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 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 *RMB'000*	**Change**
Revenue	**8,241,914**	8,966,049	**-8.1%**
Gross profit	**2,169,043**	2,987,378	**-27.4%**
Profit for the year attributable to owners of the Company	**451,699**	1,108,995	**-59.3%**
Basic earnings per share (RMB)	**0.276**	0.678	**-59.3%**
Proposed final dividend per share (HKD)	**0.18**	0.23	**-21.7%**

	At 31 December 2017 *RMB'000*	At 31 December 2016 *RMB'000*	**Change**
Total assets	**27,438,175**	26,295,600	**4.3%**
Total liabilities	**16,462,174**	15,055,252	**9.3%**
Net assets	**10,976,001**	11,240,348	**-2.4%**
Net assets per share (RMB)	**6.7**	6.9	**-2.9%**
Gearing ratio*(%)	**60.0**	57.3	**2.7ppt**

*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 2017 (the "Period under Review") 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 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Revenue	4	**8,241,914**	8,966,049
Cost of sales		**(6,072,871)**	(5,978,671)
Gross profit		**2,169,043**	2,987,378
Other income and net gains	4	**529,106**	338,611
Selling and distribution expenses		**(318,805)**	(367,337)
Administrative expenses		**(685,999)**	(615,894)
Research and development costs		**(295,427)**	(360,520)
Other expenses		**(424,125)**	(132,152)
Finance costs	6	**(526,289)**	(495,585)
Share of profits and losses of:			
Joint ventures		**74,160**	11,663
Associates		**5,137**	1,309
PROFIT BEFORE TAX	5	**526,801**	1,367,473
Income tax expense	7	**(173,985)**	(308,038)
PROFIT FOR THE YEAR		**352,816**	1,059,435

	Note	2017	2016
		RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive (expense) income to be reclassified to profit or loss in subsequent periods			
Available-for-sale investments:			
Change in fair value		**(344,848)**	678,133
Income tax effect on change in fair value		**85,689**	(169,533)
		(259,159)	508,600
Exchange differences on translation of foreign operations		**(3,445)**	(778)
Other comprehensive (expense) income for the year, net of tax		**(262,604)**	507,822
Total comprehensive income for the year		**90,212**	1,567,257
Profit (loss) attributable to:			
Owners of the Company		**451,699**	1,108,995
Non-controlling interests		**(98,883)**	(49,560)
		352,816	1,059,435
Total comprehensive income (expense) attributable to:			
Owners of the Company		**190,460**	1,613,655
Non-controlling interests		**(100,248)**	(46,398)
		90,212	1,567,257
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	**RMB0.276**	RMB0.678

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,409,741**	5,111,201
Prepaid land lease payments		**669,236**	702,842
Goodwill		**2,991**	2,991
Other intangible assets		**37,875**	138,564
Interests in joint ventures		**99,958**	1,008,254
Interests in associates		**158,014**	142,187
Prepayment for acquisition of property, plant and equipment		**4,795**	3,332
Other receivables		**71,429**	551,524
Available-for-sale investments	10	**3,612,278**	870,090
Deposit for land lease		**116,800**	191,800
Deferred tax assets		**241,182**	190,897
Total non-current assets		**9,424,299**	8,913,682
CURRENT ASSETS			
Inventories		**2,415,777**	2,311,574
Prepaid land lease payments		**14,860**	16,250
Trade and bills receivables	11	**6,515,259**	6,964,944
Prepayments, deposits and other receivables		**2,036,616**	2,603,732
Structured bank deposits		**108,000**	209,000
Pledged bank deposits		**2,892,955**	2,531,395
Bank balances and cash		**4,030,409**	2,745,023
Total current assets		**18,013,876**	17,381,918

	Notes	2017	2016
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	12	**6,637,045**	6,570,740
Other payables and accruals		**986,772**	903,490
Receipts in advance and deposits received		**542,429**	418,698
Interest-bearing bank and other borrowings	13	**5,030,608**	5,273,847
Taxation payable		**123,724**	220,421
Finance lease payables		**—**	7,007
Warranty provision		**120,664**	101,248
Total current liabilities		**13,441,242**	13,495,451
NET CURRENT ASSETS		**4,572,634**	3,886,467
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,996,933**	12,800,149
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**2,756,293**	1,227,966
Deferred tax liabilities		**178,981**	238,095
Deferred income		**85,658**	93,740
Total non-current liabilities		**3,020,932**	1,559,801
Net assets		**10,976,001**	11,240,348
EQUITY			
Equity attributable to owners of the Company			
Share capital		**119,218**	119,218
Reserves		**10,785,744**	10,934,655
		10,904,962	11,053,873
Non-controlling interests		**71,039**	186,475
Total equity		**10,976,001**	11,240,348

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.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a material impact on the Group's financial performance and positions for the period presented in these financial statements. Disclosures have been made in the consolidated financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 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.

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

Intersegment 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 described in notes 1 and 2. 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 and bills 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 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.

Year ended 31 December 2017	**PRC**	**USA**	**Europe**	**Other countries**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:					
Sales to external customers	5,610,000	1,932,173	364,977	334,764	8,241,914
Intersegment sales	2,172,837	54,782	—	—	2,227,619
Reconciliation:					
Elimination of intersegment sales					(2,227,619)
Revenue					8,241,914
Segment results	1,277,784	489,630	67,355	78,913	1,913,682

Year ended 31 December 2017	PRC	USA	Europe	Other countries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation:					
Unallocated other income and net gains					465,662
Other expenses					(424,125)
Finance costs					(526,289)
Share of profits and losses of joint ventures					74,160
Share of profits and losses of associates					5,137
Corporation and other unallocated expenses					(981,426)
Profit before tax					526,801
Segment assets	6,114,535	157,480	96,857	146,387	6,515,259
Reconciliation:					
Corporate and other unallocated assets					20,922,916
Total assets					27,438,175
Other segment information:					
Write-down of inventories	135,367	—	—	2,687	138,054
Impairment losses recognised in profit or loss	388,057	—	—	—	388,057
Depreciation and amortisation	494,958	6,701	1,455	639	503,753
Reconciliation:					
Corporate and other unallocated					29,340
Total depreciation and amortisation					533,093
Capital expenditure	530,181	157	1,648	206	532,192

Year ended 31 December 2016	PRC	USA	Europe	Other countries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:					
Sales to external customers	5,867,442	2,211,317	804,630	82,660	8,966,049
Intersegment sales	2,527,476	42,492	—	—	2,569,968
Reconciliation:					
Elimination of intersegment sales					(2,569,968)
Revenue					8,966,049
Segment results	1,603,680	779,353	289,195	17,555	2,689,783
Reconciliation:					
Unallocated other income and net gains					268,869
Other expenses					(132,152)
Finance costs					(495,585)
Share of profits and losses of joint ventures					11,663
Share of profits and losses of associates					1,309
Corporation and other unallocated expenses					(976,414)
Profit before tax					1,367,473
Segment assets	6,064,339	681,404	187,138	32,063	6,964,944
Reconciliation:					
Corporate and other unallocated assets					19,330,656
Total assets					26,295,600
Other segment information:					
Write-down of inventories	80,652	—	—	—	80,652
Impairment losses recognised in profit or loss	127,935	—	—	—	127,935
Reconciliation:					
Corporate and other unallocated					4,217
Total impairment losses recognised in profit or loss					132,152

Year ended 31 December 2016	PRC	USA	Europe	Other countries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation and amortisation	598,991	2,949	202	417	602,559
Reconciliation:					
Corporate and other unallocated					35,507
Total depreciation and amortisation					638,066
Capital expenditure	392,904	32,826	2,850	766	429,346
Capital injection in a joint venture	900,000	—	—	—	900,000

Other geographical information

Non-current assets by the locations of the assets and excludes available-for-sale investments and deferred tax assets are detailed below:

	2017	2016
	RMB'000	*RMB'000*
PRC	5,372,805	7,652,749
USA	155,342	168,250
Europe	3,185	2,992
Other countries	39,507	28,704
	5,570,839	7,852,695

Revenue from major product and services

	2017	2016
	RMB'000	*RMB'000*
Wind gear transmission equipment	6,803,417	7,362,287
Industrial gear transmission equipment	1,001,004	778,983
Marine gear transmission equipment	23,573	236,819
Computer numerical controlled products	60,554	106,693
Diesel engine products	115,591	134,360
Others	237,775	346,907
	8,241,914	8,966,049

Information about major customers

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

	2017	2016
	RMB'000	*RMB'000*
Customer A[1]	2,603,785	2,852,392
Customer B[2]	N/A	1,232,475
Customer C[2]	N/A	922,839

1 Revenue from sale of wind gear transmission equipment in the segments of PRC, USA, Europe and other countries.

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

4. REVENUE, OTHER INCOME AND NET GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and net gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	8,241,914	8,966,049
Other income		
Interest income	116,835	119,712
Gross rental income	10,520	13,952
Government grants*	24,391	30,875
Sale of scraps and material	39,053	38,867
Investment income	74,304	33,024
Others	728	16,803
	265,831	253,233

	2017	2016
	RMB'000	*RMB'000*
Net gains		
Gain (loss) on disposal of property, plant and equipment, net	833	(9,385)
Gain from land resumption	159,163	—
Loss on liquidation of an associate	—	(5,432)
Gain (loss) on disposal of subsidiaries, net	129,608	(27,670)
Gain on disposal of an associate	58	11,143
Gain on disposal of available-for-sale investments	3,666	10,047
Foreign exchange differences, net	(30,053)	106,675
	263,275	85,378
	529,106	338,611

* *There are no unfulfilled conditions or contingencies relating to these grants.*

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	5,934,817	5,898,019
Depreciation of property, plant and equipment	489,215	582,265
Amortisation of technical know-how (included in administrative expenses)	2,596	2,263
Amortisation of development costs (included in administrative expenses)	24,735	38,017
Amortisation of prepaid land lease payments	16,547	15,521
Auditor's remuneration	4,200	5,180
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	916,798	922,796
Pension scheme contributions	223,539	248,361
Other benefits	234,886	219,085
	1,375,223	1,390,242

	Notes	2017	2016
		RMB'000	*RMB'000*
Write-down of inventories to net realisable value (included in cost of sales)		138,054	80,652
Items included in other expenses:			
Impairment loss of property, plant and equipment		142,045	65,784
Impairment loss of other intangible assets		52,507	5,094
Impairment loss of available-for-sale investments		—	4,217
Impairment loss of trade and bills receivables, net	11	107,841	58,713
Impairment loss (reversal) of other receivables and prepayments		85,664	(1,656)

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**526,126**	501,431
Interest on finance leases	**163**	5,644
	526,289	507,075
Less: interest capitalised in property, plant and equipment	**—**	(11,490)
	526,289	495,585

7. INCOME TAX EXPENSE

Income tax expense has been calculated at the rates of tax prevailing in the relevant tax jurisdictions in which the Group operates. The major components of income tax expense in profit or loss are:

	2017	2016
	RMB'000	*RMB'000*
Current tax — charge for the year		
PRC	170,049	249,312
HK	46,638	—
Overprovision in respect of prior years	(8,488)	(5)
Deferred tax — (credit) charge for the year	(34,214)	58,731
Total tax charge for the year	173,985	308,038

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2016: 25%) on the taxable profits of the Group's PRC subsidiaries for the year ended 31 December 2017.

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 ended/ending during which approval will expire/expired
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 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
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2017	31 December 2019

Hong Kong profits tax

Hong Kong profits fax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2017 (2016: nil).

Singapore corporate income tax

No provision for Singapore profits tax has been made, as the Group did not generate any assessable profits arising in Singapore for the year ended 31 December 2017 (2016: nil).

8. DIVIDENDS

	2017	**2016**
	RMB'000	*RMB'000*
Proposed final — HK18 cents (2016: HK23 cents) per ordinary share	231,640	332,412

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 2016 was proposed by the directors of the Company on 31 March 2017, and subsequently approved at the annual general meeting on 19 May 2017 and recognised as distribution during the year ended 31 December 2017.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company.

The calculations of basic and diluted earnings per share are based on:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	451,699	1,108,995

	Number of shares	
	2017	2016
	'000	*'000*
Shares		
Number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,635,291	1,635,291

No adjustment is made to the diluted earnings per share for the years ended 31 December 2017 and 31 December 2016 as there was no potential dilutive shares in issue.

10. AVAILABLE-FOR-SALE INVESTMENTS

		2017	2016
		RMB'000	*RMB'000*
Listed equity investments, at fair value	(a)	436,660	781,508
Unlisted equity investments, at cost	(b)	3,175,618	88,582
		3,612,278	870,090

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

Notes:

(a) At 31 December 2017, the balance includes the Group's investments in 50,093,000 H shares of 國電科技環保集團股份有限公司 Guodian Technology & Environment Group Corporation Limited ("Guodian Tech") amounting to RMB22,110,000 (2016: RMB24,197,000), net of accumulated impairment loss of RMB4,217,000 (2016: RMB4,217,000), the investments in 16,962,000 shares of 日月重工股份有限公司 Riyue Heavy Industry Co., Ltd. ("Riyue Heavy") amounting to RMB380,794,000 (2016: RMB706,461,000), and the investment in 4,593,000 shares of 江蘇銀行股份有限公司 Bank of Jiangsu Co., Ltd. ("Bank of Jiangsu") amounting to RMB33,756,000 (2016: RMB50,850,000).

Up to the date of the Announcement, there were no addition or disposal of Riyue Heavy. The market value of the Group's equity investments in Riyue Heavy at the date of the Announcement was approximately RMB330,929,000.

(b) (i) On 17 April 2017, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive") entered into a limited partnership agreement with thirty-four other partners in respect of, among other matters, the establishment of an investment fund in the PRC named "浙江浙商產融股權投資基金合夥企業（有限合夥） Zhejiang Zheshang Chanrong Equity Investment Fund L.P." and the subscription of interest therein. The general partner and executive partner of the investment fund is 寧波錢潮湧鑫投資管理合夥企業 (有限合夥) Ningbo Qianchao Yongxin Investment Management L.P., a limited partnership established in the PRC. The objective of the investment fund is to invest in businesses arising from government's economic reform especially in Zhejiang region. The Group considers that such investment could result in more investment opportunities and better investment returns by leveraging on the other partners' advantageous resources or experience in investment management. Pursuant to the limited partnership agreement, the full capital contribution to the investment fund is RMB50.38 billion, among which, RMB2 billion is to be contributed by Nanjing Drive as a limited partner. As at 31 December 2017, RMB2 billion has been paid up by Nanjing Drive to the investment fund.

(ii) On 31 August 2017, Nanjing Drive entered into a limited partnership agreement with Ningbo Zhongbang Chanrong Holding Co., Ltd. (寧波眾邦產融控股有限公司) and Ningbo Jingbang Asset Management Co., Ltd. (寧波靖邦資產管理有限公司) in respect of the establishment of an investment fund in the PRC named Shanghai Guiman Enterprise Management L.P. (上海圭蔓企業管理合夥企業（有限合夥）) (the "Guiman Fund"). Nanjing Drive is a limited partner and has invested RMB500,000,000 in the Guiman Fund.

(iii) The remaining amount includes the unlisted equity with individual amount less than RMB500,000,000 and are held by the Group as non-current assets, which are measured at cost less impairment.

11. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	4,238,036	4,154,615
Bills receivable	2,853,321	3,286,299
Impairment	(576,098)	(475,970)
	6,515,259	6,964,944

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 a credit control department 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.

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

	2017	2016
	RMB'000	*RMB'000*
0 - 90 days	3,609,544	3,547,209
91 - 120 days	479,238	455,908
121 - 180 days	958,477	911,817
181 - 365 days	963,645	1,490,468
1 - 2 years	344,473	391,738
Over 2 years	159,882	167,804
	6,515,259	6,964,944

At 31 December 2017, retentions receivable included in trade receivables amounted to RMB223,473,000 (2016: RMB294,351,000), which are repayable within terms ranging from one to five years. Included in retentions receivable of RMB72,467,000 (2016: RMB33,946,000) were expected to be recovered after more than one year.

Included in the Group's trade and bills receivable balances are debtors with aggregate carrying amount of RMB1,271,539,000 (2016: RMB1,874,797,000) which are past due at the end of the reporting period against which an impairment of RMB576,098,000 (2016: RMB475,970,000) had been made under collective assessment based on ageing analysis of the trade and bills receivables. Individual impairment was not made, as these receivables relate to customers having good track record with the Group. 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 settlements.

The ageing of trade and bills receivables which are past due based on the overdue date and net of provisions of RMB576,098,000 (2016: RMB475,970,000) under collective assessment, is as follows:

	2017	2016
	RMB'000	*RMB'000*
0- 180 days past due	956,816	1,489,674
181 days to 1.5 years past due	218,358	315,262
Over 1.5 years past due	96,365	69,861
	1,271,539	1,874,797

The movements in provision for impairment of trade and bills receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	(475,970)	(418,288)
Disposal of subsidiaries	7,172	—
Impairment losses recognised during the year, net	(107,841)	(58,713)
Amount written off as uncollectible	541	1,031
	(576,098)	(475,970)

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	5,243,720	5,090,147

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. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

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

	2017	2016
	RMB'000	*RMB'000*
Carrying amount of transferred assets	176,747	99,080
Carrying amount of associated liabilities	(176,747)	(99,080)
Net position	—	—

In addition to the above, as at 31 December 2017 and 31 December 2016, the Group discounted certain bills receivable accepted by banks in the PRC (the "Derecognised Bills") to banks and transferred certain bills receivable to its suppliers to settle its payables through endorsing the bills to its suppliers, both with full recourse. The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). The Group has derecognised these bills receivable and the payables to suppliers in their entirety as in the opinion of the directors, 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, rules and regulations. In the opinion of the directors, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing banks 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 2017, the Group's maximum exposure to loss and cash outflow from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the Derecognised Bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB3,179,972,000 and RMB3,738,980,000, respectively (2016: RMB2,344,000,000 and RMB2,134,665,000). In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2017 and 31 December 2016, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

Included in the Group's trade and bills receivables are amounts due from the Group's joint ventures and associates of RMB15,364,000 (2016: RMB21,090,000) and nil (2016: RMB3,413,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

12. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	1,855,137	1,906,234
Bills payable	4,781,908	4,664,506
	6,637,045	6,570,740

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

	2017	2016
	RMB'000	*RMB'000*
0 - 30 days	1,753,609	723,379
31- 60 days	1,889,929	1,463,639
61 - 180 days	2,031,427	3,966,120
181 - 365 days	729,339	156,224
Over 365 days	232,741	261,378
	6,637,045	6,570,740

Included in the trade and bills payables are trade payables of RMB4,244,000 (2016: RMB91,770,000) due to the Group's associates and RMB178,000 (2016: RMB194,000) due to the Group's joint ventures which are repayable within 90 days.

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017		2016	
	Effective interest rate		**Effective interest rate**	
	(%)	*RMB'000*	*(%)*	*RMB'000*
Current				
Bank loans — unsecured	1.05~5.80	4,250,763	4.57~6.40	2,699,123
Bank loans — secured	2.80~5.78	279,845	1.48~6.55	2,314,030
Guaranteed listed bonds (note 1)		—	9.77	260,694
Medium-term notes — unsecured	6.20	500,000		—
		5,030,608		5,273,847
Non-current				
Bank loans — secured	2.94~5.78	344,275	5.78~6.15	227,966
Corporate bonds — unsecured (note 2)	6.47~6.50	1,912,018		—
Medium-term notes — unsecured	8.50	500,000	6.20~8.50	1,000,000
		2,756,293		1,227,966

Note 1: In November 2014, the Company issued guaranteed bonds (the "Guaranteed Bonds"), which are listed on 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 20 November 2017. The Guaranteed Bonds are guaranteed by subsidiaries of the Group, namely Goodgain Group Limited and China Transmission Holdings Limited. During the year ended 31 December 2015, the Group repurchased RMB385,370,000 principal amount of the Guaranteed Bonds. On 12 January 2017, the Group paid out RMB154,898,000 for redemption of RMB151,590,000 principal amount of the Guaranteed Bonds. The Group has redeemed all outstanding Guaranteed Bonds on 20 November 2017 at a cost of approximately RMB117,795,000. After the redemption, the Guaranteed bonds have been cancelled and revoked their listing on the Hong Kong Stock Exchange.

Note 2: In March 2017, Nanjing Drive issued a corporate bond of RMB900,000,000 which carries an interest rate of 6.47% per annum. In July 2017, Nanjing Drive issued another corporate bond of RMB1,020,000,000 which carries an interest rate of 6.50% per annum. Both corporate bonds have a period of 5 years, attached with the option of adjusting the nominal interest rate for issuer and the option of selling back for investors at the end of the third year.

	2017	**2016**
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	4,530,608	5,013,153
In the second year	343,150	226,841
In the third to fifth years, inclusive	1,125	1,125
	4,874,883	5,241,119
Other borrowings repayable:		
Within one year	500,000	260,694
In the second year	500,000	500,000
In the third to fifth years, inclusive	1,912,018	500,000
	2,912,018	1,260,694
	7,786,901	6,501,813

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

	2017	**2016**
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Within one year	4,190,958	4,635,107
More than one year	2,429,583	1,227,966
	6,620,541	5,863,073

In addition, the Group has variable-rate borrowings of RMB1,166,360,000 (2016: RMB638,740,000) which carry interest rates based on the rate of People's Bank of China prescribed interest rate or the London Interbank Offered Rate (the "LIBOR").

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

	2017	**2016**
Effective interest rate:		
Fixed-rate borrowings	1.05%~8.50%	3.90%–9.77%
Variable-rate borrowings	2.94%~5.25%	1.48%–2.65%

As at 31 December 2017, the Group's borrowing denominated in currency other than RMB was USD73,750,000, which was equivalent to RMB481,897,000 and EUR24,390,000 which was equivalent to RMB190,298,000 (2016: bank borrowing of USD20,000,000, which was equivalent to RMB138,740,000). All other borrowings are denominated in RMB.

The 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. CONTINGENT LIABILITIES

The Group entered an agreement (the "Agreement") effective from 1 January 2013 with a third party (the "Subcontractor"), pursuant to which, the Group assigns the Subcontractor and the Subcontractor agrees to repair certain of the wind gear products sold for the Group at a fixed fee at certain percentage of annual sales of those wind gear products of the Group (the "Fixed Fee"). The Group is not liable for any additional cost incurred by the Subcontractor in relation to the repair of those wind gear products, other than the Fixed Fee.

The Subcontractor however has not entered into any agreements with the customers of the wind gear products for the repair services. In the event of closure, liquidation, or inability of the Subcontractor to provide those repair services, the Group is still liable for such repair obligations should those customers claim for that against the Group. In the opinion of the directors, based on their experience, the financial position of the Subcontractor and their assessment of the current economic environment, the possibility of the default or inability by the Subcontractor to carry out the obligation is remote. Accordingly, no provision for the repair obligation of wind gear products has been made in the Group's financial statements at the end of the reporting period.

At 31 December 2017, the Group provided guarantees to one of the Group's associates in favour of its bank loans of RMB320,000,000 (2016: RMB236,000,000). 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 RMB11,108,000 (2016: nil) has been recognised in the consolidated statement of financial position as liabilities.

15. PLEDGE OF ASSETS

As at 31 December 2017, certain assets of the Group were pledged to secure certain banking facilities granted to the Group as follows:

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	19,502	239,583
Bills receivable	958,484	953,070
Property, plant and equipment	154,999	114,750
Prepaid land lease payments	45,846	178,482
Pledged bank deposits	2,892,955	2,531,395
	4,071,786	4,017,280

As at 31 December 2016, the Group has pledged its 25% equity interest in Nanjing High Speed, a wholy-owned subsidiary, for certain banking facilities granted to the Group which is released during 2017.

16. COMMITMENTS

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

	2017	2016
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Land and buildings	62,400	90,277
Plant and machinery	238,758	274,316
Capital contributions payable to an associate	59,260	59,260
Capital contributions payable to available-for-sale investment	35,000	—
	395,418	423,853

17. EVENTS AFTER THE REPORTING PERIOD

On 3 January 2018, Nanjing Drive issued a corporate bond of RMB500,000,000, which carries an interest rate of 7.5% per annum with a term of not more than 5 years.

As disclosed in the announcement jointly issued by the Company and Fullshare Holdings Limited ("Fullshare") on 18 January 2018, the Company was informed by Fullshare that, on 17 January 2018, each of Five Seasons XVI Limited ("Five Seasons XVI"), the immediate holding company of the Company and Mr. Ji Changqun, the chairman of the board of directors of Fullshare, the chief executive officer and an ultimate controlling shareholder of Fullshare, is also personally interested in 17,890,000 shares of the Company, representing approximately 1.09% of the entire issued share capital of the Company entered into a non-legally binding memorandum of understanding ("MOU") with an independent third party, Neoglory Prosperity Inc.* (新光圓成股份有限公司), a PRC company listed on the Shenzhen Stock Exchange (SZSE Stock Code: 002147) ("Potential Offeror"), respectively, in relation to a possible conditional voluntary partial cash offer for more than 50% but not exceeding 75% of the issued capital of the Company. Subsequent to the entering into of the MOU, as disclosed in the joint announcement of the Company and Fullshare dated 15 March 2018, instead of a possible conditional voluntary partial cash offer for issued shares of the Company, the Potential Offeror and Five Seasons XVI have been in discussions of a possible sale and purchase of Five Seasons XVI' direct shareholding interests in the Company that would represent more than 50% but not exceeding 73.91% of the issued shares of the Company ("Possible Transaction"). Despite the possible change of transaction structure, if the Possible Transaction materialises and is completed, it will still result in a change in control of the Company and a mandatory general offer ("Possible Mandatory Offer"), in cash, for the issued shares of the Company will be made under Rule 26.1 of the Takeovers Code by the Potential Offeror. As at the date of approval of the consolidated financial statements, as advised by Fullshare, the discussion between all parties are still on-going and no commitment or any formal or legally binding agreement has been reached or entered into, nor any material terms and conditions in respect of the Possible Transaction and the Possible Mandatory Offer have been agreed. For details, please refer to the joint announcements dated 18 January 2018, 14 February 2018 and 15 March 2018 made by the Company and Fullshare.

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 Period under Review, the Group recorded sales revenue of approximately RMB8,241,914,000 (2016: RMB8,966,049,000), representing a decrease of approximately 8.1% from 2016. The gross profit margin was approximately 26.3% (2016: 33.3%). Profit attributable to owners of the Company was approximately RMB451,699,000 (2016: RMB1,108,995,000), representing a decrease of 59.3% from 2016. Basic earnings per share amounted to RMB0.276 (2016: RMB0.678), representing a decrease of 59.3% from 2016.

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 gear transmission equipment business decreased by approximately 7.6% to approximately RMB6,803,417,000 (2016: RMB7,362,287,000) as compared with the corresponding period last year. The decrease in revenue was mainly due to the fact that wind power industry is still in a state of callback and downstream and customers are cautious about the new installed capacity during the Period under Review.

The Group is a leading supplier of wind gear transmission equipment in the PRC. By leveraging its strong research, design and development capabilities, the Group has a range of products including 750KW, 1.5MW, 2MW and 3MW wind 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 5MW and 6MW 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, Nordex, Senvion, Unison, Suzlon, Inox Wind, etc. With our quality products and good services, the Group has also received a wide range of recognition and trust from customers at home and abroad. The Group has wholly-owned subsidiaries in the USA, 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, and has newly set up a wholly-owned subsidiary in Vietnam to grasp opportunities in the emerging market, with a view to providing further diversified services for global customers.

(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.

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 self-developed standardized and modular products which are internationally competitive , in order to facilitate the change in sales strategies and explore new markets and new industries; 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 Company'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 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. Currently the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Qingdao, Dalian, Suzhou, Lanzhou, Nanchang, Shijiazhuang, Fuzhou, Jinan, Wenzhou, Xi'an, Wuhan, Hong Kong, Singapore, Brazil, India, Mexico, Tunisia and Australia. 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 box that are used in the metro of Shanghai, Hong Kong and Melbourne is PDM385 type two-stage metro gear box, which was 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 compacted structure, low noise, and easy maintenance, etc. With a 1.2 million km, or 10-year maintenance-free life span, the key components can endure for a period of 35 years.

During the Period under Review, the industrial gear business segment generated sales revenue of approximately RMB1,001,004,000 for the Group (2016: RMB778,983,000), representing an increase of 28.5% over last year.

2. **Marine gear transmission equipment**

During the period from 1 January 2017 to the date of disposal, marine gear transmission equipment recorded sales revenue of approximately RMB23,573,000 (2016: RMB236,819,000). During the Period under Review, gain on disposal of this business was approximately RMB76,953,000.

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

CNC machine tool is the core equipment of the equipment manufacturing industry. Due to the sophistication of the application of machine tools in heavy equipments, the international markets of machine tools are dominated by a few manufacturers. Despite the Group's relentless efforts on developing advanced and efficient machine tools in order to establish a presence in the heavy and high-end equipment manufacturing markets, the Group reported consecutive decrease in revenue of CNC machine tool business since the financial year ended 31 December 2014.

During the Period under Review, the Group provided CNC machine tool products to customers through various subsidiaries and recorded sales revenue of approximately RMB60,554,000 (2016: RMB106,693,000), representing a decrease of 43.2% over last year.

4. **Diesel engine products**

The Group's diesel engine products business is operated by Nantong Diesel Engine Co., Ltd. ("**Nantong Diesel**").

The products of Nantong Diesel cover a wide range of models, including marine diesel engines, diesel engines for power generation and gas engines. Its products are widely used in fishing vessels, inland river vessels, generating units, engineering machinery, agricultural irrigation and drainage facilities, air compression equipment and other ancillary machines.

Nantong Diesel 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".

Recovery in shipping industry was faltered because the global economy remained uncertain. As such, the sales of the Group's diesel engine products were also affected.

During the Period under Review, the Group's sales revenue from diesel engines products amounted to approximately RMB115,591,000 (2016: RMB134,360,000), representing a decrease of 14.0% 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 RMB2,631,914,000 (2016: RMB3,098,607,000), representing a decrease of 15.1% over last year. Overseas sales accounted for 31.9% to total sales (2016: 34.6%), representing a decrease of 2.7 percentage points over the previous 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 Japan. 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 markets.

PROSPECTS

Looking back to 2017, the global economy experienced a stronger recovery. Growth is recorded in all major countries around the world for the first time in a decade. Among the major economies, the United States had a mild economic growth. The European economy, which has long been affected by the debt crisis, was in full recovery with growth at a rate exceeding expectation. The economy of the UK was stable in general. As a representative in the emerging market, China furthered its "five in one" overall layout and the "four comprehensives" strategic layout. With an emphasis on structural reform on the supply front, there was expansion of effective supply and development of high quality. The economy made progress while largely remaining stable, which maintained a stable and healthy social development. The GDP also reached a new high exceeding RMB 80,000 billion.

Looking back to 2017, the wind power industry was restricted by wind resources available. The wind power construction in Northeastern, Northern and Northwestern China slowed down. As the onshore wind power installed capacity accelerated, the newly installed grid-connected wind power capacity reached its lowest in nearly 5 years at 15.03 million kilowatts. The acceleration of offshore wind power installation was significant. The cumulative grid-connected installed capacity was 164GW, representing 9.2% of the total power generating installed capacity. The total wind power installed capacity continued its leading position globally. At the same time, the government promoted reform in the energy structure and introduced multiple policies to protect wind power consumption. There has been continuous improvement in wind power curtailment. In 2017, the national wind power curtailment decreased by 7,800GW and the wind power curtailment rate decreased by 5.2% over last year. There was a decrease in both volume and rate of wind curtailment.

As a global leader in the wind gear transmission equipment, the Group emphasizes on the four core competitiveness of "innovation, zero defect, professional service and customer orientation". It strives to provide the best value-adding solutions to global users and provide customized service. Currently, the Group has a range of products including 750KW, 1.5MW, 2MW and 3MW wind gear transmission equipment. The wind power gear box transmission equipment of 5MW and 6MW was further optimized in 2017. In the face of the huge development potential of the market, the Group actively undertakes the key technology research and development of 7MW grade wind power gear box and mainshaft bearing industrialization in the national science and technology support project. It seized market opportunities with an aim to maintain our position as a supplier of the most premium gears in the world.

Meanwhile, 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, Nordex, Senvion, Unison, Suzlon, Inox Wind, etc. With our quality products and good services, the Group has also received a wide range of recognition and trust from customers at home and abroad. The Group has wholly-owned subsidiaries in the USA, 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, and has newly set up a wholly-owned subsidiary in Vietnam to grasp opportunities in the emerging market, with a view to providing further diversified services for global customers.

In addition to focusing on enhancing the wind power equipment business, the Group will put emphasis on the segment of traditional industrial gear transmission equipment as well as optimising and rationalising the loss-making and non wind power equipment business with a view to strengthen its overall profit model. The Group adjusted the development strategy for traditional industrial gear transmission equipment in the Period under Review. By leveraging its self-development, it maintained its position as a major supplier in the traditional transmission product market. The Group successfully developed the largest decelerator with an ancillary two-roll mill in China, which has been delivered in bulk.

In line with the trend of saving energy, reducing emission and renewable energy, the Group developed the first electricity-driven high-speed satellite gear speed adjustment product, presenting a better solution for the industry. In addition, the Group has obtained International Railway Industry Standard (IRIS) certificate, which has laid a solid foundation for the Group's rail transportation products to expand into high-end international railway markets.

Looking forward to 2018, the National Development and Reform Commission and National Energy Administration formulated "The implementation plan for resolving curtailment of hydro power, wind power and photovoltaic power" in November last year. As the clean energy consumption policy is promoted, the wind curtailment problem in China is expected to be further resolved. According to the "2017-2020 Wind Power New Construction Plan", the annual additional scale of wind power will be over 25GW, facilitating the rapid development of the wind power industry. Meanwhile, the wind power development plan under the "Thirteenth Five-Year Plan" proposed that the national scale of offshore wind power construction will reach 10 million kilowatts in 2020 and the cumulative grid-connected capacity will be over 5 million kilowatts. Offshore wind power will be the direction of the future development of the wind power industry. The Group will keep abreast of changing market preferences to our products, provide customers with products, technology and services with the best quality and increase our market share in international markets to acquire a new high in the growth of our core business.

FINANCIAL PERFORMANCE

Sales revenue of the Group for the Period under Review decreased by 8.1% to approximately RMB8,241,914,000.

	Revenue Year ended 31 December		
	2017	2016	**Change**
	RMB'000	RMB'000	
Gear Segment	**7,804,421**	8,141,270	-4.1%
— Wind Gear Transmission Equipment	**6,803,417**	7,362,287	-7.6%
— Industrial Gear Transmission Equipment	**1,001,004**	778,983	28.5%
Marine gear transmission equipment	**23,573**	236,819	-90.0%
CNC Machine Tool Products	**60,554**	106,693	-43.2%
Diesel Engine Products	**115,591**	134,360	-14.0%
Other Products	**237,775**	346,907	-31.5%
Total	**8,241,914**	8,966,049	-8.1%

Revenue

During the Period under Review, the Group's sales revenue was approximately RMB8,241,914,000, representing a decrease of 8.1% as compared with last year. The decrease was mainly due to the slowdown of the overall growth rate of domestic wind power industry in 2017 and the disposal of certain subsidiaries.

During the Period under Review, sales revenue from wind gear transmission equipment was approximately RMB6,803,417,000 (2016: RMB7,362,287,000), representing a decrease of 7.6%; sales revenue from industrial gear transmission equipment was approximately RMB1,001,004,000 (2016: RMB778,983,000), representing an increase of 28.5% as compared with last year. During the Period under Review, the Group's sales revenue from CNC machine tool products, diesel engine products and marine gear transmission equipment were approximately RMB60,554,000, RMB115,591,000 and RMB23,573,000 (2016: RMB106,693,000, RMB134,360,000 and RMB236,819,000), representing a decrease of 43.2%, 14.0% and 90.0% as compared with last year, respectively.

Gross profit margin and gross profit

During the Period under Review, the Group's consolidated gross profit margin was approximately 26.3% (2016: 33.3%), representing a decrease of 7.0 percentage point as compared with last year. Consolidated gross profit for the Period under Review amounted to approximately RMB2,169,043,000 (2016: RMB2,987,378,000), representing a decrease of 27.4% as compared with last year. During the Period under Review, the decrease in consolidated gross profit margin was mainly due to the squeezing pressure derived from both lower prices and higher costs along the supply chain and the adjustment to the mix of sales in our product portfolio as well as the increase of RMB57,402,000 in write-down of inventories to net realisable value mainly for non wind power equipment business. The decrease in consolidated gross profit was mainly due to the decrease in sales revenue and gross profit margin.

Other income and net gains

During the Period under Review, the Group's other income was approximately RMB265,831,000 (2016: RMB253,233,000), representing an increase of 5.0% as compared with last year. Other income is mainly comprised of bank interest income, investment income and sales of scraps and material. The increase was mainly due to an increase in investment income.

During the Period under Review, other gains and losses recorded a net gain of approximately RMB263,275,000 (2016: RMB85,378,000), mainly comprised of gain from land resumption of approximately RMB159,163,000 and gain on disposal of subsidiaries of approximately RMB129,608,000.

Selling and distribution expenses

During the Period under Review, the Group's selling and distribution expenses was approximately RMB318,805,000 (2016: RMB367,337,000), representing a decrease of 13.2% as compared with last year. Selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses, staff costs and technical service fees. The percentage of selling and distribution expenses to sales revenue for the Period under Review was 3.9% (2016: 4.1%), representing a decrease of 0.2 percentage point as compared with last year.

Administrative expenses

During the Period under Review, the Group's administrative expenses was approximately RMB685,999,000 (2016: RMB615,894,000), representing an increase of 11.4% as compared with last year, which was mainly due to the increase in salary & welfare and bank charges regarding the issuance of corporate bonds. The percentage of administrative expenses to sales revenue increased by 1.5 percentage point to 8.3% as compared with last year.

Other expenses

During the Period under Review, the Group's other expenses amounted to approximately RMB424,125,000 (2016: RMB132,152,000), primarily consisting of total impairment loss of approximately RMB388,057,000 made for property, plant and equipment, trade receivables, other receivables and prepayments, and intangible assets of non wind power business. The impairment loss was made in consideration of continuous loss of certain non wind power business over the years and after assessment of market condition of this sector.

Finance costs

During the Period under Review, the Group's finance costs was approximately RMB526,289,000 (2016: RMB495,585,000), representing an increase of 6.2% as compared with last year, which was mainly due to an increase in the average balance of bank loans and corporate bonds during the Period under Review.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2017, the equity attributable to owners of the Company amounted to approximately RMB10,904,962,000 (31 December 2016: RMB11,053,873,000). The Group had total assets of approximately RMB27,438,175,000 (31 December 2016: RMB26,295,600,000), an increase of 4.3% as compared with the beginning of the year. Total current assets were approximately RMB18,013,876,000 (31 December 2016: RMB17,381,918,000), representing an increase of 3.6% as compared with the beginning of the year. Total non-current assets were approximately RMB9,424,299,000 (31 December 2016: RMB8,913,682,000), representing an increase of 5.7% as compared with the beginning of the year.

As at 31 December 2017, total liabilities of the Group were approximately RMB16,462,174,000 (31 December 2016: RMB15,055,252,000), representing an increase of approximately RMB1,406,922,000, or 9.3%, as compared with the beginning of the year. Total current liabilities were approximately RMB13,441,242,000 (31 December 2016: RMB13,495,451,000), representing a decrease of 0.4% as compared with the beginning of the year. The decrease was mainly due to a decrease in bank and other borrowings due within one year; whereas total non-current liabilities were approximately RMB3,020,932,000 (31 December 2016: RMB1,559,801,000), representing an increase of 93.7% as compared with the beginning of the year. The increase was mainly due to an increase in issue of corporate bonds during the Period under Review.

As at 31 December 2017, the net current asset of the Group was approximately RMB4,572,634,000 (31 December 2016: RMB3,886,467,000), representing an increase of approximately RMB686,167,000, or 17.7%, as compared with the beginning of the year.

As at 31 December 2017, total cash and bank balances of the Group were approximately RMB7,031,364,000 (31 December 2016: RMB5,485,418,000), representing an increase of approximately RMB1,545,946,000, or 28.2%, as compared with the beginning of the year. The cash and bank balances include pledged bank deposits of RMB2,892,955,000 (31 December 2016: RMB2,531,395,000) and structured bank deposits of RMB108,000,000 (31 December 2016: RMB209,000,000).

As at 31 December 2017, the Group had total borrowings of approximately RMB7,786,901,000 (31 December 2016: RMB6,501,813,000), representing an increase of approximately RMB1,285,088,000, or 19.8%, as compared with that at the beginning of the year, of which borrowings within one year were RMB5,030,608,000 (31 December 2016: RMB5,273,847,000), accounting for approximately 64.6% (31 December 2016: 81.1%) of the total borrowings. The fixed or floating interest rates of the Group's borrowings for the Period under Review ranged from 1.05% to 8.50% 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 RMB4,572,634,000 at 31 December 2017, the Directors believe that the Group will have sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

Available-for-sale investments

As at 31 December 2017, the Group's available-for-sale-investments amounted to RMB3,612,278,000 (31 December 2016: RMB870,090,000), approximately RMB2,742,188,000 or 315.2% higher than those at the beginning of the year, of which unlisted equity investments amounted to approximately RMB3,175,618,000 (31 December 2016: RMB88,582,000) and accounted for approximately 87.9% (31

December 2016: 10.2%) of the total amount. The increase was mainly due to Nanjing Drive, a wholly owned subsidiary of the Company, entered into a limited partnership agreement with thirty-four other partners on 17 April 2017 in respect of the establishment of an investment fund in the PRC and the subscription of interest therein. The Board considers that such investment could result in more investment opportunities and better investment returns by leveraging on the other partners' advantageous resources or experience in investment management. Pursuant to the limited partnership agreement, Nanjing Drive, as a limited partner, contributed RMB2 billion to the investment fund. For details, please refer to the announcement dated 18 April 2017 made by the Company. Information about the Group's available-for-sale-investments as at 31 December 2017 is set out in above note 10.

Gearing ratio

The Group's gearing ratio (defined as total liabilities as a percentage of total assets) increased from 57.3% as at 31 December 2016 to 60.0% as at 31 December 2017, mainly due to the increase in bank and other borrowings.

Capital structure

The Group's operations were financed mainly by shareholders' equity, banking and other 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, Euro and U.S. dollars. The Group's bank borrowings denominated in Euro and U.S. dollars as at 31 December 2017 amounted to approximately EUR24,390,000 and USD73,750,000, respectively.

During the Period under Review, the Group's borrowings with fixed interest rates to total borrowings was approximately 85.0%.

PLEDGE OF ASSETS

Save as disclosed in above note 15, the Group has made no further pledge of assets as at 31 December 2017.

OTHER SUPPLEMENTARY INFORMATION

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.18 (2016: HKD0.23) (tax inclusive) per ordinary share for the Period under Review by the Company to its shareholders. The proposed final dividend is expected to be paid to the shareholders of the Company on 15 June 2018. The Company will make 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 2017 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 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 risk.

The Group's bank borrowings denominated in Euro and U.S. dollars as at 31 December 2017 amounted to EUR24,390,000 and USD73,750,000 respectively. Therefore, the Group may be exposed to certain foreign exchange rate risk.

The net loss of foreign exchange recorded by the Group during the Period under Review was approximately RMB30,053,000 (2016: a net gain of RMB106,675,000), including loss from our export business denominated in U.S. dollars due to the appreciation of Renminbi against U.S. dollars during the Period under Review. 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 foreign exchange risk in 2018.

INTEREST RATE RISK

As at 31 December 2017, the loans of the Group are mainly sourced from bank borrowings, corporate bonds and medium-term notes. Therefore, the benchmark lending rate announced by the People's Bank of China and the LIBOR 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 2017, the Group employed approximately 6,988 employees (31 December 2016: 8,186). Staff cost of the Group for 2017 approximated to RMB1,375,223,000 (2016: RMB1,390,242,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

SIGNIFICANT INVESTMENT DURING THE YEAR

On 17 April 2017, Nanjing Drive, a wholly-owned subsidiary of the Company, entered into a limited partnership agreement with thirty-four other partners in respect of, among other matters, the establishment of an investment fund in the PRC and the subscription of interest therein (the "Limited Partnership Agreement"). Pursuant to the Limited Partnership Agreement, the total capital commitment to the investment fund was RMB50.38 billion, among which, RMB2 billion would be contributed by Nanjing Drive as a limited partner. The details were set out in the Company's announcement dated 18 April 2017 and above note 10.

Save as disclosed above and in note 10, there was no other significant investment held by the Group during the Period under Review.

SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE YEAR

Disposal of a subsidiary

On 20 April 2017, Nanjing Drive entered into an equity transfer agreement with Jiangsu Shiji Yuntong Technology Co., Ltd.* (江蘇世紀運通科技有限公司) to sell the entire equity interest of Nanjing Jingjing Photoelectric Science & Technology Co., Ltd.* (南京京晶光電科技有限公司) (the "Disposal Company") for a cash consideration of RMB155,176,000 (the "Disposal"). The Disposal Company was a company incorporated in PRC with limited liability and was principally engaged in the sales, manufacturing and design of digital products, transistor, chips and LED products. The business of the Disposal Company was in a state of loss-making as a result of unfavourable market conditions in the relevant industry. The Disposal represents a continuation of the Group's strategy to strip loss-making business, streamline its businesses and improve its overall performance and prospects. The Directors are of the view that the Disposal would enhance the cash position and

* *For identification purposes only*

working capital of the Group, and thus would allow the Group to restructure its strategic business positioning and focus on pursuing the development of its core businesses. The details were set out in the announcement of the Company dated 27 April 2017.

Capital reduction of and disposal of a joint venture company

In October 2017, Nanjing Drive, Nanjing Sanbao Technology Group Co., Ltd.* (南京三寶科技集團有限公司) and Zhongbang Jinkong Investment Co., Ltd.* (眾邦金控投資有限公司) agreed to adjust the total maximum capital contribution to Nanjing Dongbang Equipment Limited* (南京動邦裝備有限公司) ("Nanjing Dongbang"), a joint venture Company, from RMB2,000,000,000 to RMB50,000,000 by reducing their respective capital contribution to Nanjing Dongbang on a pro rata basis. The capital contribution made by Nanjing Drive was reduced to RMB22,500,000 from its original amount of RMB900,000,000. The major business scope of the Nanjing Dongbang is investment in manufacturing industry. Due to the unfavorable economic environment as a whole, the capital contribution reduction can help retain resources for the development of other businesses of the Company and increase the effectiveness of use of funds. For details, please refer to the announcement dated 21 December 2017 made by the Company. On 22 December 2017, the Company also disposed its interest in Nanjing Dongbang to an independent third party.

Save as disclosed above, the Group did not carry out any other significant acquisition or disposal of subsidiaries and associated companies during the Period under Review.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in above note 17, there are no other important events occurred subsequent to 31 December 2017.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed with the Group's auditor, Ernst & Young, which is consistent with the figures set out in the Group's consolidated financial statements for the year ended 31 December 2017. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong

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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 Ernst & Young on this announcement.

CORPORATE GOVERNANCE

During the year ended 31 December 2017, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") except for the deviation from code provision A.6.7 which states that independent non-executive directors and other non-executive directors should attend general meetings of the Company.

During the Period Under Review, some of the executive Directors, non-executive Directors and independent non-executive Directors, the Chairman of the audit committee of the Company and external auditors have attended the 2016 annual general meeting of the Company, except Mr. Hu Yueming, the Chairman of the Board, non-executive Director and Chairman of the nomination committee of the Company, Dr. Chan Yau Ching, Bob, the independent non-executive Director and Chairman of the remuneration committee of the Company and Mr. Nathan Yu Li, the independent non-executive Director, who were absent from the 2016 annual general meeting of the Company due to other important commitment.

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 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In November 2014, the Company issued 8.3% bonds due 20 November 2017 of a total principal amount of RMB650,000,000 with a listing on the Hong Kong Stock Exchange (the "Bonds"). As at 31 December 2015 and 31 December 2016, the outstanding principals of the Bonds amounted to RMB264,630,000.

On 29 November 2016, the Company issued an announcement to holders of the Bonds in relation to the occurrence of a relevant event. The relevant event was the change of control occurred on the Company on 29 November 2016. After the occurrence of the relevant event, a holder of the Bonds will have the right, at the option of such holder of the Bonds, to require the Company to redeem all, but not some only, of such bondholder's Bonds on 12 January 2017 at 101% of their principal amount together with accrued interest to 12 January 2017. As at 12 January 2017, the Company received valid put exercise notices from those holders of the Bonds holding such Bonds in the aggregate principal amount of RMB151,590,000 (the "Redeemed Bonds"). Settlement of the Redeemed Bonds (the "Redemption") was completed on 12 January 2017 (i.e., the Put Settlement Date) and the Redeemed Bonds were cancelled on the same date. The aggregate amount of consideration paid by the Company in relation to the Redemption was approximatley RMB154,898,000. The Company redeemed all outstanding Bonds upon maturity ("Redemption on Maturity") on 20 November 2017 by payment of a total consideration of approximately RMB117,795,000. After completion of the Redemption on Maturity, the Bonds were cancelled and delisted from the Hong Kong Stock Exchange. For details, please refer to the announcement made by the Company dated 20 November 2017.

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 2017.

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

Hong Kong, 29 March 2018

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