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 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*	**Change**
Continuing operations			
Revenue	**8,203,500**	7,990,604	**2.7%**
Gross profit	**1,530,989**	2,303,882	**-33.5%**
Continuing operations and discontinued operation			
Profit for the year attributable to owners of the Company	**208,401**	451,699	**-53.9%**
Basic earnings per share (RMB)	**0.128**	0.276	**-53.6%**
Proposed final dividend per share (HKD)	**0.08**	0.18	**-55.6%**

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*	**Change**
Total assets	**26,748,539**	27,438,175	**-2.5%**
Total liabilities	**15,883,275**	16,462,174	**-3.5%**
Net assets	**10,865,264**	10,976,001	**-1.0%**
Net assets per share (RMB)	**6.6**	6.7	**-1.5%**
Gearing ratio* (%)	**59.4**	60.0	**-0.6ppt**

** Gearing ratio = total liabilities/total assets*

** For identification purpose only*

The board (the "Board") of directors (the "Director(s)") of China High Speed Transmission Equipment Group Co., Ltd. (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 (the "Year") together with comparative figures for the year ended 31 December 2017 as follows. The consolidated annual results have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

		Year ended 31 December	
	Note	**2018**	2017
			Restated*
		RMB'000	*RMB'000*
Continuing operations			
Revenue from contracts with customers	3	**8,203,500**	7,990,604
Cost of sales	6	**(6,672,511)**	(5,686,722)
Gross profit		**1,530,989**	2,303,882
Selling and distribution expenses	6	**(292,946)**	(293,685)
Administrative expenses	6	**(494,546)**	(633,447)
Research and development costs	6	**(337,457)**	(286,203)
Net impairment losses on financial assets		**(57,059)**	(61,630)
Other income	4	**209,879**	135,612
Other gains — net	5	**192,107**	305,836
Operating profit		**750,967**	1,470,365
Finance income	7	**143,895**	116,141
Finance costs	7	**(630,963)**	(554,780)
Finance costs — net		**(487,068)**	(438,639)
Share of net profit of associates and joint ventures accounted for using the equity method		**15,884**	83,931
Profit before income tax		**279,783**	1,115,657
Income tax expenses	8	**(10,781)**	(173,857)

	Note	Year ended 31 December **2018** *RMB'000*	2017 Restated* *RMB'000*
Profit for the year from continuing operations		**269,002**	941,800
Loss for the year from discontinued operation		**(62,530)**	(588,984)
Profit for the year		**206,472**	352,816
Profit/(loss) attributable to:			
Owners of the Company		**208,401**	451,699
Non-controlling interests		**(1,929)**	(98,883)
		206,472	352,816
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		**282,805**	948,090
Discontinued operation		**(74,404)**	(496,391)
		208,401	451,699
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company for the year (expressed in RMB per share)			
Basic and diluted earnings per share		**0.173**	0.580
Earnings per share for profit attributable to the ordinary equity holders of the Company for the year (expressed in RMB per share)			
Basic and diluted earnings per share	9	**0.128**	0.276

* *See Note 12 for details regarding the restatement as a result of the discontinued operation.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	**Year ended 31 December** **2018** ***RMB'000***	2017 *RMB'000*
Profit for the year		**206,472**	352,816
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income		**15,317**	—
Changes in the fair value of available-for-sale financial assets		**—**	(344,848)
Currency translation difference		**(4,486)**	(3,445)
Income tax relating to these items		**(3,829)**	85,689
		7,002	(262,604)
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		**(85,519)**	—
Income tax relating to these items		**18,846**	—
		(66,673)	—
Other comprehensive loss for the year, net of tax		**(59,671)**	(262,604)
Total comprehensive income for the year		**146,801**	90,212
Attributable to:			
Owners of the Company		**149,085**	190,460
Non-controlling interests		**(2,284)**	(100,248)
		146,801	90,212
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		**223,489**	698,648
Discontinued operation		**(74,404)**	(508,188)
		149,085	190,460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,815,283**	4,414,536
Land lease prepayments		**531,801**	669,236
Goodwill		**272**	2,991
Intangible assets		**14,825**	37,875
Investments accounted for using the equity method		**418,819**	257,972
Financial asset at fair value through other comprehensive income		**2,548,454**	—
Financial assets at fair value through profit or loss		**518,602**	—
Other receivables	11	**—**	71,429
Other financial assets at amortised cost		**517,327**	—
Available-for-sale financial assets		**—**	3,612,278
Deposit for land lease		**116,800**	116,800
Deferred income tax assets		**271,427**	241,182
		8,753,610	9,424,299
Current assets			
Inventories		**2,313,001**	2,415,777
Land lease prepayments		**11,486**	14,860
Trade receivables	11	**4,445,523**	4,620,080
Bills receivable	11	**—**	1,895,179
Other receivables	11	**984,693**	1,593,635
Other financial assets at amortised cost		**205,861**	—
Prepayments		**361,851**	442,981
Financial asset at fair value through other comprehensive income		**1,368,456**	—
Financial assets at fair value through profit or loss		**1,993,594**	—
Income tax prepaid		**82,362**	—
Structured bank deposits		**—**	108,000
Pledged bank deposits		**2,922,234**	2,892,955
Cash and cash equivalents		**2,062,624**	4,030,409
Assets of disposal group classified as held-for-sale	12	**1,243,244**	—
		17,994,929	18,013,876
Total assets		**26,748,539**	27,438,175

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	**1,105**	844,275
Corporate bonds	14	**2,411,465**	1,912,018
Deferred income		**54,283**	85,658
Warranty provision		**72,528**	—
Deferred tax liabilities		**162,198**	178,981
		2,701,579	3,020,932
Current liabilities			
Borrowings	14	**4,960,387**	5,030,608
Trade payables	13	**1,716,846**	1,855,137
Bills payable	13	**4,526,958**	4,781,908
Other payables	13	**1,021,963**	980,533
Advance from customers		**—**	542,429
Contract liabilities		**302,533**	—
Deferred income		**17,196**	6,239
Income tax payable		**43,125**	123,724
Warranty provision		**90,373**	120,664
Liabilities of disposal group classified as held-for-sale	12	**502,315**	—
		13,181,696	13,441,242
Total liabilities		**15,883,275**	16,462,174
EQUITY			
Equity attributable to owners of the Company			
Share capital		**119,218**	119,218
Reserves		**10,672,614**	10,785,744
		10,791,832	10,904,962
Non-controlling interests		**73,432**	71,039
Total equity		**10,865,264**	10,976,001
Total equity and liabilities		**26,748,539**	27,438,175

NOTES

1. GENERAL

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities which are carried at fair value.

(a) **New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- Annual Improvements 2014-2016 cycle
- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'
- Amendments to IAS 40 'Transfers to Investment Property'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

The Group changed its accounting policies and made modified retrospective adjustments following the adoption of IFRS 9 and IFRS 15. This is disclosed in Note 2.2. The other amendments listed above did not have siginificant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

- IFRS 16 Leases, effective for the accounting period beginning on or after 1 January 2019.
- Interpretation 23 uncertainty over Income Tax Treatment, effective for the accounting period beginning on or after 1 January 2019.
- Amendments to IAS 28 'Long-term interests in Associates and Joint Ventures', effective for the accounting period beginning on or after 1 January 2019.
- Annual Improvements to IFRS Standards 2015 — 2017 Cycle, effective for the accounting period beginning on or after 1 January 2019.
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture', the effective date of this amendment has been deferred by IASB.
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation', effective for the accounting period beginning on or after 1 January 2019.
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement', effective for the accounting period beginning on or after 1 January 2019.
- Amendments to IFRS 3 'Business Combinations', effective for the accounting period beginning on or after 1 January 2020.
- Amendments to conceptual Framework of IASB, effective for the accounting period beginning on or after 1 January 2020.
- IFRS 17 'Insurance Contracts', effective for the accounting period beginning on or after 1 January 2021.

The Group's assessment of the impact of these new standards and interpretations is set out below.

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

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

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB3,210 thousands (Note 16). Of these commitments, approximately RMB1,914 thousands relate to short-term leases and RMB52 thousands to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

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

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Apart from fore-mentioned impact of IFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

2.2.1 Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item in the opening consolidated statement of financial position on 1 January 2018 as a result of changes in the Group's accounting policies. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	31 December 2017	IFRS 9	IFRS 15	1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Deferred income tax assets	241,182	18,695	—	259,877
Financial assets at fair value through other comprehensive income ("FVOCI")	—	2,665,138	—	2,665,138
Financial assets at fair value through profit or loss ("FVPL")	—	1,019,487	—	1,019,487
Available-for-sale financial assets	3,612,278	(3,612,278)	—	—
Current assets				
Trade receivables	4,620,080	(64,322)	—	4,555,758
Bills receivable	1,895,179	(1,895,179)	—	—
Financial assets at FVOCI	—	1,863,434	—	1,863,434
Financial assets at FVPL	—	108,000	—	108,000
Structured bank deposits	108,000	(108,000)	—	—
Total assets	27,438,175	(5,025)	—	27,433,150
Non-current liabilities				
Deferred tax liabilities	178,981	18,087	—	197,068
Current liabilities				
Contract liabilities	—	—	542,429	542,429
Advance from customers	542,429	—	(542,429)	—
Total liabilities	16,462,174	18,087	—	16,480,261
Other reserves	5,710,179	(39,547)	—	5,670,632
Retained earnings	5,075,565	16,435	—	5,092,000
Total equity	10,976,001	(23,112)	—	10,952,889

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	RMB'000
Closing retained earnings 31 December 2017 — IAS 39	5,075,565
Increase in provision for trade receivables	(64,322)
Remeasure investments from available-for-sale to FVPL	9,056
Reclassify prior year provision for equity investment at FVOCI from retained earnings to FVOCI reserve	63,206
Increase in deferred tax assets	10,759
Increase in deferred tax liabilities	(2,264)
Opening retained earnings 1 January 2018 — IFRS 9	5,092,000

2.2.2 **IFRS 9 "Financial Instruments"**

IFRS 9, "Financial Instruments" was adopted by the Group using the modified retrospective approach. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the comparative information, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

(a) ***Impact of adoption***

(i) *Classification and measurement*

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification as at 1 January 2018 are as follows:

Financial assets — 1 January 2018	*Notes*	**FVPL**	**FVOCI (Available-for-sale 2017)**	**Amortised cost (Receivables 2017)***
		RMB'000	*RMB'000*	*RMB'000*
Closing balance 31 December 2017 — IAS 39		—	3,612,278	8,180,323
Reclassify investments from available-for-sale to FVPL	(1)	1,010,431	(1,010,431)	—
Remeasure investment from available-for-sale to FVPL	(1)	9,056	—	—
Remeasure non-trading equities from available-for-sale to FVOCI	(2)	—	63,291	—
Reclassify structured bank deposits from structured bank deposits to FVPL	(3)	108,000	—	—
Reclassify bills receivable from receivables to FVOCI	(4)	—	1,895,179	(1,895,179)
Remeasure bills receivable from receivables to FVOCI	(4)	—	(31,745)	—
Opening balance 1 January 2018 — IFRS 9		1,127,487	4,528,572	6,285,144

The impact of these changes on the Group's equity is as follows:

	Notes	**Effect on AFS reserves** *RMB'000*	**Effect on FVOCI reserve** *RMB'000*	**Effect on retained earnings** *RMB'000*
Closing balance 31 December 2017 — IAS 39		247,644	—	5,075,565
Remeasure investments from available-for-sale to FVPL	(1)	—	—	6,792
Reclassify non-trading equities from available-for-sale to FVOCI	(2)	(247,644)	184,438	63,206
Remeasure non-trading equities from available-for-sale to FVOCI	(2)	—	47,468	—
Remeasure bills receivable from receivables to FVOCI	(4)	—	(23,809)	—
Opening balance 1 January 2018 — IFRS 9		—	208,097	5,145,563

* Before adjustment for impairment.

(1) Reclassification of investments from available-for-sale to FVPL

Certain equity investments were reclassified from available-for-sale at cost to financial assets at FVPL with a fair value RMB1,019,487 thousands as at 1 January 2018. Fair value gains net of tax of RMB6,792 thousands (net of RMB2,264 thousands of defered tax assets) were recognised in retained earnings on 1 January 2018.

(2) Equity investments previously classified as available-for-sale

The Group elected to present in OCI changes in the fair value of its certain equity investments previously classified as available-for-sale. These investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB2,665,138 thousands were reclassified from available-for-sale financial assets to financial assets at FVOCI.

(3) Structured bank deposits classified as FVPL

Structured bank deposits were reclassified to financial assets at FVPL with an amount of RMB108,000 thousands as at 1 January 2018. They no longer meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

(4) Bills receivables carried as FVOCI

Bills receivables with a fair value of RMB1,863,434 thousands were reclassified from financial assets at amortised cost to financial assets at FVOCI, because the bills receivables are held for collection of contractual cash flows and for selling the financial assets, where its cash flows represent solely payments of principal and interest. Fair value loss net of tax of RMB23,809 thousands were recognised in FVOCI reserve on 1 January 2018.

(5) Reclassifications of financial instruments on adoption of IFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		**Carrying amount**		
	Original (IAS 39)	**New (IFRS 9)**	**Original**	**New**	**Difference**
			RMB'000	*RMB'000*	*RMB'000*
Non-current financial assets					
Listed and unlisted equity securities	Available for sale	FVOCI	2,601,847	2,665,138	63,291
Unlisted equity securities	Available for sale	FVPL	1,010,431	1,019,487	9,056
Other receivables	Amortised cost	Amortised cost	71,429	71,429	—
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	4,620,080	4,555,758	(64,322)
Bills receivables	Amortised cost	FVOCI	1,895,179	1,863,434	(31,745)
Structured bank deposits	Amortised cost	FVPL	108,000	108,000	—
Pledged bank deposits	Amortised cost	Amortised cost	2,892,955	2,892,955	—
Cash and cash equivalents	Amortised cost	Amortised cost	4,030,409	4,030,409	—
Other receivables	Amortised cost	Amortised cost	1,593,635	1,593,635	—

(ii) *Impairment of financial assets*

The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(b) ***Accounting policies applied from 1 January 2018***

Accounting policies applied by the Group from 1 January 2018 has been modified according to the adoption.

2.2.3 **IFRS 15 "Revenue from Contracts with Customers"**

The Group has adopted IFRS 15, "Revenue from Contracts with Customers" by using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated.

(a) ***Impact of adoption***

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 January 2018):

	IAS 18 carrying amount 31 December 2017	**Reclassification**	**IFRS 15 carrying amount 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers	542,429	(542,429)	—
Contract liabilities	—	542,429	542,429

The contract liabilities of the Gourp are advance for goods from customers. Revenue from contracts with customers amounted to RMB450,216 thousands has been recognised in the current year relates to carried forward contract liabilities.

The Group is principally engaged in manufacturing and distribution of a broad range of mechanical transmission equipment that is used in wind power and industrial appliances. The adoption of IFRS 15 does not change revenue recognition policy of fore-mentioned activities.

The Group does not introduce any customer loyalty programme which is likely to be affected by the IFRS 15.

The Group does not expect to have any contracts where the period between the transfer to the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group has elected to apply the practical expedient that contract costs incurred related to contracts with an amortisation period of less than one year have been expensed as incurred. The Group also applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Except for the reclassifications of contract liabilities, there is no other line items affected in the current year and year to date by the application of IFRS 15 as compared to IAS 18 that were previously in effect before the adoption of IFRS 15.

(b) ***Accounting polices applied from 1 January 2018***

Accounting policies applied by the Group from 1 January 2018 has been modified according to the adoption.

3. OPERATING SEGMENT INFORMATION

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

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

The People's Republic of China ("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.

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

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

(a) **Segment information**

2018	**PRC**	**USA**	**Europe**	**Other countries**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue					
Total segment revenue	7,680,083	1,866,388	459,020	536,670	10,542,161
Inter segment revenue	(2,279,964)	(58,697)	—	—	(2,338,661)
Revenue from external customers	5,400,119	1,807,691	459,020	536,670	8,203,500
Timing of revenue recognition					
At a point in time	5,400,119	1,807,691	459,020	536,670	8,203,500
Segment results	817,220	322,124	79,273	87,640	1,306,257
Unallocated other income					141,664
Unallocated other gains - net					192,107
Unallocated impairment losses on financial assets					(57,059)
Finance costs - net					(487,068)
Share of profits and losses of associates and joint ventures					15,884
Corporation and other unallocated expenses					(832,002)
Profit before income tax					279,783

Year ended 31 December 2018	PRC	USA	Europe	Other countries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	5,579,604	57,343	45,411	131,621	5,813,979
Corporate and other unallocated assets					20,934,560
Total assets					26,748,539
Other segment information					
Write-down of inventories	(10,566)				(10,566)
Impairment losses on financial assets	57,196	(126)	(2)	(9)	57,059
Other impairment losses	16,076				16,076
Depreciation and amortisation	460,900	8,596	1,218	310	471,024
Capital expenditure	678,077	12,172	992	125	691,366

2017	PRC	USA	Europe	Other countries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue					
Total segment revenue	7,531,527	1,986,955	364,977	334,764	10,218,223
Inter segment revenue	(2,172,837)	(54,782)	—	—	(2,227,619)
Revenue from external customers	5,358,690	1,932,173	364,977	334,764	7,990,604
Segment results	1,402,270	489,630	67,355	78,913	2,038,168
Unallocated other income					44,775
Unallocated other gains — net					305,836
Unallocated impairment losses on financial assets					(61,630)
Finance costs — net					(438,639)
Share of profits and losses of associates and joint ventures					83,931
Corporation and other unallocated expenses					(856,784)
Profit before income tax					1,115,657

Year ended 31 December 2017	PRC	USA	Europe	Other countries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	6,114,535	157,480	96,857	146,387	6,515,259
Corporate and other unallocated assets					20,922,916
Total assets					27,438,175
Other segment information					
Write-down of inventories	135,368	—	—	2,686	138,054
Impairment losses on financial assets	61,630	—	—	—	61,630
Other impairment losses	31,213	—	—	—	31,213
Depreciation and amortisation	455,563	6,942	1,455	179	464,139
Capital expenditure	530,181	157	1,648	206	532,192

(b) **Other geographical information**

Non-current assets by the locations of the assets and excludes financial assets at FVOCI (2017: available-for-sale investments), financial assets at FVPL, other financial assets at amortised cost and deferred tax assets are detailed below:

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
PRC	4,714,493	5,372,805
USA	159,705	155,342
Europe	3,306	3,185
Other countries	20,296	39,507
	4,897,800	5,570,839

(c) **Revenue from major products and services**

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Wind gear transmission equipment	6,896,966	6,803,417
Industrial gear transmission equipment	1,298,567	1,001,004
Other products	7,967	186,183
	8,203,500	7,990,604

(d) **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:

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Customer A (i)	3,001,454	2,603,785
Customer B (ii)	1,051,823	N/A

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

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

4. OTHER INCOME

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Dividends(i)	83,176	7,813
Interest income(ii)	36,919	31,650
Government grants (iii)	36,072	19,866
- Deferred income recognised	20,418	7,538
- Other government subsidies	15,654	12,328
Sale of scraps and material	23,357	29,821
Gross rental income	12,246	9,176
Investment income	—	34,841
Others	18,109	2,445
	209,879	135,612

(i) **Dividends**

Dividends are received from financial assets measured at FVPL and at FVOCI (2017 — from financial assets at FVPL and available-for-sale financial assets).

(ii) Total interest income on financial assets that are measured at amortised cost for the year was RMB36,919 thousands (2017: RMB31,650 interest income from financial assets not measured at FVPL).

(iii) **Government grants**

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

There are no unfulfilled conditions or the contingencies attaching to these grants.

5. OTHER GAINS — NET

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
(Losses)/gains on disposal of property, plant and equipment, net	(1,442)	905
Gains on disposal of a subsidiary, net	69,362	129,608
(Losses)/gains on disposal of associates, net	(583)	58
Foreign exchange differences, net	38,434	16,613
Net fair value gains on financial assets at FVPL	82,885	—
Net gain on sale of available-for-sale financial assets	—	3,666
Gain on land resumption	—	159,163
Others	3,451	(4,177)
	192,107	305,836

6. EXPENSES BY NATURE

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Cost of inventories sold	5,522,586	4,385,434
Employee benefits expenses	1,253,724	1,264,981
Depreciation	423,191	412,617
Amortisation of other intangible assets	15,964	24,640
Amortisation of land lease prepayments	13,477	13,295
Auditors remuneration - audit services	4,000	4,200
Provision recognised for decline in the value of inventories	(10,566)	138,054
Other expense	575,084	656,836
Total cost of sales, selling and distribution expenses, research and development cost and administrative expenses	7,797,460	6,900,057

7. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Interest income	143,895	116,141
Finance income	143,895	116,141
Interest expense	(618,150)	(508,223)
Net exchange losses	(12,813)	(46,557)
Finance costs	(630,963)	(554,780)
Finance costs — net	(487,068)	(438,639)

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Current income tax — charge for the year	20,083	208,199
— PRC	14,057	124,129
— Hong Kong	5,435	84,070
— Singapore	591	—
Deferred taxation	(9,302)	(34,342)
Income tax expense	10,781	173,857

A reconciliation of the expected income tax calculated at the applicable tax rate and total profit, with the actual income tax is as follows:

	Year ended 31 December	
	2018	*2017*
	RMB'000	*RMB'000*
Profit before income tax	279,783	1,115,657
Tax calculated at statutory tax rates of 25%	69,946	278,914
Tax effect of:		
Lower tax rate for specific provinces or enacted by local authority	(42,834)	(133,782)
Overprovision in respect of prior years	(10,254)	(8,488)
Share of profit of investments accounted for using the equity method	(3,971)	(20,983)
Other non-taxable income	(22,467)	(40,944)
Non-deductible loss, expenses and costs	23,353	20,390
Utilisation of previously unrecognised tax losses	—	(3,578)
Tax losses for which no deferred income tax assets was recognised	16,270	74,786
Temporary differences for which no deferred income tax assets was recognised in current year	12,963	5,938
Additional deduction of research and development expenses	(33,693)	(9,978)
Withholding tax at 5% on the undistributed earnings of the PRC subsidiaries	1,468	11,582
Actual income tax	10,781	173,857

(a) **PRC corporate income tax**

PRC corporate income tax has been provided at the rate of 25% (2017: 25%) on the taxable profits of the Group's PRC subsidiaries for the year ended 31 December 2018.

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.	31 December 2017	31 December 2019
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2017	31 December 2019
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2017	31 December 2019

(b) **Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2018 (2017: 16.5%).

(c) **Singapore corporate income tax**

Singapore corporate income tax has been provided at the rate of 17% on the estimated assessable profits arising in Singapore for the year ended 31 December 2018 (2017: nil)

(d) **Others corporate income tax**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(e) **Withholding tax**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable to 5% withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008. The aggregate amount of temporary differences associated with unremitted earnings of RMB6,485 million (31 December 2017: RMB6,327 million) of investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately RMB324 million as at 31 December 2018 (2017: RMB316 million), in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

9. EARNINGS PER SHARE

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

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Profit from continuing operations attributable to the owners of the Company	282,805	948,090
Loss from discontinued operation	(74,404)	(496,391)
Net profit attributable to the owners of the Company	208,401	451,699
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,635,291	1,635,291
Basic earnings per share (RMB per share)		
From continuing operations attributable to the ordinary equity holders of the company	0.173	0.580
From discontinued operation	(0.045)	(0.304)
	0.128	0.276

No adjustment is made to the diluted earnings per share for the years ended 31 December 2018 and 31 December 2017 as there was no potential dilutive shares in issue.

10. DIVIDENDS

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Final proposed — HK8 cents per share (2017: HK18 cents per share)	114,627	239,103

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 2017 was proposed by the directors of the Company on 29 March 2018, and subsequently approved at the annual general meeting on 18 May 2018 and recognised as distribution during the year ended 31 December 2018.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Trade receivable	4,981,911	5,196,178
— Amount due from third parties	4,949,044	5,181,926
— Amount due from joint ventures	32,867	14,252
Less: impairment provision	(536,388)	(576,098)
	4,445,523	4,620,080
Deposits and other receivables	980,919	1,601,430
— Amount due from third parties	779,774	1,563,735
— Amount due from associates	92,538	23,569
— Amount due from joint ventures	15,125	14,126
— Amount due from a fellow subsidiary	93,482	—
Less: impairment provision	(23,509)	(16,470)
	957,410	1,584,960
Bills receivable	—	1,895,179
Value-added tax recoverable	27,283	80,104
	5,430,216	8,180,323
Current portion	5,430,216	8,108,894
Non-current portion	—	71,429
	5,430,216	8,180,323

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.

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

As at 31 December 2018, deposits and other receivables comprised a deposit for land lease amounting to RMB75,000 thousands. During the year ended 31 December 2017, the Group entered into an agreement with Nanjing Yuhua Economic Development Zone Management Committee (the "Management Committee''), and the Management Committee agreed to return the land lease deposit previously paid by the Group of RMB75,000 thousands in 2019.

(i) **Fair values of trade and other receivables**

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

(ii) **Impairment and risk exposure**

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

The ageing analysis of trade receivables 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:

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Trade receivables and bills receivable based on invoice date:		
Less than 90 days	3,039,728	3,609,544
90 to 120 days	121,754	479,238
121 to 180 days	377,462	958,477
181 to 365 days	424,881	963,645
1 - 2 years	328,927	344,473
Over 2 years	152,771	159,882
	4,445,523	6,515,259

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

	2018	2017
	RMB'000	*RMB'000*
As at 1 January	(576,098)	(475,970)
Amount restated through opening retained earnings	(64,322)	—
Transferred to disposal group classified as held-for-sale	131,187	—
Disposal of subsidiaries	—	7,172
Impairment losses recognised during the year, net	(34,937)	(107,841)
Amount written off as uncollectible	7,782	541
As at 31 December	(536,388)	(576,098)

(iii) **Transfers of financial assets**

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

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

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Carrying amount of transferred assets	31,009	176,747
Carrying amount of associated liabilities	(31,009)	(176,747)

12. ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATION

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

On 23 November 2018, the Group entered into a bundle transaction of equity transfer agreements (the "Bundle Transaction") with an independent third party Ningbo Gaoguang Enterprise Management Co., Ltd. to dispose of its entire equity interests of ten subsidiaries and four associates for an aggregate cash consideration of RMB299,432 thousands. The ten subsidiaries include Zhongchuan Heavy Machine, Gaochuan Sky, Nanjing Boiler, Nanjing Diesel, Zhongchuan Heavy Machine Tool Nanjing Co., Ltd., Nantong City Zhenhua Hongsheng Heavy Forging Co., Ltd., Rugao City Hongmao Scrap Metal Recycling Co., Ltd., Nanjing Nanchuan Laser Equipment Co., Ltd., Nanjing Jingrui Semi-conductor Co., Ltd. and Jiangsu Jingrui Semi-conductor Co., Ltd.. The four associates include Nantong FLW, Nanjing Yijing Optoelectronics Technology Co., Ltd., Nanjing Yijing Energy Co., Ltd. and Inner Mongolia Jingjing Optoelectronics Technology Co., Ltd.. As at 31 December 2018, the Bundle Transaction was still on going and is expected to be completed in 2019.

The above companies are engaged in the manufacturing and sales of non-core business segment that the Group would discontinue and therefore were classified as discontinued operations. Accordingly, the operating results for the above companies and the gain arises from the disposal were separately presented as profit/(loss) from discontinued operation on the consolidated income statement for the years ended 31 December 2018 and 2017. The assets and liabilities related to the Bundle Transaction have been presented as assets/liabilities of disposal group classified as held-for-sale. As at 31 December 2018, the assets and liabilities classified as disposal group held-for-sale were RMB1,243,244 thousands and RMB502,315 thousands, respectively. On 27 March 2019, the Group received the cash consideration amounted to RMB59,886 thousands from Ningbo Gaoguang.

13. TRADE AND OTHER PAYABLES

	As at 31 December 2018 *RMB'000*	2017 *RMB'000*
Trade payables	1,716,846	1,855,137
-Amount due to third parties	1,714,786	1,850,775
-Amount due to associates	1,605	4,007
-Amount due to joint ventures	455	355
Bills payable	4,526,958	4,781,908
	6,243,804	6,637,045
Accruals	146,632	307,156
Other tax payables	24,978	68,700
Purchase of property, plant and equipment	189,313	122,284
Payroll and welfare payables	135,410	137,743
Other payables	509,788	333,542
-Amount due to third parties	478,707	294,192
-Amount due to associates	1,081	1,350
-Amount due to joint ventures	30,000	30,000
-Amount due to a fellow subsidiary	—	8,000
Financial guarantee liability	15,842	11,108
	1,021,963	980,533
	7,265,767	7,617,578

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:

	As at 31 December 2018 *RMB'000*	2017 *RMB'000*
0 - 30 days	1,423,121	1,753,609
31- 60 days	900,690	1,889,929
61 - 180 days	2,811,377	2,031,427
181 - 365 days	965,899	729,339
Over 365 days	142,717	232,741
	6,243,804	6,637,045

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

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

14. BORROWINGS AND CORPORATE BONDS

	As at 31 December			
	2018		2017	
	Effective interest rate (%)	*RMB'000*	*Effective interest rate (%)*	*RMB'000*
Current				
Bank loans — unsecured	1.05~5.66	3,190,367	1.05~5.80	4,250,763
Bank loans — secured	3.91~5.10	1,270,020	2.80~5.78	279,845
Medium-term Notes - unsecured	8.50	500,000	6.20	500,000
		4,960,387		5,030,608
Non-current				
Bank loans — secured	8.00	1,105	2.94~5.78	344,275
Corporate bonds —unsecured (a)	6.47~7.50	2,411,465	6.47~6.50	1,912,018
Medium-term Notes - unsecured	—	—	8.50	500,000
		2,412,570		2,756,293
		7,372,957		7,786,901

(a) In March 2017, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive") issued a corporate bond of RMB900,000 thousands which carries an interest rate of 6.47% per annum. In July 2017, Nanjing Drive issued another corporate bond of RMB1,020,000 thousands which carries an interest rate of 6.50% per annum. In January 2018, Nanjing Drive issued another corporate bond of RMB500,000 thousands which carries an interest rate of 7.50% per annum. All corporate bonds have a period of 5 years, attached with the option of adjusting the nominal interest rate for issuer and the option of selling back to investors at the end of the third year.

The maturity of borrowing is as follows:

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
On demand or within 1 year	4,460,387	4,530,608
Between 1 and 2 years	—	343,150
Between 2 and 5 years	1,105	1,125
	4,461,492	4,874,883
Other borrowings repayable:		
On demand or within 1 year	500,000	500,000
Between 1 and 2 years	1,913,317	500,000
Between 2 and 5 years	498,148	1,912,018
	2,911,465	2,912,018
	7,372,957	7,786,901

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

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Within one year	3,484,227	4,190,958
More than one year	2,412,570	2,429,583
	5,896,797	6,620,541

In addition, the Group has variable-rate borrowings of RMB1,476,160 thousands (2017: RMB1,166,360 thousands) 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:

	Year ended 31 December	
	2018	**2017**
Effective interest rates:		
Fixed-rate borrowings	1.05%~8.50%	1.05%~8.50%
Variable-rate borrowings	3.91%~5.22%	2.94%~5.25%

As at 31 December 2018, the Group's borrowing denominated in currency other than RMB was USD63,009 thousands, which was equivalent to RMB423,443 thousands and EUR34,290 thousands which was equivalent to RMB269,084 thousands (2017: bank borrowing of USD73,750 thousands, which was equivalent to RMB481,897 thousands and bank borrowing of EUR24,390 thousands, which was equivalent to RMB190,298 thousands). 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 17.

15. CONTINGENT LIABILITIES

At 31 December 2018, the Group provided guarantees to one of the Group's associates and one third party in favour of its bank loans of RMB741,360 thousands (2017: RMB320,000 thousands). This amount represented the balance that the Group could be required to be paid if the guarantees were called upon in its entirety. At the end of the reporting period, an amount of RMB15,842 thousands (2017: RMB11,108 thousands) has been recognised in the consolidated statement of financial position as liabilities.

16. COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machinery	290,208	238,758
Land and buildings	—	62,400
Capital contributions payable to an associate	—	59,260
Capital contributions payable to available-for-sale investment	—	35,000
	290,208	395,418

(b) Operating lease commitments — the Group as lessee

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

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
No later than 1 year	1,914	1,661
Later than 1 years	1,296	1,280
	3,210	2,941

17. ASSETS PLEDGED AS SECURITY

As at 31 December 2018, certain assets of the Group were pledged to secure certain banking facilities granted to the Group as follows:

	As at 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Trade receivables	—	19,502
Bills receivable	905,550	958,484
Property, plant and equipment	245,784	154,999
Land lease payments	50,205	45,846
Pledged bank deposits	2,922,234	2,892,955
	4,123,773	4,071,786

18. OUTSTANDING LITIGATION

Jiangsu Guoyuan Power Equipment Co., Ltd. ("Jiangsu Guoyuan") is the gearing supplier to Nanjing High Speed Gear Manufacturing Co., Ltd. (the "Borrower"), a subsidiary of the Company. On 15 June 2018, the Borrower obtained a short-term loan with RMB130,000 thousands ("the Loan") from a bank (the "Lender") to settle the procurement payables with Jiangsu Guoyuan. The Loan was in the form of entrusted payment which was released to Jiangsu Guoyuan's designated bank account (mutually controlled by the Borrower and Jiangsu Guoyuan) directly by the Lender on the date of draw-down. However, Jiangsu Guoyuan did not properly use the Loan to settle the payables with the Borrower, but transferred all RMB130,000 thousands out, without notification to or authorization from the Borrower, on the day upon receipt of the Loan.

On 22 June 2018, the Borrower filed a claim against Jiangsu Guoyuan on this embezzlement to Nanjing Intermediate People's Court and RMB130,000 thousands was under frozen as at 31 December 2018. Upon the date of the approval of these financial statements, this case was awaiting trial and based on the opinion of the external legal counsel of the Borrower, it is highly probable that the Borrower to win this lawsuit with RMB130,000 thousands to be fully recovered. In such, the directors of the Group believe that there is no loss allowance to be provided nor significant implication on the consolidated financial statements of the Group.

19. SUBSEQUENT EVENTS

On 22 January 2019, Nanjing Drive entered into an agreement with a third party to dispose of its 50% equity interest in associate Shandong Energy Machinery Group Zhong-chuan Heavy Duty Mine Equipment Manufacturing Co., Ltd. at a total cash consideration of RMB10,800 thousands. Impairment provision of RMB26,324 thousands was recognised against the book value of long-term equity investment of RMB37,124 thousands (before impaired).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications. During the Year, the Group recorded sales revenue of approximately RMB8,203,500,000 in continuing operations (2017: RMB7,990,604,000), representing an increase of approximately 2.7% from 2017. The gross profit margin was approximately 18.7% (2017: 28.8%). Profit attributable to owners of the Company from continuing and discontinued operations was approximately RMB208,401,000 (2017: RMB451,699,000), representing a decrease of 53.9% from 2017. Basic earnings per share amounted to RMB0.128 (2017: RMB0.276), representing a decrease of 53.6% from 2017.

Principal Business Review

1. ***Wind gear transmission equipment***

   Large, diversified and overseas market development

   The Group is a leading supplier of wind gear transmission equipment in 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 and accumulated 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, Gemesa, Senvion, Unison, Suzlon, etc. With our quality products and good services, the Group has received a wide range of recognition and trust from customers at home and abroad. The Group has wholly-owned subsidiaries in the 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 with a view to providing further diversified services for global customers.

The wind gear transmission equipment is a major product that has been developed by the Group. During the Year, sales revenue of wind gear transmission equipment business increased by approximately 1.4% to approximately RMB6,896,966,000 (2017: RMB6,803,417,000) as compared with the corresponding period last year.

2. ***Industrial gear transmission equipment***

Enhanced 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 ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry for its rail transportation products, which has laid a solid foundation for the Group's rail transportation products to expand into high- end international railway markets. Currently the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Qingdao, Dalian, Suzhou, Lanzhou, Nanchang, Shijiazhuang, Fuzhou, Jinan, Wenzhou, Xi'an, Wuhan, Hohhot, Hong Kong, Singapore, Brazil, India, Mexico, Tunisia, Australia and Canada. The Group will continue to actively extend the transmission equipment business into high-speed rails, metro lines, urban train and tram segments, and accelerate the research and development of rail transportation gear equipment products.

The metro gear 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 compacte structure, low noise, and easy maintenance, etc. With a 1.2 million km, or 10-year maintenance-free life span, the key components have a lifetime of approximately 35 years.

During the Year, the industrial gear business segment generated sales revenue of approximately RMB1,298,567,000 for the Group (2017: RMB1,001,004,000), representing an increase of 29.7% over last year.

3. **Discontinued Operations**

During the Year, the Group continued its strategy to divest the loss-making business to enhance its overall performance. On 23 November 2018, the Group entered into the Bundle Transaction (as defined in note 12 above) with an independent third party to dispose of its entire equity interests of ten subsidiaries and four associates (the "Disposal Group"), of which some are engaging in manufacturing and sales of computer numerical controlled machine tool and diesel engine products. For the relevant details, please refer to the announcement of the Company dated 25 November 2018 (the "Disposal Announcement"), note 12 above and the paragraph headed "Significant Disposal During The Year" below. As mentioned in the Disposal Announcement, the Group is expected to record a gain of approximately RMB438,628,000 (before taxation and subject to audit) from the disposal of the Disposal Group in the year of 2019. As at the date of this announcement, the Bundle Transaction is still on going and is expected to be completed in 2019.

LOCAL AND EXPORT SALES

During the Year, the Group maintained its position as the leading supplier of mechanical transmission equipment in the PRC. During the Year, the overseas sales amounted to approximately RMB2,803,381,000 (2017: RMB2,631,914,000), representing an increase of 6.5% over last year. Overseas sales accounted for 34.2%

to total sales (2017: 32.9%), representing an increase of 1.3 percentage points over the last year. At present, the overseas customers of the Group are based mainly in the U.S. and other countries and regions such as Europe, India and Japan.

PROSPECTS

Looking back to 2018, the global economy as a whole maintained growth, but the recovery momentum diverged and the accumulation of various risks accelerated. Against the background of lots of risks and uncertainties, countries strived to seek changes and become stronger with the aim of occupying a favorable position in the global competition and cooperation. Among the major economies, the United States maintained a strong economic growth benefiting from tax cuts, deregulation and other factors. Growth in the economy of the UK slowed to its lowest rate in six years amid Brexit fears, while European economic growth also slowed down. As a representative in the emerging market, China closely focused on development of high quality, adhered to an emphasis on structural reform on the supply front, accelerated the transformation of economic development mode and promoted the optimization of economic structure. As a result, the economy made progress while largely remaining stable. China's GDP exceeded RMB90,000 billion, representing an increase of 6.6% over the previous year, and achieved an expected development target of around 6.5%.

Looking back to 2018, in the wind power industry, affected by improvement in wind power curtailment in Northeastern, Northern and Northwestern China, wind power bidding policy and the acceleration of offshore wind power, the newly installed grid-connected wind power capacity rebounded significantly. The newly installed grid-connected wind power capacity in China reached 20.59 million kilowatts, growing by 37% over the same period last year. The acceleration of offshore wind power installation was also significant, and the cumulative grid-connected installed capacity was 184GW, representing 9.7% of the total power generating installed capacity. At the same time, the government promoted reform in the energy sector and there has been continuous improvement in wind power curtailment under the guidance of quota system and competitive allocation. The national wind power curtailment was 27,700GW with a year-on-year decrease of 14,200GW, and the national average wind power curtailment rate was 7% with a year-on-year decrease of 5 percentage points, which continued to bring a decrease in both volume and rate of wind curtailment.

As a global leader of wind gear transmission equipment, the Group is keen to procure business upgrade, transformation and high-quality growth. As a result, the Group secured one of the largest market shares in the global wind power equipment market. By leveraging its strong research, design and development capabilities, the Group has a range of products including 750kW, 1.5MW, 2MW and 3MW wind gear transmission equipment, and a wide variety of products are supplied to customers in China and other countries on a large scale with their technical standards reaching advanced international level. Furthermore, the Group has also successfully developed 5MW and 6MW wind power gear box with a technological level comparable to its international peers. In addition, anticipating development trends that the global wind gearbox market has developed towards low wind speed and high power, the Group launched an innovative next-generation 3.8 MW high power wind gearbox with high reliability and efficiency, and low electrical cost. At the same time, intelligent systems ensures the safety and smooth operation of the gearbox over the whole life cycle, improving the overall economic efficiency of wind power generation. Meanwhile, during the period under review, the Group also launched the Gear-Sight 3000 wind energy gearbox online status monitoring system, which could produce accurate analysis and assessment on the operational state and soundness of the gearbox.

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, Gemesa, Senvion, Unison, Suzlon, etc. With our quality products and good services, the Group has gained extensive recognition and trust from customers at home and abroad. The Group has wholly-owned subsidiaries in the 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 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 also 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 strengthening its overall profit model. In the Period under Review, the Group's self-developed gearbox for the "Harmony" CRH380B bullet train, which has a top speed of 380km/h, was awarded a probationary certificate from CRCC. At the same time, gearbox specifically developed by the Group for the "Fuxing" bullet train, which has a top speed of 250km/h, passed its expert technical review. During this review, the gearbox was highly praised by the experts present, who consisted of specialists from engine manufacturers, colleges and universities, and scientific research institutes. The Group's self-developed vertical dual planetary gear reducers with power grades from 3,300kW to 6,000kW are running smoothly in China and Southeast Asia. In 2018, the Group successfully developed and delivered MLXSS700M dual planetary vertical mill reducer with a designed power level of 6,800kW, which is the M series vertical mill gear box with the highest power level so far developed by the Group.

The National Development and Reform Commission and the National Energy Administration jointly issued "Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power without Subsidies" in January, explicitly carrying out the construction of affordable online projects and low-priced online pilot projects, and optimizing the investment environment for affordable online projects and low-priced online projects. Under the support and guidance of the policy, the wind power industry will be promoted in a healthy and orderly manner. Looking forward to 2019, 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 while enhancing product quality and economies of scale, with a view to boosting profitability of the Group's core business.

FINANCIAL PERFORMANCE (Continuing operations)

Sales revenue of the Group for the Year increased by 2.7% to approximately RMB8,203,500,000.

	Revenue Year ended 31 December		
	2018	2017	**Change**
	RMB'000	RMB'000	
Continuing operations			
Wind Gear Transmission Equipment	**6,896,966**	6,803,417	1.4%
Industrial Gear Transmission Equipment	**1,298,567**	1,001,004	29.7%
Other Products	**7,967**	186,183	-95.7%
Total	**8,203,500**	7,990,604	2.7%

Revenue

During the Year, the Group's sales revenue was approximately RMB8,203,500,000, representing an increase of 2.7% as compared with last year. The increase was mainly due to the increase in deliveries of wind and industrial gear transmission equipment.

Gross profit margin and gross profit

During the Year, the Group's consolidated gross profit margin was approximately 18.7% (2017: 28.8%), representing a decrease of 10.1 percentage points as compared with last year. Consolidated gross profit for the Year amounted to approximately RMB1,530,989,000 (2017: RMB2,303,882,000), representing a decrease of 33.5% as compared with last year. During the Year, the decrease in consolidated gross profit margin was mainly due to the increase in cost of sales resulting from the increase in prices of raw materials. The decrease in consolidated gross profit was mainly due to the decrease in gross profit margin.

Other income

During the Year, the Group's other income was approximately RMB209,879,000 (2017: RMB135,612,000), representing an increase of 54.8% as compared with last year. Other income is mainly comprised of dividends, interest income, government grant and sales of scraps and material. The increase was mainly due to an increase in dividends from financial assets measured at FVPL and at FVOCI.

Other gains - net

During the Year, other gains and losses recorded a net gain of approximately RMB192,107,000 (2017: RMB305,836,000), mainly comprised of net fair value gains on financial assets at FVTPL and net gains on disposal of a subsidary.

Selling and distribution expenses

During the Year, the Group's selling and distribution expenses was approximately RMB292,946,000 (2017: RMB293,685,000), representing a slight decrease of 0.3% 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 Year was 3.6% (2017: 3.7%), representing a decrease of 0.1 percentage points as compared with last year.

Administrative expenses

During the Year, the Group's administrative expenses was approximately RMB494,546,000 (2017: RMB633,447,000), representing a decrease of 21.9% as compared with last year, which was mainly due to the decrease in salary and welfare, and bank charges. The percentage of administrative expenses to sales revenue decreased by 1.9 percentage points to 6.0% as compared with last year.

Net impairment losses on financial assets

During the Year, the net impairment losses on financial assets of the Group amounted to approximately RMB57,059,000 (2017: RMB61,630,000), which comprises of impairment losses for trade receivables and other receivables.

Finance costs

During the Year, the Group's finance costs was approximately RMB630,963,000 (2017: RMB554,780,000), representing an increase of 13.7% as compared with last year, which was mainly due to the increase in borrowing scale and interest rates during the Year.

FINANCIAL RESOURCES AND LIQUIDITY

The equity attributable to owners of the Company for the year ended 31 December 2018 amounted to approximately RMB10,791,832,000 (2017: RMB10,904,962,000). The Group had total assets of approximately RMB26,748,539,000 (31 December 2017: RMB27,438,175,000), a decrease of 2.5% as compared with the beginning of the year. Total current assets were approximately RMB17,994,929,000 (31 December 2017: RMB18,013,876,000), representing a decrease of 0.1% as compared with the beginning of the year. Total non-current assets were approximately RMB8,753,610,000 (31 December 2017: RMB9,424,299,000), representing a decrease of 7.1% as compared with the beginning of the year.

Total liabilities of the Group for the year ended 31 December 2018 were approximately RMB15,883,275,000 (31 December 2017: RMB16,462,174,000), representing a decrease of approximately RMB578,899,000 or 3.5%, as compared with the beginning of the year. Total current liabilities were approximately RMB13,181,696,000 (31 December 2017: RMB13,441,242,000), representing a decrease of 1.9% as compared with the beginning of the year. Total non-current liabilities were approximately RMB2,701,579,000 (31 December 2017: RMB3,020,932,000), representing a decrease of 10.6% as compared with the beginning of the year, which was mainly due to the decrease of long-term borrowings.

As of 31 December 2018, the net current asset of the Group was approximately RMB4,813,233,000 (31 December 2017: RMB4,572,634,000), representing an increase of approximately RMB240,599,000 or 5.3%, as compared with the beginning of the year.

As of 31 December 2018, total cash and bank balances of the Group were approximately RMB5,932,008,000 (31 December 2017: RMB7,031,364,000), representing a decrease of approximately RMB2,046,506,000 or 29.1%, as compared with the beginning of the year. The cash and bank balances include pledged bank deposits of RMB2,922,234,000 (31 December 2017: RMB2,892,955,000) and structured bank deposits of RMB947,150,000 (31 December 2017: RMB108,000,000) included in financial assets at fair value through profit or loss.

As of 31 December 2018, the Group had total borrowings (including corporate bonds) of approximately RMB7,372,957,000 (31 December 2017: RMB7,786,901,000), representing a decrease of approximately RMB413,944,000, or 5.3%, as compared with that at the beginning of the year, of which borrowings within one year were RMB4,960,387,000 (31 December 2017: RMB5,030,608,000), accounting for approximately 67.3% (31 December 2017: 64.6%) of the total borrowings. The fixed or floating interest rates of the Group's borrowings for the Year ranged from 1.05% to 8.5% 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 RMB4,813,233,000 as of 31 December 2018, 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 60.0% as at 31 December 2017 to 59.4% as at 31 December 2018.

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, Euros and U.S. dollars. The Group's bank borrowings denominated in Euros and U.S. dollars as of 31 December 2018 amounted to approximately EUR34,290,000 and USD63,009,000, respectively.

During the Year, the Group's borrowings with fixed interest rates to total borrowings was approximately 80.0%.

PLEDGE OF ASSETS

Save as disclosed in above note 17, the Group has made no further pledge of assets as at 31 December 2018.

OTHER SUPPLEMENTARY INFORMATION

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.08 (2017: HKD0.18) (tax inclusive) per ordinary share of the Company for the year ended 31 December 2018, amounting to approximately HKD130,823,000 in aggregate, by the Company to its shareholders. The proposed final dividend is expected to be paid to the shareholders of the Company on 14 June 2019. 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 forthcoming annual general meeting.

FOREIGN EXCHANGE RISK

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

The Group's bank borrowings denominated in Euro and U.S. dollars as at the year ended 31 December 2018 amounted to approximately EUR34,290,000 (equivalent to approximately RMB269,084,000) and USD63,009,000 (equivalent to approximately RMB423,443,000) respectively. Therefore, the Group may be exposed to certain foreign exchange rate risk.

The net gains of foreign exchange recorded by the Group during the Year was approximately RMB25,621,000 (2017: a net loss of RMB29,944,000), including profit from our export business denominated in U.S. dollars due to the fluctuation of Renminbi against U.S. dollars during the Year. The Group will actively manage the net amount of foreign currency assets and liabilities by formulating foreign currency control measures and strategies, with a view to reducing its exposures to foreign exchange risk for the coming year.

INTEREST RATE RISK

During the Year, the loans of the Group are mainly sourced from bank borrowings and corporate bonds. 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 of 31 December 2018, the Group employed approximately 5,588 employees (2017: 5,782) in continuing operations. Staff cost in continuing operations of the Group for the Year approximated to RMB1,253,724,000 (2017: RMB1,264,981,000). 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

During the Year, the Group has not made any significant investments.

SIGNIFICANT DISPOSAL DURING THE YEAR

On 23 November 2018, Ningbo Gaoguang Enterprise Management Co., Ltd.* (寧波高光企業管理有限公司) (the "Purchaser", a company incorporated in the PRC with limited liability, a third party independent of the Company and its connected persons) and the following vendors entered into a framework share transfer agreement and 12 share transfer agreements:

- 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) (a company incorporated in the PRC with limited liability, and is a direct wholly-owned subsidiary of China Transmission Holdings Limited (中傳控股有限公司) ("China Transmission") and an indirect wholly-owned subsidiary of the Company);

- Global Power Asia Limited (環球動力亞洲有限公司) (a company incorporated in Hong Kong with limited liability, and is a direct wholly-owned subsidiary of China Transmission and an indirect wholly-owned subsidiary of the Company);

- China Transmission (a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company); and

* *For identification purpose only*

- Nanjing High Speed & Accurate Gear (Group) Co., Ltd.* (南京高精齒輪集團有限公司) (a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company).

Pursuant to which the respective vendors agreed to sell, and the Purchaser agreed to purchase, the entire equity interests of the Disposal Group (including 10 subsidiaries of the Company, the "10 Disposal Subsidiaries") at an aggregate consideration of RMB299,432,441. The disposal of the Disposal Group pursuant to the share transfer agreements is expected to be completed in 2019. Upon completion, the 10 Disposal Subsidiaries will cease to be subsidiaries of the Company.

For further details, please refer to the announcement of the Company dated 25 November 2018, note 12 above and the paragraph headed "Business Review — Principal Business Review — 3. Discontinued Operations" above.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in above note 19, there are no other important events occurred subsequent to 31 December 2018.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed with the Group's auditor, PricewaterhouseCoopers, which is consistent with the figures set out in the Group's consolidated financial statements for the year ended 31 December 2018. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

CHANGE OF AUDITORS

At the extraordinary general meeting held on 3 January 2019, the Company passed the removal of Ernst & Young Certified Public Accountants the auditor of the Group with immediate effect and appointed PricewaterhouseCoopers Certified Public Accountants as the auditor of the Group with immediate effect and to hold office until the conclusion of the next annual general meeting of the Company, details of which were set out in the circular of the Company dated 11 December 2018 and the poll results announcement of the Company dated 3 January 2019.

* *For identification purpose only*

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 Hong Kong Exchange (the "Listing Rules") during the year ended 31 December 2018 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 shareholders of the Company.

During the Year, some of the executive Directors, non-executive Directors and independent non-executive Directors, the Chairman of the Company and Chairman of the nomination committee, the Chairman of the audit committee, Chairman of the remuneration committee and external auditors of the Company have attended the annual general meeting of the Company held on 18 May 2018. Mr. Yuen Chi Ping, a non-executive Director, and Mr. Nathan Yu Li, an independent non-executive Director, who were absent from the annual general meeting due to other important commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of Appendix 10 of the Listing Rules as its internal code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

Hong Kong, 29 March 2019

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