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 2015

Financial Highlights

	Year ended 31 December 2015 *RMB'000*	Year ended 31 December 2014 *RMB'000*	**Change**
Revenue	**9,845,695**	8,147,338	**20.8%**
Gross Profit	**3,198,021**	2,043,362	**56.5%**
Profit for the year attributable to owners of the Company	**1,033,097**	208,422	**395.7%**
Basic earnings per share (RMB)	**0.632**	0.127	**397.6%**
Proposed final dividend per share (HKD)	**0.23**	—	

	At 31 December 2015 *RMB'000*	At 31 December 2014 *RMB'000*	**Change**
Total Assets	**25,292,081**	25,299,504	**0%**
Total Liabilities	**15,317,343**	16,429,402	**-6.8%**
Net Assets	**9,974,738**	8,870,102	**12.5%**
Net Assets per share (RMB)	**6.1**	5.4	**13.0%**
Gearing Ratio*(%)	**60.6**	64.9	

*Gearing ratio = Total liabilities/Total assets

* *For identification purpose only*

The board (the "**Board**") of directors (the "**Directors**") 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 2015 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 2015

	NOTES	**2015**	2014
		RMB'000	*RMB'000*
Revenue	3	**9,845,695**	8,147,338
Cost of sales		**(6,647,674)**	(6,103,976)
Gross profit		**3,198,021**	2,043,362
Other income		**326,462**	399,563
Other gains and losses	4	**(154,418)**	(266,987)
Distribution and selling costs		**(392,555)**	(304,160)
Administrative expenses		**(612,333)**	(679,853)
Research and development costs		**(330,688)**	(167,482)
Finance costs	5	**(643,270)**	(741,608)
Share of results of associates		**(56,945)**	(5,686)
Share of results of joint ventures		**12,926**	29,458
Profit before taxation		**1,347,200**	306,607
Taxation	6	**(344,303)**	(130,925)
Profit for the year	7	**1,002,897**	175,682

	NOTE	**2015**	2014
		RMB'000	*RMB'000*
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**307**	41
Impairment loss on available-for-sale financial assets reclassified to profit or loss		**36,468**	—
Fair value (loss) gain on:			
Available-for-sale financial assets		**—**	(26,090)
Reclassified to profit or loss on:			
disposal of available-for-sale financial assets, net of income tax		**—**	(932)
Settlement of cash flow hedges		**—**	1,529
Other comprehensive income (expense) for the year		**36,775**	(25,452)
Total comprehensive income for the year		**1,039,672**	150,230
Profit (loss) for the year attributable to:			
Owners of the Company		**1,033,097**	208,422
Non-controlling interests		**(30,200)**	(32,740)
		1,002,897	175,682
Total comprehensive income (expense) attributable to:			
Owners of the Company		**1,069,872**	182,970
Non-controlling interests		**(30,200)**	(32,740)
		1,039,672	150,230
Earnings per share			
Basic (RMB)	9	**0.632**	0.127

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	**2015** *RMB'000*	2014 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,520,057**	5,939,512
Prepaid lease payments		**669,923**	596,690
Goodwill		**2,991**	2,991
Intangible assets		**163,800**	230,534
Interests in associates		**157,277**	165,905
Interests in joint ventures		**96,591**	55,007
Other receivable		**519,874**	—
Available-for-sale investments	10	**196,174**	135,691
Deposit for land lease		**191,800**	280,800
Prepayment for acquisition of property, plant and equipment		**3,656**	115,832
Deferred tax assets		**232,385**	117,200
Amount due from an associate		**226,278**	—
		7,980,806	7,640,162
CURRENT ASSETS			
Inventories		**2,075,239**	2,275,180
Prepaid lease payments		**15,276**	13,849
Trade and other receivables	11	**8,650,502**	7,819,484
Amounts due from associates		**247,016**	34,780
Amounts due from joint ventures		**39,270**	44,529
Tax asset		**3,459**	5,561
Structured bank deposits		**1,755,000**	1,097,399
Pledged bank deposits		**2,403,640**	2,756,201
Bank balances and cash		**2,121,873**	1,649,705
		17,311,275	15,696,688
Assets classified as held for sale		**—**	1,962,654
		17,311,275	17,659,342

	NOTES	2015	2014
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade and other payables	12	6,408,813	4,279,154
Amounts due to associates		1,888	96,089
Amount due to a joint venture		510	—
Tax liabilities		329,772	43,067
Borrowings	13	5,618,194	7,971,209
Financial liabilities at fair value through profit or loss		596,656	327,072
Warranty provision		100,342	99,781
Obligation under finance leases		158,556	167,073
		13,214,731	12,983,445
Liabilities directly associated with assets classified as held for sale		—	202,923
		13,214,731	13,186,368
NET CURRENT ASSETS		4,096,544	4,472,974
TOTAL ASSETS LESS CURRENT LIABILITIES		12,077,350	12,113,136
NON-CURRENT LIABILITIES			
Borrowings		1,948,126	2,967,562
Deferred tax liabilities		51,319	39,089
Deferred income		96,651	81,824
Obligation under finance leases		6,516	154,559
		2,102,612	3,243,034
		9,974,738	8,870,102
CAPITAL AND RESERVES			
Share capital		119,218	119,218
Reserves		9,639,884	8,569,153
Equity attributable to owners of the Company		9,759,102	8,688,371
Non-controlling interests		215,636	181,731
		9,974,738	8,870,102

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 prepared in accordance with the International Financial Reporting Standards ("**IFRS(s)**") and are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(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:

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

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]

Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]

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

[2] Effective for annual periods beginning on or after 1 January 2019.

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

[4] Effective for annual periods beginning on or after a date to be determined.

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

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets. The Group is still in the process of assessing the impact and such impact will be disclosed in the future consolidated financial statements upon the completion of a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of other new and amendments to IFRSs will have a material impact 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.

	2015	2014
	RMB'000	*RMB'000*
Segment revenue		
- PRC	**7,683,862**	6,782,672
- USA	**2,011,910**	1,178,110
- Europe	**110,562**	65,236
- Others	**39,361**	121,320
	9,845,695	8,147,338
Segment profit		
- PRC	**2,185,092**	1,420,153
- USA	**701,638**	437,991
- Europe	**34,144**	33,106
- Others	**13,870**	8,629
	2,934,744	1,899,879
Other income, gains and losses	**42,766**	55,899
Finance costs	**(643,270)**	(741,608)
Share of results of associates	**(56,945)**	(5,686)
Share of results of joint ventures	**12,926**	29,458
Unallocated expenses	**(943,021)**	(931,335)
Profit before taxation	**1,347,200**	306,607

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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

	2015	2014
	RMB'000	*RMB'000*
Segment assets		
- PRC	**6,479,035**	6,206,181
- USA	**250,839**	146,268
- Europe	**152,042**	105,552
- Others	**55,456**	37,116
Total segment assets	**6,937,372**	6,495,117
Unallocated assets	**18,354,709**	18,804,387
Consolidated total assets	**25,292,081**	25,299,504

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

2015

	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	**30,507**	**7,659**	**872**	**326**	**—**	**39,364**
Depreciation of production plants	**415,012**	**104,194**	**11,858**	**4,441**	**37,183**	**572,688**
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:						
Impairment loss recognised on trade receivables	**117,418**	**—**	**—**	**—**	**—**	**117,418**
Impairment loss on intangible assets	**38,848**	**—**	**—**	**—**	**—**	**38,848**
Impairment loss on property, plant and equipment	**40,532**	**—**	**—**	**—**	**—**	**40,532**

2014

	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	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
Impairment loss on property, plant and equipment	23,119	—	—	—	—	23,119

Revenue from major products and services

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

	2015	2014
	RMB'000	*RMB'000*
Wind gear transmission equipment	**7,803,764**	5,801,985
Gear transmission equipment for construction materials	**261,791**	327,527
Gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills	**188,536**	277,243
Transmission equipment for high-speed locomotives, metros and urban light rails	**151,547**	157,623
General purpose gear transmission equipment	**82,446**	63,230
High-speed heavy-load gear transmission equipment	**12,833**	14,712
Others	**664,779**	777,286
Marine gear transmission equipment	**410,154**	350,417
Computer numerical controlled products	**142,127**	225,325
Diesel engine products	**127,718**	151,990
	9,845,695	8,147,338

Others mainly include the revenue from LED sapphire substrate products, boiler products and transmission parts.

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	
	2015	2014
	RMB'000	*RMB'000*
PRC	**7,370,280**	7,283,972
USA	**179,720**	90,281
Others	**2,247**	13,018
	7,552,247	7,387,271

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

4. OTHER GAINS AND LOSSES

	2015	2014
	RMB'000	*RMB'000*
Gain on disposal of available-for-sale investments	**—**	932
Net exchange gains (losses)	**22,961**	(32,139)
Loss on disposal of a joint venture	**—**	(129,577)
Deemed gain on dilution of equity interest in an associate	**1,833**	—
Gain on disposal of subsidiaries	**82,422**	3,747
Gain (loss) on disposal of property, plant and equipment	**1,385**	(529)
Impairment losses on intangible assets	**(38,848)**	(47,959)
Impairment loss on property, plant and equipment	**(40,532)**	(23,119)
Impairment losses on trade and other receivables	**(117,418)**	(36,041)
Impairment loss on available-for-sale investments	**(58,989)**	—
Changes in fair value of financial liabilities at fair value through profit or loss	**(7,232)**	(2,302)
	(154,418)	(266,987)

5. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interests on bank borrowings	**680,686**	778,465
Less: amount capitalised	**(37,416)**	(36,857)
	643,270	741,608

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.23% (2014: 6.34%) per annum to expenditure on qualifying assets.

6. TAXATION

	2015	2014
	RMB'000	*RMB'000*
Current tax		
- PRC Enterprise Income Tax	**426,457**	47,300
- USA Corporate Income Tax	**225**	100
	426,682	47,400
Under provision in prior years		
- PRC Enterprise Income Tax	**20,576**	13,148
Deferred tax (credit) charge	**(102,955)**	70,377
	344,303	130,925

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% (2014: 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 Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd.	31 December 2015	31 December 2017
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd	31 December 2015	31 December 2017
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 2015, deferred tax liabilities of RMB32,199,000 (2014: 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:

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**1,347,200**	306,607
Tax at income tax rate of 25% (2014: 25%)	**336,800**	76,652
Tax effect of share of results of associates and joint ventures	**11,005**	(5,943)
Tax effect of expenses not deductible for tax purpose	**63,519**	41,519
Tax effect of income not taxable for tax purpose	**(19,328)**	(1,761)
Tax effect of tax losses not recognised	**90,136**	75,517
Utilisation of tax losses previously not recognised	**(1,576)**	(18,747)
Income tax on concessionary rate	**(171,960)**	(49,501)
Under provision in respect of prior years	**20,576**	13,148
Tax effect of undistributed earnings of the PRC subsidiaries	**15,000**	—
Effect of different tax rate of a subsidiary operating in a jurisdiction other than PRC	**131**	41
Tax charge for the year	**344,303**	130,925

7. PROFIT FOR THE YEAR

	2015	2014
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Total staff costs, including directors' emoluments	**1,422,150**	1,231,354
Less: staff cost included in research and development costs	**(78,769)**	(78,889)
staff cost included in intangible assets	**(8,440)**	(11,415)
	1,334,941	1,141,050
Auditor's remuneration	**4,000**	4,000
Write-down of inventories (included in cost of sales)	**39,364**	39,223
Cost of inventories recognised as an expense	**6,645,150**	6,113,118
Depreciation of property, plant and equipment	**572,688**	629,518
Amortisation of prepaid lease payments	**14,138**	18,687
Amortisation of intangible assets	**81,361**	95,310
Net exchange (gains) losses	**(22,961)**	32,139
Loss on disposal of a joint venture	**—**	129,577
Gain on disposal of subsidiaries	**(82,422)**	(3,747)
(Gain) loss on disposal of property, plant and equipment	**(1,385)**	529
Impairment losses on intangible assets (included in other gains and losses)	**38,848**	47,959
Impairment losses on trade and other receivables (included in other gains and losses)	**117,418**	36,041
Impairment loss on property, plant and equipment (included in other gains and losses)	**40,532**	23,119
Impairment loss on available-for-sale investments (included in other gains and losses)	**58,989**	—

8. DIVIDENDS

A final dividend of HKD0.23 per ordinary share (2014: nil) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

9. EARNINGS PER SHARE

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

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**1,033,097**	208,422

	2015	2014
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,635,291**	1,635,291

No diluted earnings per share is presented for the year ended 31 December 2015 and 31 December 2014 as there was no potential dilutive shares in issue.

10. AVAILABLE-FOR-SALE INVESTMENTS

		2015	2014
		RMB'000	*RMB'000*
Equity securities listed in Hong Kong, at fair value	(1)	**28,414**	49,415
Unlisted equity securities issued by private entities established in the PRC, at cost	(2)	**167,760**	86,276
		196,174	135,691

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 and 2014, the Group disposed of 92,007,000 and 2,000,000 H shares of Guodian Tech, which had been carried at fair value before disposal.

At 31 December 2015, the balance represents the Group's investment in 50,093,000 H shares of Guodian Tech, in which an aggregate impairment loss of RMB58,989,000 (including RMB36,468,000 cumulative losses previously recognised in other comprehensive income now reclassified to profit or loss) was recognised during the year due to a significant decline in the fair value of the investment below its costs.

(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.

11. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Accounts receivable	**4,107,314**	3,752,789
Bills receivable	**3,248,346**	3,044,314
Less: allowance for doubtful debts of accounts receivable	**(418,288)**	(301,986)
Total trade receivables	**6,937,372**	6,495,117
Advances to suppliers	**1,232,041**	956,639
Value-added tax recoverable	**165,099**	193,809
Other receivables (note)	**318,520**	176,449
Less: allowance for doubtful debts of other receivable	**(2,530)**	(2,530)
Total trade and other receivables	**8,650,502**	7,819,484

Note: At 31 December 2015, included in the Group's other receivables is RMB77,504,000 (2014: nil) which is the consideration for disposal of 南京高傳機電自動控制設備有限公司 Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd. to 達勤新能源產業投資有限公司 Decan New Energy Industry Investment Limited ("Decan New Energy"), which is wholly owned by Mr. Liao Enrong, who is the executive director of the Company). At 31 December 2014 included in the Group's other receivable was RMB113,000,000 due from the buyer of the 100% equity interest in Rugao Hongmao Steel Co., Ltd., and the amount is fully settled during the current year.

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.

	2015	2014
	RMB'000	*RMB'000*
0 - 90 days	**3,991,092**	4,313,551
91 - 120 days	**867,774**	529,655
121 - 180 days	**614,221**	524,310
181 - 365 days	**1,072,427**	719,570
1 - 2 years	**261,436**	377,192
Over 2 years	**130,422**	30,839
	6,937,372	6,495,117

The trade receivable balances of RMB5,473,087,000 (2014: RMB5,367,516,000) 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 RMB1,464,285,000 (2014: RMB1,127,601,000) 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

	2015	2014
	RMB'000	*RMB'000*
181 - 365 days	**1,072,427**	719,570
1 - 2 years	**261,436**	377,192
Over 2 years	**130,422**	30,839
Total	**1,464,285**	1,127,601

Movement in the allowance for doubtful debts for trade receivables

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	**301,986**	405,343
Acquisition of subsidiaries	**—**	436
Impairment losses recognised on trade receivables	**117,418**	36,041
Amounts written off as uncollectible	**(1,116)**	(134,487)
Transfer to assets of a disposal group classified as held for sale	**—**	(5,347)
Balance at end of the year	**418,288**	301,986

Movement in the allowance for doubtful debts for other receivables

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	**2,530**	2,530
Impairment losses recognised on other receivables	**—**	—
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 RMB420,818,000 (2014: RMB304,516,000) 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

	2015	2014
	RMB'000	*RMB'000*
Carrying amount of transferred assets	**40,377**	451,721
Carrying amount of associated liabilities	**(40,377)**	(451,721)
Net position	**—**	—

In addition to the above, as at 31 December 2015, 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 2015, 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 RMB1,565,639,000 and RMB1,412,911,000, respectively (2014:RMB1,232,000,000 and RMB1,017,139,000, 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.

12. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Accounts payable	**1,630,110**	1,600,661
Notes payable (Note)	**3,142,814**	1,608,515
Total trade payables	**4,772,924**	3,209,176
Advances from customers	**365,432**	373,214
Purchase of property, plant and equipment	**160,477**	175,289
Payroll and welfare payables	**152,200**	158,547
Accrued expenses	**123,266**	197,489
Value-added and other tax payable	**50,261**	41,663
Deferred income	**10,326**	11,256
Other payables and payment received from government	**773,927**	112,520
	6,408,813	4,279,154

Note: Notes payable are secured by certain of the Group's assets, details of which are set out in note 15.

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

	2015	2014
	RMB'000	*RMB'000*
0 - 30 days	**1,107,968**	966,795
31- 60 days	**927,507**	637,576
61 - 180 days	**2,478,526**	1,143,915
181 - 365 days	**85,440**	345,111
Over 365 days	**173,483**	115,779
	4,772,924	3,209,176

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

13. BORROWINGS

	2015	2014
	RMB'000	*RMB'000*
Bank loans	**4,809,660**	7,208,671
Short-term unsecured commercial papers (Note 1)	**1,100,000**	800,000
Medium-term notes (Note 2)	**1,000,000**	1,000,000
Private placement bond (Note 3)	**400,000**	800,000
Guaranteed bonds (Note 4)	**256,660**	630,100
Monetary direct financing instruments	**—**	500,000
	7,566,320	10,938,771
Secured	**3,417,865**	3,450,925
Unsecured	**4,148,455**	7,487,846
	7,566,320	10,938,771
Carrying amount repayable*:		
Within one year	**5,618,194**	7,971,209
More than one year, but not exceeding two years	**613,501**	214,337
More than two years, but not more than five years	**1,334,625**	2,753,225
	7,566,320	10,938,771
Less: Amounts due within one year shown under current liabilities	**(5,618,194)**	(7,971,209)
Amounts due over one year	**1,948,126**	2,967,562

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

Note 1: In June 2015, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive"), a wholly-owned subsidiary of the Group, issued an unlisted and unsecured short-term commercial paper of RMB300,000,000, which carries an interest rate of 5.68% per annum and shall be repayable in June 2016. In September 2015, Nanjing Drive issued another unlisted and unsecured short-term commercial paper of RMB800,000,000, which carries an interest rate of 4.8% per annum and shall be repayable in July 2016.

Note 2: In May 2013, Nanjing Drive 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 Drive 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 May 2015, Nanjing Drive issued an unlisted and unsecured private placement bond of RMB400,000,000, which carries an interest of 6.6% per annum and shall be repayable in May 2016.

Note 4: In November 2014, the Company issued guaranteed bonds (the "Guaranteed Bonds")，which is listed in the Hong Kong Stock Exchange, 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. During the year, the Group repurchased RMB385,370,000 principal amount of the Bonds.

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

	2015	2014
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Within one year	**4,825,536**	6,727,841
More than one year	**1,723,160**	2,133,600
	6,548,696	8,861,441

In addition, the Group has variable-rate borrowings of RMB1,017,624,000 (2014: RMB2,077,330,000) 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:

	2015	2014
	%	*%*
Effective interest rate:		
Fixed-rate borrowings	**4.57-9.77**	4.73-9.77
Variable-rate borrowings	**1.48-6.72**	1.41-6.72

As at 31 December 2015, the Group's borrowings that are denominated in currencies other than RMB (the functional currency of relevant group entities) are USD72,790,000 and HKD294,456,000, which are equivalent to RMB472,669,000 and RMB246,695,000 respectively (2014: USD110,000,000 and HKD587,820,000, which are equivalent to RMB673,090,000 and RMB463,731,000). All other 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 15.

14. CAPITAL COMMITMENTS

	2015	2014
	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	**209,416**	453,065
	292,816	536,465

15. 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 payables:

	2015	2014
	RMB'000	*RMB'000*
Bank deposits	**2,403,640**	2,756,201
Accounts receivable	**596,245**	451,271
Bills receivable	**960,656**	1,196,721
Property, plant and equipment	**127,500**	66,274
Prepaid lease payments	**348,411**	25,062
Structured bank deposits	**100,000**	153,499
	4,536,452	4,649,028

At 31 December 2015 and 31 December 2014, 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.

16. RESTATEMENT OF COMPARATIVE FIGURES

During the year, certain comparative figures in respect of the year ended 31 December 2014 have been reclassified to conform with the current period presentation.

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 ended 31 December 2015 (the "**Period under Review**"), the Group recorded sales revenue of approximately RMB9,845,695,000 (2014: RMB8,147,338,000), representing an increase of 20.8% from 2014. The gross profit margin was approximately 32.5% (2014: 25.1%). Profit attributable to owners of the Company was approximately RMB1,033,097,000 (2014: RMB208,422,000), representing an increase of 395.7% from 2014. Basic earnings per share amounted to RMB0.632 (2014: RMB0.127), representing an increase of 397.6% from 2014.

Principal business review

1. **Gear Segment**

(i) **Wind gear transmission equipment**

Large, diversified and overseas market development

The wind gear transmission equipment is a major product that has been developed by the Group. During the Period under Review, sales revenue of wind power gear transmission equipment business increased by approximately 34.5% to approximately RMB7,803,764,000 (2014: RMB5,801,985,000) as compared with last year. The increase was attributable to the fact that domestic demand for wind power equipment had increased and the PRC government had successively launched policies encouraging the development of renewable energy and offshore wind power, as well as customers' confidence in the stable quality and comprehensive service of wind power generation products supplied by the Group, 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 have achieved good results. Among these products, 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 level and is well recognised by customers of the Group. During the Period under Review, the Group, in addition to supplying diverse and large wind power gear boxes to its customers, also succeeded in the research and development of 5MW and 6MW wind power gear boxes and acquired the relevant technologies which have kept abreast with international competitors in terms of product technical level.

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, Senvion, etc. With the Group's increasingly globalised operation, major overseas wind turbine manufacturers such as Alstom Wind, Unison, Suzlon and Inox Wind have also become the overseas customers of the Group. To accelerate expansion into overseas markets, the Group 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.

(ii) **Industrial gear transmission equipment**

Enhance market competitiveness through changes in production mode and sales strategies

The Group's traditional gear transmission equipment products are mainly supplied to customers in industries such as metallurgy, construction materials, traffic, transportation, petrochemical, aerospace and mining. During the Period under Review, the sales of and general purpose gear transmission equipment increased by 30.4% to RMB82,446,000 (2014: RMB63,230,000). The sales of high-speed heavy-load gear transmission equipment, gear transmission equipment for construction materials, gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills, and other products dropped by 12.8%, 20.1%, 32.0% and 14.5% to RMB12,833,000 (2014: RMB14,712,000), RMB261,791,000 (2014: RMB327,527,000), RMB188,536,000 (2014: RMB277,243,000) and RMB664,779,000 (2014: RMB777,286,000) respectively.

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

During the Period under Review, the Group also recorded solid performance in respect of transmission equipment for high-speed locomotives, metro lines and urban light rail segments. In addition to receiving orders of metro gear boxes continuously from metro lines of various cities in China, the Group has also secured new customers from India and Mexico. 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. During the Period under Review, the Group took part in the 6th Beijing International Exhibition on Operation and Equipment of City Rail Transportation Construction (第六屆北京國際城市軌道交通建設運營及裝備展覽會) held on 17 November 2015 in Beijing. Furthermore, locomotive tractive gears manufactured by Nanjing High Speed Gear Manufacturing Co., Ltd. ("**Nanjing High Speed**"), a wholly-owned subsidiary of the Company, successfully passed the certification of China Railway Test & Certification Centre (CRCC), symoblising 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 gear boxes delivered to customers include 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 RMB151,547,000 for the Group (2014: RMB157,623,000), representing a decrease of 3.9% over last year.

During the Period under Review, the industrial gear business segment generated sales revenue of approximately RMB1,361,932,000 for the Group (2014: RMB1,617,621,000), representing a decrease of 15.8% over last year.

2. **Marine gear transmission equipment**

Actively expand the domestic and overseas 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., 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 2015, with a view to observe 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 brand awareness in the overseas market. During the Period under Review, the Group's propulsion system for maritime inspection vessels of 5,000 tonnes and its adjustable oar system for fishery patrols of 1,000 tonnes had successfully passed the sea trial. For the export side, the Group received export order for supplying propellers for ten ships during the Period under Review. During the Period under Review, the Group took part in the 18th Marintec China (第18屆中國國際海事展) held at the Shanghai New International Expo Centre (上海新國際博覽中心) on 1 December 2015, during which customers and partners from all over the world conducted business communication and negotiation. 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 RMB410,154,000 (2014: RMB350,417,000), representing an increase of 17.0% over last year.

3. **Computer numerical controlled (“CNC”) machine tool products**

CNC machine tool products industry

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

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

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

During the Period under Review, the Group provided CNC machine tool products to customers through various subsidiaries and recorded sales revenue of approximately RMB142,127,000 (2014: RMB225,325,000), representing a decrease of 36.9% over last year.

4. **Diesel engine product industry**

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

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

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

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 RMB127,718,000 (2014: RMB151,990,000), representing a decrease of 16.0% 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 RMB2,161,833,000 (2014: RMB1,364,666,000), representing an increase of 58.4% over last year. Overseas sales accounted for 22.0% to total sales (2014: 16.7%), representing an increase of 5.3% 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 2015, China's economy has entered a period of "New Normal". Although the economic growth has slowed down, the economic structure has been optimized, which contributed to a steady and soft landing of the growth impetus and also laid a solid foundation for the development under the "Thirteenth Five-Year Plan". 2016 is the beginning year for the "Thirteenth Five-Year Plan". Under the plan, the main task programme in the principal of "De-capacity" and "De-stocking" would generate new supply and demand for China's economy, thus facilitating industry transformation and upgrading. It is expected that the reform of China' s macro economy in 2016 will dive in the key stage during the period of "New Normal", and the progress of the depth adjustment will become increasingly obvious.

The year of 2015 has passed, and looking ahead in 2016, the preparation of energy planning under the "Thirteenth Five-Year Plan" has entered into the essential stage. It is expected the goal of installed wind power capacity with over 150GW will be achieved soon. With the accelerated implementation of ultra-high voltage power transmission projects in the future, the demand for wind power will increase significantly. As a leading supplier of wind power transmission equipment in China, benefiting from the gradually enhanced market shares and the rapid increase of orders from international customers, the shipments of wind power gear boxes of the Company will increase steadily. Meanwhile, without any additional production capacity, the scale effects will emerge, thus continuously increasing its cost competitiveness. Furthermore, given that the PRC will put more efforts to enhance the efficiency of wind power plants, the integration of equipment manufacturing market will speed up, and equipment manufacturers with core technical advantages and excellent business structures are expected to stand out from this wave of industry upgrading.

In the future, by capitalizing on the national wind power development strategy, the Group will actively facilitate research and development of wind power transmission equipment and optimized the production technical process to strengthen the development of wind power equipment business. During the Period under Review, the Group has carried a global vision while maintaining its leading domestic market shares, and established good cooperative relationship with international wind turbine manufacturers, including GE Energy, Nordex, Vestas, Senvion, Hitachi, Alstom, Unison, Inox Wind and Suzlon, which has contributed to the expanding business coverage and greatly enhanced recognition from overseas customers. In 2016, a small batch of products will be delivered for field testing, and the relevant cooperation advances smoothly, and it is expected orders will achieve breakthrough growth in 2017. Meanwhile, the Group will continue to introduce its integrated quality services covering products, maintenance, technical support and sales to overseas customers through its wholly-owned subsidiaries located in America, Germany, Singapore and Canada. In the future, we will focus on the development of the global market, expanding our global business operations. It is expected that the strategic goal of 50% contribution by domestic customers and remaining 50% by overseas customers to the sales revenue from wind power business segment will be realized within the next five years.

During the Period under Review, in 2015, the Group actively reformed development direction of industrial gear transmission equipment business and carefully stripped off some non-core businesses in order to improve the overall business operation. In the future, the Group will continue its optimized development strategy and continue to increase and enhance its industrial gear business without increasing its capital expenditure. In the sector of marine gear transmission equipment business, the Group will actively seek for cooperation opportunities with large domestic and foreign shipping companies, make continuous improvement on the structure and performance of its existing marine products, timely develop gear products which meet the latest market demands, maintain its leading position as one of the largest manufacturers of ship propulsion system in the PRC and the only manufacturer of marine supplementary products in the PRC capable of providing global shipment and global warranty services. The Company is planning to strip its non-core loss-making businesses such as part 08 machine tools and diesel engines at present and will closely pay attention to the prospect of LED sapphire substrate business and strive to develop this business on schedule in the future.

Looking ahead in 2016, given that the wind power industry will enter into a “New Normal” of stable growth in the future and the Group’s future strategy becomes more clear, the Company will continue to focus on high value-added products and services for high-end markets and high-end customers while persisting in strict product quality standards to enhance production efficiency, and therefore we are very optimistic that our production cost will remain competitive in the future. We believe that by leveraging our excellent business structure and effective management and executive capacity, the Group will continue to lead the industry development, making the core business growth of the Company to hit a new record high.

FINANCIAL PERFORMANCE

The Group's sales revenue increased by 20.8% to approximately RMB9,845,695,000 during the Period under Review.

	Revenue Year ended 31 December 2015 *RMB'000*	2014 *RMB'000*	Change
Gear Segment	**9,165,696**	7,419,606	23.5%
- Wind Gear Transmission Equipment	**7,803,764**	5,801,985	34.5%
- Industrial Gear Transmission Equipment	**1,361,932**	1,617,621	-15.8%
- Gear Transmission Equipment for Construction Materials	**261,791**	327,527	-20.1%
- Gear Transmission Equipment for Bar-rolling, Wire-rolling and Plate-rolling Mills	**188,536**	277,243	-32.0%
- Transmission Equipment for High-speed Locomotives, Metros and Urban Light Rails	**151,547**	157,623	-3.9%
- General Purpose Gear Transmission Equipment	**82,446**	63,230	30.4%
- High-speed Heavy-load Gear Transmission Equipment	**12,833**	14,712	-12.8%
- Other products	**664,779**	777,286	-14.5%
Marine Gear Transmission Equipment	**410,154**	350,417	17.0%
CNC Products	**142,127**	225,325	-36.9%
Diesel Engine Products	**127,718**	151,990	-16.0%
Total	**9,845,695**	8,147,338	20.8%

REVENUE

The Group's sales revenue for 2015 was approximately RMB9,845,695,000, representing an increase of 20.8% as compared with last year. The increase was mainly due to the significant increase in orders from customers for wind power gear box products and our deliveries 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 gear transmission equipment increased from approximately RMB5,801,985,000 last year to approximately RMB7,803,764,000 during the Period under Review, representing an increase of 34.5%.

During the Period under Review, the sales revenue from industrial transmission products was approximately RMB1,361,932,000, representing a decrease of 15.8% as compared with last year. The Group's sales revenue of marine gear transmission equipment amounted to approximately RMB410,154,000 representing an increase of 17.0% as compared with last year. During the Period under Review, the Group's sales revenue from CNC products and diesel engine products was approximately RMB142,127,000 and RMB127,718,000 respectively, representing a decrease of 36.9% and 16.0% as compared with last year respectively.

Gross profit margin and gross profit

The Group's consolidated gross profit margin for 2015 was approximately 32.5% (2014: 25.1%), representing an increase of 7.4 percentage point from last year. During the Period under Review, the consolidated gross profit amounted to approximately RMB3,198,021,000 (2014: RMB2,043,362,000), representing an increase of 56.5% 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 equipment 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 Group's other income for 2015 was approximately RMB326,462,000 (2014: RMB399,563,000), representing a decrease of 18.3% as compared with last year. Other income is mainly comprised of bank interest income, government grants and sales of scraps and materials.

During the Period under Review, other gains and losses recorded a net loss of approximately RMB154,418,000 (2014: RMB266,987,000), mainly comprised of impairment loss on intangible assets, impairment loss on property, plant and equipment, impairment loss on trade and other receivables, impairment loss on available-for-sale investments, gain on disposal of subsidiaries and foreign currency exchange gains.

Distribution and selling costs

The Group's distribution and selling costs for 2015 was approximately RMB392,555,000 (2014: RMB304,160,000), representing an increase of 29.1% 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 4.0% (2014: 3.7%), representing an increase of 0.3 percentage point as compared with last year.

Administrative expenses

The Group's administrative expenses for 2015 was approximately RMB612,333,000 (2014: RMB679,853,000), representing a decrease of 9.9% as compared with last year , which was mainly due to the decrease in maintenance fee and staff costs. The percentage of administrative expenses to sales revenue decreased by 2.1 percentage point to 6.2% as compared with last year.

Finance costs

The Group's finance costs for 2015 was approximately RMB643,270,000 (2014: RMB741,608,000), representing a decrease of 13.3% as compared with last year, which was mainly due to the decrease of bank loans.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2015, the equity attributable to owners of the Company amounted to approximately RMB9,759,102,000 (31 December 2014: RMB8,688,371,000). The Group had total assets of approximately RMB25,292,081,000 (31 December 2014: RMB25,299,504,000), which did not change much from that at the beginning of the year. Total current assets were approximately RMB17,311,275,000 (31 December 2014: RMB17,659,342,000), representing a decrease of 2.0% as compared with the beginning of the year and accounting for 68.4% of total assets (31 December 2014: 69.8%). Total non-current assets were approximately RMB7,980,806,000 (31 December 2014: RMB7,640,162,000), representing an increase of 4.5% as compared with the beginning of the year and accounting for 31.6% of the total assets (31 December 2014: 30.2%).

As at 31 December 2015, total liabilities of the Group were approximately RMB15,317,343,000 (31 December 2014: RMB16,429,402,000), representing a decrease of approximately RMB1,112,059,000, or 6.8%, as compared with the beginning of the year. Total current liabilities were approximately RMB13,214,731,000 (31 December 2014: RMB13,186,368,000), representing an increase of 0.2% as compared with the beginning of the year, whereas total non-current liabilities were approximately RMB2,102,612,000 (31 December 2014: RMB3,243,034,000), representing a decrease of 35.2% as compared with the beginning of the year.

As at 31 December 2015, the net current asset of the Group was approximately RMB4,096,544,000 (31 December 2014: RMB4,472,974,000), representing a decrease of approximately RMB376,430,000, or 8.4%, as compared with the beginning of the year.

As at 31 December 2015, total cash and bank balances of the Group were approximately RMB6,280,513,000 (31 December 2014: RMB5,503,305,000), representing an increase of approximately RMB777,208,000, or 14.1%, as compared with the beginning of the year. The cash and bank balances include pledged bank deposits of RMB2,403,640,000 (31 December 2014: RMB2,756,201,000), and structured bank deposits of RMB1,755,000,000 (31 December 2014: RMB1,097,399,000).

As at 31 December 2015, the Group had total borrowings of approximately RMB7,566,320,000 (31 December 2014: RMB10,938,771,000), representing a decrease of approximately RMB3,372,451,000, or 30.8%, as compared with that at the beginning of the year, of which borrowings within one year were RMB5,618,194,000 (31 December 2014: RMB7,971,209,000), accounting for approximately 74.3% (31 December 2014: 72.9%) of the total borrowings. The fixed or floating interest rates of the Group's borrowings for 2015 ranged from 1.48% 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 RMB4,096,544,000, 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 64.9% as at 31 December 2014 to 60.6% as at 31 December 2015, due to the decrease of bank loans.

Capital structure

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

The Group's loans and cash and cash equivalents were mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars. The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 31 December 2015 amounted to approximately HKD294,456,000 and USD72,790,000 respectively.

During the Period under Review, the Group's borrowings with fixed interest rates to total borrowings was approximately 86.7%.

PLEDGE OF ASSETS

Save as disclosed in note 15 to the consolidated financial statements, the Group has made no further pledge of assets as at 31 December 2015.

OTHER SUPPLEMENTARY INFORMATION

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.23 (tax inclusive) per ordinary share for the Period under Review in cash by the Company to its shareholders. The dividend will be paid subject to shareholders' approval at the Company's 2015 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, spare parts and materials which are transacted in U.S. dollars and Euros, most of the Group's revenue and expense are denominated in Renminbi. Therefore, the Board is of the view that the Group's operating cash flow and liquidity during the Period under Review are not subject to significant foreign exchange rate risks. The Group has not used any foreign currency derivatives to hedge against the exposure in foreign exchange.

The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 31 December 2015 amounted to approximately HKD294,456,000 and USD72,790,000 respectively. Therefore, the Group may be exposed to certain foreign exchange rate risks.

The net gain of foreign exchange recorded by the Group during the Period under Review was approximately RMB22,961,000 (2014: a net loss of RMB32,139,000), which including benefit from our export business denominated in U.S. dollars due to the depreciation of Renminbi against U.S. dollars 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 2016.

INTEREST RATE RISK

During the Period under Review, 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.

EMPLOYEES AND REMUNERATION

As at 31 December 2015, the Group employed approximately 8,676 employees (31 December 2014: 8,768). Staff cost of the Group for 2015 approximated to RMB1,422,150,000 (2014: RMB1,231,354,000). 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

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

** For identification purpose only*

On 24 December 2015, China Transmission Holdings Limited (中傳控股有限公司) ("**China Transmission Holdings**"), a wholly owned subsidiary of the Company, entered into an equity transfer agreement ("**Equity Transfer Agreement**") with Decan New Energy Industry Investment Limited (" **Decan New Energy**"). Pursuant to the Equity Transfer Agreement, China Transmission Holdings has agreed to sell, and Decan New Energy has agreed to purchase the 83.61% equity interest ("**Target Interests**") in Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd (南京高傳機電自動控制設備有限公司) ("**NGEM**") at a total consideration of approximately RMB77,500,000 (the "**Consideration**"). NGEM is principally engaged in design, manufacturing and sale of mechanical and electrical equipment and automatic control systems. NGEM will no longer be a subsidiary of the Company upon completion of the disposal, but the Company will continue to hold 16.39% interest in NGEM. Mr. Liao Enrong ("**Mr. Liao**"), an executive Director of the Company, holds 5.34% equity interest in Fortune Apex Limited, which in turn holds 28.01% equity interest in the Company. Decan New Energy is wholly-owned by Mr. Liao and is therefore an associate of Mr. Liao. As NGEM mainly invests in capital intensive industry with comparably higher debt ratio and was loss-making, the Company considers it is in the Company's interest to dispose of the Target Interests, which allows the Group to devote more resources to its core business, namely the manufacturing and distribution of a broad range of mechanical transmission equipment used in wind power and a wide range of industrial applications. Apart from the minority interest in NGEM, the Group has no present intention to make other investment in the mechanical electrical business. For details, please refer to the Company's announcement dated 27 December 2015.

Save as disclosed above, during the Period under Review, there was no material acquisition or disposal of subsidiaries and associated companies.

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

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no important events occurred subsequent to 31 December 2015.

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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Listing Rules**") during the year ended 31 December 2015 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 independent 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 attended the 2014 annual general meeting of the Company, except Mr. Zhu Junsheng, an independent non-executive Director, who was absent from the 2014 annual general meeting due to other important committment.

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 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In November 2014, the Company issued 8.3% bonds due 19 November 2017 of a total principal amount of RMB650,000,000 with a listing on the Hong Kong Stock Exchange. On 12 November 2015, the Company offered a cash redemption of any and all of the bonds which were outstanding. As at 8 December 2015, the Company repurchased bonds with a total principal amount of RMB322,370,000 (the "**Accepted Bonds**") and cancelled them afterwards. The Company paid a total consideration of RMB322,956,890.04 for the repurchase of the Accepted Bonds. The repurchase offer was a part of the Company's balance sheet management with an aim to reduce outstanding liabilities of the Group, manage its leverage and optimize its capital structure. During the Period under Review, the Group repurchased bonds with a total principal amount of RMB385,370,000. As at 31 December 2015, the bonds remained outstanding had a principal amount of RMB264,630,000.

Save as disclosed above, 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 2015.

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

Hong Kong, 18 March 2016

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