 2019 (2018: RMB324 million), that in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit from continuing operations attributable to the owners of the Company	**367,426**	282,805
Profit/(loss) from discontinued operations	**70,762**	(74,404)
Net profit/(loss) attributable to owners of the Company	**438,188**	208,401
Weighted average number of ordinary shares outstanding for earnings per share ('000)	**1,635,291**	1,635,291
Basic earnings per share (RMB per share)		
– From continuing operations attributable to the ordinary equity holders of the Company	**0.225**	0.173
– From discontinued operations	**0.043**	(0.045)
	0.268	0.128

No adjustment is made to the diluted earnings per share for the years ended 31 December 2019 and 31 December 2018 as there was no potential dilutive shares in issue.

10. DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Final proposed – HK 20 cents per share (2018: HK 8 cents per share)	**292,972**	114,994

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The final dividend in respect of the year ended 31 December 2018 was proposed by the directors of the Company on 29 March 2019, and subsequently approved at the Company's annual general meeting on 24 May 2019 and recognised as distribution during the year ended 31 December 2019.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
– Amounts due from third parties	**2,904,710**	4,949,044
– Amounts due from joint ventures	**9,553**	32,867
	2,914,263	4,981,911
Less: Impairment provision	**(536,162)**	(536,388)
	2,378,101	4,445,523
Deposits and other receivables		
– Amounts due from third parties	**2,336,404**	779,774
– Amounts due from associates	**237,687**	92,538
– Amounts due from joint ventures	**445**	15,125
– Amount due from a fellow subsidiary	**–**	93,482
	2,574,536	980,919
Less: Impairment provision	**(472,063)**	(23,509)
	2,102,473	957,410
Value-added tax recoverable	**123,956**	27,283
	2,226,429	984,693
	4,604,530	5,430,216

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

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

As at 31 December 2019, other receivables mainly include a deposit for land lease amounting to RMB75,000 thousands, other receivables from the former subsidiaries of the bundle transaction of RMB1,003,834 thousands, and overdue beneficial interests of the trust of RMB512,813 thousands that is reclassified from financial assets at FVPL to other receivables at maturity.

In 2018, the Group acquired the beneficial interest of the trust from an independent third party in the amount of RMB483,315 thousands, which was overdue as at 31 December 2019. The Group does not intend to renew the terms of the debt investments with the independent third party and classify it from financial assets at FVPL into other receivables. The trust agreed to pay back the investment in 2020.

(i) Fair values of trade and other receivables

Due to the short-term nature of the current trade and other receivables, their carrying amount is considered to be the same as their fair value.

(ii) Impairment and risk exposure

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

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Less than 90 days	**1,826,916**	3,039,728
90 to 180 days	**96,585**	499,216
181 to 365 days	**217,652**	424,881
1 to 2 years	**143,111**	328,927
Over 2 years	**93,837**	152,771
	2,378,101	4,445,523

The movements in allowance of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**(536,388)**	(576,098)
Amounts restated through opening retained earnings	**–**	(64,322)
Transferred to disposal group classified as held-for-sale	**–**	131,187
Impairment losses recognised during the year, net	**(18,853)**	(34,937)
Amounts written off as uncollectible	**19,079**	7,782
As at 31 December	**(536,162)**	(536,388)

The ageing analysis of other receivables (excluding value-added tax recoverable) as at the end of the reporting period, based on due date, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Less than 1 year	**2,074,272**	924,615
Over 1 year	**28,201**	32,795
	2,102,473	957,410

(iii) Transfers of financial assets

The following were the Group's bills receivable accepted by banks in the PRC (the "Endorsed Bills") that were endorsed to certain of the Group's suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled.

Bills receivable endorsed to suppliers with full recourse are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Carrying amount of transferred assets	**199,687**	31,009
Carrying amount of associated liabilities	**(199,687)**	(31,009)

12. DISCONTINUED OPERATIONS

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

On 23 November 2018, the Group entered into a bundle transaction of equity transfer agreements (the "Bundle Transaction") with an independent third party, Ningbo Gaoguang Enterprise Management Co., Ltd. ("Ningbo Gaoguang"), to dispose of its entire equity interests of ten subsidiaries and four associates for an aggregate cash consideration of RMB299,432 thousands. The ten subsidiaries include Zhongchuan Heavy Duty Machine Tool Corporation Ltd., Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd., AE&E Nanjing Boiler Co., Ltd., Nantong Diesel Engine Co., Ltd., Zhongchuan Heavy Machine Tool Nanjing Co., Ltd., Nantong City Zhenhua Hongsheng Heavy Forging Co., Ltd., Rugao City Hongmao Scrap Metal Recycling Co.,Ltd., Nanjing Nanchuan Laser Equipment Co., Ltd., Nanjing Jingrui Semi-conductor Co., Ltd. and Jiangsu Jingrui Semi-conductor Co., Ltd.. The four associates include Nantong FLW Agricultural Equipment Co., Ltd., Nanjing Yijing Optoelectronics Technology Co., Ltd., Nanjing Yijing Energy Co., Ltd. and Inner Mongolia Jingjing Optoelectronics Technology Co., Ltd.. The Bundle Transaction was completed in the current year and an aggregate of cash consideration amounted to RMB119,886 thousands were received from Ningbo Gaoguang up to 31 December 2019. The remaining consideration receivable of RMB179,546 thousands was recorded in other receivables and received subsequent to the end of the reporting period.

The above companies are engaged in the manufacturing and sales of non-core business segment that the Group would discontinue and therefore were classified as discontinued operations. Accordingly, the operating results for the above companies and the gains arises from the disposal were separately presented as profit/(loss) from discontinued operations in the consolidated income statement up to the disposal date in 2019 and for the year ended 31 December 2018. As at 31 December 2018, the assets and liabilities related to the Bundle Transaction have been presented as assets/liabilities of disposal group classified as held for sale.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables		
– Amounts due to third parties	**2,049,268**	1,714,786
– Amounts due to associates	**318**	1,605
– Amounts due to joint ventures	**1,115**	455
	2,050,701	1,716,846
Bills payable	**3,884,766**	4,526,958
	5,935,467	6,243,804
Accruals	**86,480**	146,632
Other tax payables	**65,259**	24,978
Payables on purchase of property, plant and equipment	**167,867**	189,313
Payroll and welfare payables	**151,238**	135,410
Other payables		
– Amounts due to third parties	**541,828**	478,707
– Amounts due to associates	**221**	1,081
– Amounts due to joint venture	**–**	30,000
	1,012,893	1,006,121
Financial guarantee liability	**28,115**	15,842
	1,041,008	1,021,963
	6,976,475	7,265,767

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0 – 30 days	**2,198,577**	1,423,121
31- 60 days	**407,034**	900,690
61 – 180 days	**863,605**	2,811,377
181 – 365 days	**2,301,865**	965,899
Over 365 days	**164,386**	142,717
	5,935,467	6,243,804

The trade payables are non-interest-bearing and are normally settled on credit terms of 90 to 180 days.

All of the amounts due to the Group's joint ventures and associates are unsecured, interest-free and repayable within 180 days.

14. BORROWINGS AND CORPORATE BONDS

	As at 31 December			
	2019		2018	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	%	*RMB'000*
Current				
Bank loans – unsecured	**4.35-5.92**	**1,927,500**	1.05 – 5.66	3,190,367
Bank loans – secured	**3.69-5.92**	**896,500**	3.91 – 5.10	1,270,020
Medium-term notes – unsecured	**–**	**–**	8.50	500,000
		2,824,000		4,960,387
Corporate bonds -unsecured (a)	**6.59-6.62**	**1,914,275**	–	–
		4,738,275		4,960,387
Non-current				
Bank loans – secured	**8.00**	**736**	8.00	1,105
Corporate bonds -unsecured (a)	**7.62**	**498,437**	6.59 – 7.62	2,411,465
		499,173		2,412,570
		5,237,448		7,372,957

(a) In March 2017, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive") issued the first tranche of corporate bonds of RMB900,000 thousands (the "First Tranche Bond") which carries an interest rate of 6.47% per annum. In July 2017, Nanjing Drive issued the second tranche of corporate bonds of RMB1,020,000 thousands which carries an interest rate of 6.50% per annum. In January 2018, Nanjing Drive issued the third tranche of corporate bonds of RMB500,000 thousands which carries an interest rate of 7.50% per annum. All corporate bonds have a period of 5 years, attached with the option of adjusting the nominal interest rate for issuer and the option of redemption at the end of the third year for investors. In March 2020, as all the bondholders of the First Tranche Bond have chosen to redeem, Nanjing Drive has paid RMB900,000 thousands for the redemption, the First Tranche Bond have been cancelled subsequently.

The maturity of borrowings is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
– On demand or within 1 year	**2,824,000**	4,460,387
– Between 1 and 2 years	**736**	–
– Between 2 and 5 years	**–**	1,105
	2,824,736	4,461,492
Other borrowings repayable:		
– On demand or within 1 year	**1,914,275**	500,000
– Between 1 and 2 years	**498,437**	1,913,317
– Between 2 and 5 years	**–**	498,148
	2,412,712	2,911,465
	5,237,448	7,372,957

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
– Within one year	**4,648,275**	3,484,227
– More than one year	**499,173**	2,412,570
	5,147,448	5,896,797

In addition, the Group has variable-rate borrowings of RMB90,000 thousands (2018: RMB1,476,160 thousands) which carry interest rates based on the rate of People's Bank of China prescribed interest rate (the "LPR") (2018: interest rate based on the LPR or the London Interbank Offered Rate).

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Effective interest rates:		
– Fixed-rate borrowings	**3.69%-8.00%**	1.05% – 8.50%
– Variable-rate borrowings	**4.57%-4.70%**	3.91% – 5.22%

As at 31 December 2019, all borrowings are denominated in RMB. As at 31 December 2018, the Group's borrowing denominated in currencies other than RMB was USD63,009 thousands, which was equivalent to RMB423,443 thousands and EUR34,290 thousands which was equivalent to RMB269,084 thousands.

The secured borrowings at the end of the reporting period were secured by pledge of assets.

15. CONTINGENT LIABILITIES

At 31 December 2019, the Group provided guarantees to one of the Group's associates and two of the independent third parties in favour of its bank loans of RMB780,008 thousands (2018: RMB741,360 thousands). This amount represented the balance that the Group could be required to be paid if the guarantees were called upon in its entirety. At the end of the reporting period, an amount of RMB28,115 thousands (2018: RMB15,842 thousands) has been recognised in the consolidated statement of financial position as liabilities.

16. COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machinery	**237,046**	290,208

(b) Operating lease commitments – the Group as lessee

As disclosed in Note 2.2, the Group does not expect to have a significant financial impact on the consolidated financial statements and therefore the Group does not recognise right-of-use assets, lease liabilities and deferred tax assets on the consolidated financial statements and continue to disclose the minimum lease payments under non-cancellable operating leases as "Operating lease commitments".

The Group entered into certain non-cancellable operating lease agreements of leasehold land and office equipment. The leases have varying terms, escalation clauses and renewal rights. The maturity of future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
No later than 1 year	**3,085**	1,914
Later than 1 years	**3,815**	1,296
	6,900	3,210

17. ASSETS PLEDGED AS SECURITIES

As at the end of the reporting period, certain assets of the Group were pledged to secure certain banking and other facilities granted to the Group as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Bills receivable	**1,179,231**	905,550
Property, plant and equipment	**757,984**	245,784
Land use rights	**176,107**	50,205
Pledged bank deposits	**2,642,560**	2,922,234
	4,755,882	4,123,773

18. OUTSTANDING LITIGATION

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

In 2019, NGC Transmission Europe GmbH received a claim (the "Claim") by SET with a total amount of EUR11,773 thousands (equivalent to RMB92,012 thousands) (the "Claimed Amount") against NGC Parties for breaches of contractual obligations under the Cooperation Agreement relating to the Project.

Upon the date of the approval of these financial information, the Claim was still awaiting for trial. The independent lawyers engaged by the Group believe that there are solid arguments to rebut the Claim on the merits whilst also see a certain settlement value to this case which would be substantially below 50% of the total Claimed Amount. As at 31 December 2019, based on the assessment of the independent lawyers, a provision amounting to RMB8,066 thousands was accrued by management.

19. SUBSEQUENT EVENTS

Since early 2020, the novel coronavirus epidemic ("the COVID-19 outbreak") has spread across China and other countries. Up to the date on which these consolidated financial statements are issued, the Group is still in the process of assessing the impacts of the COVID-19 outbreak on the financial position and operating results of the Group. The Group will stay alert on the development of the COVID-19 outbreak, continuing to assess its financial impacts and take necessary action to mitigate the business risk.

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 wind power and a wide range of industrial applications. During the Year, the Group recorded sales revenue of approximately RMB9,722,896,000 in continuing operations (2018: RMB8,203,500,000), representing an increase of approximately 18.5% from 2018. The gross profit margin was approximately 19.9% (2018: 18.7%). Profit attributable to owners of the Company from continuing and discontinued operations was approximately RMB438,188,000 (2018: RMB208,401,000), representing an increase of 110.3% from 2018. Basic earnings per share amounted to RMB0.268 (2018: RMB0.128), representing an increase of 109.4% from 2018.

Principal Business Review

1. *Wind gear transmission equipment*

Large, diversified and overseas market development

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

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

The wind gear transmission equipment is a major product that has been developed by the Group. During the Year, sales revenue of wind gear transmission equipment business increased by approximately 18.6% to approximately RMB8,178,999,000 (2018: RMB6,896,966,000) as compared with last year.

2. *Industrial gear transmission equipment*

Enhanced market competitiveness through changes in product 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.

In the past two years, the equipment industry of China has been affected by overcapacity, the Group adjusted the development strategy for traditional industrial gear transmission equipment. Above all, with the focus on energy-saving and environmentally-friendly products, the Group has upgraded the technology of the heavy products by the technology advantage, meanwhile, the Group has self-developed standardized, modular and intelligent products which are internationally competitive, facilitate the change in sales strategies and explore new markets and new industries by the products positioning with complete range, clear layers and precise subdivision. In particularly, the Group made the product development and research and market explore of the standard gearbox and planetary gearbox, etc. At the same time, the Group strengthened its efforts to provide and sell parts and components of relevant products as well as system solutions to its customers, helping them enhance their current production efficiency without increasing capital expenditure, thereby maintaining the Group's position as a major supplier in the traditional industrial transmission product market.

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

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

During the Year, the industrial gear business segment generated sales revenue of approximately RMB1,486,917,000 for the Group (2018: RMB1,298,567,000), representing an increase of 14.5% over last year.

LOCAL AND EXPORT SALES

During the Year, the Group maintained its position as the leading supplier of mechanical transmission equipment in the PRC. During the Year, the overseas sales amounted to approximately RMB2,876,278,000 (2018: RMB2,803,381,000), representing an increase of 2.6% over last year. Overseas sales accounted for 29.6% to total sales (2018: 34.2%), representing a decrease of 4.6 percentage points over last year. At present, the overseas customers of the Group are based mainly in the U.S. and other countries and regions such as Europe, India and Brazil.

FINANCIAL PERFORMANCE (Continuing operations)

Sales revenue of the Group for the Year increased by 18.5% to approximately RMB9,722,896,000.

	Revenue Year ended 31 December		
	2019	2018	Change
	RMB'000	*RMB'000*	
Continuing operations			
Wind Gear Transmission Equipment	**8,178,999**	6,896,966	18.6%
Industrial Gear Transmission Equipment	**1,486,917**	1,298,567	14.5%
Other Products	**56,980**	7,967	615.2%
Total	**9,722,896**	8,203,500	18.5%

Revenue

During the Year, the Group's sales revenue was approximately RMB9,722,896,000, representing an increase of 18.5% as compared with last year. The increase was mainly due to the increase in the market demand of wind gear transmission equipment which led to the increase of delivery.

During the Year, sales revenue from wind gear transmission equipment was approximately RMB8,178,999,000 (2018: RMB6,896,966,000), representing an increase of 18.6% over last year; sales revenue from industrial gear transmission equipment was approximately RMB1,486,917,000 (2018: RMB1,298,567,000), representing an increase of 14.5% over last year.

Gross profit margin and gross profit

During the Year, the Group's consolidated gross profit margin was approximately 19.9% (2018: 18.7%), representing an increase of 1.2 percentage points as compared with last year. Consolidated gross profit for the Year amounted to approximately RMB1,934,893,000 (2018: RMB1,530,989,000), representing an increase of 26.4% as compared with last year. During the Year, the increase in consolidated gross profit margin was due to the economies of scale. The increase in consolidated gross profit was mainly due to the increase in sales revenue and gross profit margin.

Other income

During the Year, the Group's other income was approximately RMB182,307,000 (2018: RMB209,879,000), representing a decrease of 13.1% as compared with last year. Other income is mainly comprised of dividend income, interest income, government grants and income from sales of scraps and materials.

Other gains – net

During the Year, other net gains of approximately RMB64,543,000 (2018: RMB192,107,000), mainly comprised of net fair value gains on financial assets at FVPL, foreign exchange net gains, and net losses on disposal of property, plant and equipment.

Selling and distribution expenses

During the Year, the Group's selling and distribution expenses were approximately RMB362,811,000 (2018: RMB292,946,000), representing an increase of 23.8% as compared with last year. Selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses, staff costs and business expenses. The percentage of selling and distribution expenses to sales revenue for the Year was 3.7% (2018: 3.6%), representing an increase of 0.1 percentage point as compared with last year.

Administrative expenses

During the Year, the Group's administrative expenses were approximately RMB519,269,000 (2018: RMB494,546,000), representing an increase of 5.0% as compared with last year, which was mainly due to the increase in staff costs and depreciation expenses, and the expenses incurred for the acquisition of a subsidiary during the Year. The percentage of administrative expenses to sales revenue decreased by 0.7 percentage points to 5.3% as compared with last year.

Research and development costs

During the Year, the Group's research and development costs amounted to approximately RMB394,961,000 (2018: RMB337,457,000), representing an increase of 17.0% as compared with last year, which was mainly due to the increased efforts put on research and development of new products.

Net impairment losses on financial assets

During the Year, the net impairment losses on financial assets of the Group amounted to approximately RMB62,188,000 (2018: RMB57,059,000), which comprised of impairment losses on trade and other receivables.

Finance costs

During the Year, the Group's finance costs amounted to approximately RMB512,030,000 (2018: RMB630,963,000), representing a decrease of 18.8% as compared with last year, which was mainly due to the decrease in bank loans and medium-term notes during the Year.

FINANCIAL RESOURCES AND LIQUIDITY

The equity attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately RMB11,207,043,000 (2018: RMB10,791,832,000). The Group had total assets of approximately RMB24,858,848,000 (31 December 2018: RMB26,748,539,000), representing a decrease of 7.1% as compared with the beginning of the year. Total current assets were approximately RMB15,913,153,000 (31 December 2018: RMB17,994,929,000), representing a decrease of 11.6% as compared with the beginning of the year, which was mainly due to the decrease in trade receivables. Total non-current assets were approximately RMB8,945,695,000 (31 December 2018: RMB8,753,610,000), representing an increase of 2.2% as compared with the beginning of the year.

Total liabilities of the Group for the year ended 31 December 2019 were approximately RMB13,529,450,000 (31 December 2018: RMB15,883,275,000), representing a decrease of approximately RMB2,353,825,000 or 14.8%, as compared with the beginning of the year. Total current liabilities were approximately RMB12,554,837,000 (31 December 2018: RMB13,181,696,000), representing a decrease of 4.8% as compared with the beginning of the year. Total non-current liabilities were approximately RMB974,613,000 (31 December 2018: RMB2,701,579,000), representing a decrease of 63.9% as compared with the beginning of the year, which was mainly due to the transfer of the corporate bonds due within one year to current liabilities.

As of 31 December 2019, the net current assets of the Group were approximately RMB3,358,316,000 (31 December 2018: RMB4,813,233,000), representing a decrease of approximately RMB1,454,917,000 or 30.2%, as compared with the beginning of the year.

As of 31 December 2019, total cash and bank balances of the Group were approximately RMB5,318,455,000 (31 December 2018: RMB5,932,008,000), representing a decrease of approximately RMB613,553,000 or 10.3%, as compared with the beginning of the year. The cash and bank balances included pledged bank deposits of RMB2,642,560,000 (31 December 2018: RMB2,922,234,000) and structured bank deposits of RMB155,480,000 (31 December 2018: RMB947,150,000) included in financial assets at fair value through profit or loss.

As of 31 December 2019, the Group had total borrowings (including corporate bonds) of approximately RMB5,237,448,000 (31 December 2018: RMB7,372,957,000), representing a decrease of approximately RMB2,135,509,000 or 29.0%, as compared with that at the beginning of the year, of which borrowings within one year were RMB4,738,275,000 (31 December 2018: RMB4,960,387,000), accounting for approximately 90.5% (31 December 2018: 67.3%) of the total borrowings. The fixed or floating interest rates of the Group's borrowings for the Year ranged from 3.69% to 8.00% per annum.

Taking into account of the internal financial resources of and the banking facilities available to the Group, and the net current assets of RMB3,358,316,000 as of 31 December 2019, the Directors believe that the Group will have sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

Gearing ratio

The Group's gearing ratio (defined as total liabilities as a percentage of total assets) decreased from 59.4% as at 31 December 2018 to 54.4% as at 31 December 2019.

Capital structure

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

The Group's cash and cash equivalents were mainly denominated in Renminbi and U.S. dollars. The Group has no foreign currency borrowings as at 31 December 2019.

During the Year, the Group's borrowings with fixed interest rates accounted for approximately 98.3% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in above note 17, the Group has made no further pledge of assets as at 31 December 2019.

PROSPECTS

In 2019, the global economy and trade grew at a lower rate amid complex domestic and foreign economic environments. Facing growing challenges and risks at home and abroad, the Chinese economy maintained a stable operation as a whole. Major macroeconomic indicators were within a reasonable range, the structural reform on the supply front continued, the resilience in development enhanced and there were more drivers for high quality development. In 2019, China's GDP was near RMB100 trillion, representing an increase of 6.1% over the previous year, which was in line with the expected target of 6% to 6.5% proposed at the beginning of the year.

Looking back to 2019, China has become the largest wind power market in the world. According to the data released by Bloomberg New Energy Finance, in 2019, the newly installed wind capacity in China has reached the second largest newly installed wind capacity in the world historically. The newly installed wind capacity in China was up to 28.9GW, increased by 37% over 2018. Among which, onshore wind capacity increased to 26.2GW and the growth was 36% whereas the offshore wind capacity increased to 2.7GW and the growth was 57%. According to the information of National Energy Administration, by the end of 2019, the installed wind power in China has reached 210 GW of which the onshore cumulative installed wind power was 204 GW and the offshore cumulative installed wind power was 5.9 GW. According to the "Global Wind Energy Report", released by Global Wind Energy Council (GWEC), in 2019, the newly installed wind power in world has reached 60.4GW, increased by 19% over 2018. By the end of 2019, the total installed wind power in the world was 650GW, increased by 10% over last year. The role of offshore wind power has become increasingly important. In 2019, the offshore newly installed wind power was 6.1GW, which has created the highest in history, the proportion of offshore wind power over the all newly installed wind power is 10%.

The Group is a leading supplier of wind gear transmission equipment, with large, diversified and overseas market development. By leveraging its strong research, design and development capabilities, the Group has a range of products including 750kW, 1.5MW, 2MW, 3MW and 5MW wind power transmission equipment which can be provided to domestic and overseas customers in bulk. The product technology has reached an internationally advanced technical level. The Group has also successfully developed and accumulated 6MW and 7MW wind power gear box with a technological level comparable to its international peers, thus enabling it to have the capability and technology to produce those products.

Currently, the Group continues to maintain a strong customer portfolio. The customers of wind power business include the major wind turbine manufacturers in the PRC, as well as the renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy and Vestas, etc. With our quality products and good services, the Group has gained extensive recognition and trust from customers at home and abroad. The Group has wholly-owned subsidiaries in the U.S., Germany, Singapore, Canada and India to support the sustainable development strategy of the Group. The Group strives to have closer communication and discussion with potential overseas customers and to grasp the opportunities in emerging markets by building a wind gear transmission equipment production base in industrial area in Sri City, India so as to enhance production capacity and to further diversify services for global customers.

Through adjustments in recent years, the Group continued to adhere to the development strategy on the wind power gear transmission equipment business, which is to strengthen industrial heavy equipment market advantage with the focus on energy-saving and environmentally-friendly products. By developing the standardized, modular and intelligent products which are internationally competitive, the Group actively explored the new markets and new industry applications of standard gearbox and planetary gear box and other industrial gear transmission equipment, built a intelligent application system and gave the products more added value and longer life cycle; at the same time, the Group adhered to the sustainable development strategy, increased its efforts to provide and sell parts and components of relevant products as well as system solutions to its customers, helped them to enhance their current production efficiency without increasing capital expenditure, met different needs from different customers, thereby our Group is able to maintain its position as a major supplier in the traditional industrial transmission product market.

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

According to the wind power development plan under the "Thirteenth Five-Year Plan" released by the National Energy Administration, it is clear that wind curtailment will be effectively addressed by 2020. In addition, the National Development and Reform Commission and the National Energy Administration issued "The implementation plan for resolving curtailment of hydro power, wind power and photovoltaic power", clarifying that the renewable energy power quota system should be implemented on an annual basis, and curtailment of hydro power, wind power and photovoltaic power should be effectively resolved nationwide by 2020. With significant improvements in wind power curtailment, the development of wind power in Northeastern, Northern and Northwestern China is expected to resume on a large scale, and newly installed capacity of domestic wind power is expected to continue its good growth momentum. The next two to three years will be a critical period for the development of the wind power industry, as can be seen from the intensive implementation of various policies on the wind power industry in 2019. Therefore, in the future, the wind power industry will gradually change from the policy-oriented development mode to the market-oriented development mode. Enterprises should also follow the development trend of the industry, continuously improve their technical and legal risk management standards, and ensure that projects are built and operated in accordance with the law and with high quality. The Group will adhere to the four core competitive strengths of "innovative thinking, zero defects, professional services, and customer orientation", to outperform the average market development by the visionary market strategy, continue to invest in innovation, advanced manufacturing technologies management concept of zero defects, inject high-level investments in human resources and build an excellent corporate culture, etc. Thus to become a stable and sustainable leader of the industry.

OTHER SUPPLEMENTARY INFORMATION

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.20 (2018: HKD0.08) (tax inclusive) per ordinary share of the Company for the year ended 31 December 2019, amounting to approximately HKD327,058,000 in aggregate, by the Company to its shareholders. The proposed final dividend is expected to be paid to the shareholders of the Company on 12 June 2020. The Company will make a separate announcement in respect of the record date of final dividend distribution and date of closure of register of members. The proposed final dividend will be paid subject to shareholders' approval at the Company's forthcoming annual general meeting.

FOREIGN EXCHANGE RISK

The Group's operations are mainly conducted in the PRC. With the exception of export sales and the imported equipment which are transacted in U.S. dollars and Euros, the Group's domestic revenue and expenses are denominated in Renminbi. Therefore, the Board is of the view that the Group's operating cash flow and liquidity during the Year was likely to face certain exchange rate risks. The Group does not use any foreign currency derivatives to hedge against the exposure in foreign exchange.

The net gain of foreign exchange (included in "other gains – net" and "finance income and costs") recorded by the Group during the Year was approximately RMB26,231,000 (2018: net gain of RMB25,621,000), including gains from our export business denominated in U.S. dollars due to the fluctuation of Renminbi against U.S. dollars during the Year.

The Group will actively manage the net amount of foreign currency assets and liabilities by formulating foreign exchange risk management measures and strategies, with a view to reducing its exposures to exchange rate risks in 2020.

INTEREST RATE RISK

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

EMPLOYEES AND REMUNERATION

As of 31 December 2019, the Group employed approximately 5,962 employees (2018: 5,588) in continuing operations. Staff cost in continuing operations of the Group for the Year approximated to RMB1,359,689,000 (2018: RMB1,253,724,000). 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 DURING THE YEAR

Set out below is the significant investment held by the Group which was classified as financial assets at fair value through other comprehensive income as at 31 December 2019:

Name of the investee company	Percentage of equity owned by the Group	Cost of investment *(RMB'000)*	Fair value as at 31 December 2019 *(RMB'000)*	Accumulated change in unrealized gains in fair value *(RMB'000)*	Dividends received/ receivable for the Year *(RMB'000)*
Zhejiang Zheshang Chanrong Investment Partnership (Limited Partnership)* (浙江浙商產融投資合夥企業(有限合夥)) (formerly known as "Zhejiang Zheshang Chanrong Share Investment Fund LLP") 浙江浙商產融股權投資基金合夥企業(有限合夥)) *(note)*	6.47%	2,000,000	2,027,647	27,647	–

Note:

Zhejiang Zheshang Chanrong Investment Partnership (Limited Partnership)* (浙江浙商產融投資合夥企業(有限合夥)), a limited partnership established and registered under the PRC laws in accordance with a limited partnership agreement, is primarily engaged in, among other things, private equity investment, investment management and investment consultation.

The Directors believe that the future performance of the significant investments held by the Group in future will be affected by the overall economic environment, market condition and the business performance of the investee company.

SIGNIFICANT DISPOSAL DURING THE YEAR

The Group had no material disposals during the Year.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING YEAR

Save as disclosed in above note 19, there are no other important events occurred subsequent to 31 December 2019.

CHANGE OF AUDITORS

As the Board took the view that it would be in the best interests of the Company and its shareholders to appoint the same firm of auditor as that used by Fullshare Holdings Limited (stock code: 607), of which the Company is an indirect non-wholly owned subsidiary, PricewaterhouseCoopers Certified Public Accountants ("**PwC**") has resigned as the auditor of the Group with effect from 11 December 2019. Baker Tilly Hong Kong Limited ("**Baker Tilly**") has been appointed by the Board as the new auditor of the Group with effect from 14 January 2020 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company.

SCOPE OF WORK OF BAKER TILLY

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed with the Company's auditor, Baker Tilly, which is consistent with the figures set out in the Group's consolidated financial statements for the year ended 31 December 2019. The work performed by Baker Tilly 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 Baker Tilly on this announcement.

CORPORATE GOVERNANCE

During the year ended 31 December 2019, 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), except for the deviation from (a) code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual; (b) code provision A.5.1 which states that the nomination committee should be chaired by the chairman of the Board or an independent non-executive Director; and (c) code provision A.6.7 which states that independent non-executive Directors and other non-executive Directors should attend general meetings of shareholders of the Company.

Since 24 May 2019, Mr. Hu Yueming has been re-designated from a non-executive Director to an executive Director and has relinquished his position as the chairman of the Board. On the same day, Mr. Hu Jichun, an executive Director and the chief executive officer of the Company, has been appointed as the chairman of the Board. The Board considers that vesting the roles of both the chairman of the Board and the chief executive officer in Mr. Hu Jichun is beneficial to the business development and management of the Group, enabling the Company to formulate and implement decisions promptly and efficiently while the balance of functions and powers will not be impaired.

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

During the Year, except for Mr. Yuen Chi Ping, a non-executive Director, was absent from the 2018 annual general meeting of the Company held on 24 May 2019 due to other important matters, other all non-executive Directors, all independent non-executive Directors, some executive Directors, the then chairman of the Board and the chairman of the nomination committee, the chairman of the audit committee, the chairman of the remuneration committee and external auditors of the Company have attended such annual general meeting.

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 (the "**Model Code**") contained in Appendix 10 to the Listing Rules 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 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor its subsidiaries has purchased, disposed or redeemed any of the Company's listed securities.

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

Hong Kong, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. Hu Jichun, Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Wang Zhengbing, Mr. Zhou Zhijin, Ms. Zheng Qing and Mr. Gu Xiaobin; the non-executive Director is Mr. Yuen Chi Ping; and the independent non-executive Directors are Dr. Chan Yau Ching, Bob, Ms. Jiang Jianhua, Mr. Jiang Xihe and Mr. Nathan Yu Li.