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ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2020 <i>RMB'000</i>	Year ended 31 December 2019 <i>RMB'000</i>	Change
Continuing operations			
Revenue from contracts with customers	15,368,511	9,722,896	58.1%
Gross profit	3,212,710	1,934,893	66.0%
Continuing operations and discontinued operations			
Profit for the year attributable to owners of the Company	840,906	438,188	91.9%
– Continuing operations	840,906	367,426	128.9%
– Discontinued operations	–	70,762	N/A
Basic and diluted earnings per share (<i>RMB</i>)	0.514	0.268	91.8%
Proposed final dividend per share (<i>HKD</i>)	N/A	0.20	N/A
	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>	Change
Total assets	25,851,099	24,858,848	4.0%
Total liabilities	13,227,891	13,529,450	-2.2%
Net assets	12,623,208	11,329,398	11.4%
Net assets per share (<i>RMB</i>)	7.7	6.9	11.6%
Gearing ratio* (%)	51.2	54.4	-3.2 percentage points

* Gearing ratio = total liabilities/total assets

* For identification purpose only

The board (the “**Board**”) of directors (the “**Director(s)**”) of China High Speed Transmission Equipment Group Co., Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with comparative figures for the year ended 31 December 2019 as follows. The consolidated annual results have been reviewed by the Company’s audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Note	RMB’000	RMB’000
Continuing operations			
Revenue from contracts with customers	3	15,368,511	9,722,896
Cost of sales		<u>(12,155,801)</u>	<u>(7,788,003)</u>
Gross profit		3,212,710	1,934,893
Selling and distribution expenses		(381,553)	(362,811)
Administrative expenses		(510,225)	(519,269)
Research and development costs		(512,737)	(394,961)
Share-based payment expenses	7	(547,674)	–
Net impairment losses recognised on financial assets		(39,777)	(62,188)
Other income	4	332,593	182,307
Other (losses)/gains – net	5	<u>(164,618)</u>	<u>64,543</u>
Operating profit		1,388,719	842,514
Finance income	8	75,587	80,841
Finance costs	8	<u>(282,866)</u>	<u>(512,030)</u>
Finance costs – net		(207,279)	(431,189)
Share of results of associates and joint ventures accounted for using the equity method		<u>(3,384)</u>	<u>4,752</u>
Profit before income tax		1,178,056	416,077
Income tax expenses	9	<u>(327,000)</u>	<u>(62,430)</u>
Profit for the year from continuing operations		851,056	353,647
Profit for the year from discontinued operations		<u>–</u>	<u>63,964</u>
Profit for the year		<u>851,056</u>	<u>417,611</u>

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Profit/(loss) attributable to:			
– Owners of the Company		840,906	438,188
– Non-controlling interests		10,150	(20,577)
		<u>851,056</u>	<u>417,611</u>
Profit attributable to owners of the Company arises from:			
– Continuing operations		840,906	367,426
– Discontinued operations		–	70,762
		<u>840,906</u>	<u>438,188</u>
Earnings per share for profit from continuing operations attributable to owners of the Company for the year (expressed in RMB)			
Basic and diluted earnings per share	10	<u>0.514</u>	<u>0.225</u>
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB)			
Basic and diluted earnings per share	10	<u>0.514</u>	<u>0.268</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
Note	RMB'000	RMB'000
Profit for the year	851,056	417,611
Other comprehensive income/(loss) for the year:		
<i>Items that may be reclassified to profit or loss</i>		
– Changes in the fair value of debt investments at fair value through other comprehensive income	5,161	(9,006)
– Exchange differences on translation of foreign operations	(21,265)	(7,033)
– Income tax relating to these items	(3,661)	1,724
	(19,765)	(14,315)
<i>Items that will not be reclassified to profit or loss</i>		
– Changes in the fair value of equity investments at fair value through other comprehensive income	210,806	146,287
– Income tax relating to these items	(48,227)	(38,833)
	162,579	107,454
Other comprehensive income for the year, net of tax	142,814	93,139
Total comprehensive income for the year	993,870	510,750
Total comprehensive income/(loss) for the year attributable to:		
– Owners of the Company	983,720	530,205
– Non-controlling interests	10,150	(19,455)
	993,870	510,750
Total comprehensive income for the year attributable to owners of the Company arises from:		
– Continuing operations	983,720	457,218
– Discontinued operations	–	72,987
	983,720	530,205

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		3,832,318	3,973,655
Right-of-use assets		646,930	658,942
Goodwill		26,414	26,414
Investments accounted for using the equity method		346,220	287,011
Financial assets at fair value through other comprehensive income ("FVOCI")		2,480,576	2,597,819
Financial assets at fair value through profit or loss ("FVPL")		340,000	541,900
Other financial assets at amortised cost		576,421	549,827
Deposits for land leases		5,890	11,361
Deferred tax assets		258,122	298,766
		<u>8,512,891</u>	<u>8,945,695</u>
Current assets			
Inventories		3,703,960	2,568,569
Trade receivables	12	3,100,118	2,378,101
Other receivables	12	1,642,832	2,226,429
Other financial assets at amortised cost		–	254,050
Prepayments		1,115,896	255,606
Financial assets at fair value through other comprehensive income		3,422,363	2,780,914
Financial assets at fair value through profit or loss		515,126	253,132
Income tax prepaid		355	33,377
Pledged bank deposits		1,653,224	2,642,560
Cash and cash equivalents		2,184,334	2,520,415
		<u>17,338,208</u>	<u>15,913,153</u>

		As at 31 December	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Current liabilities			
Trade payables	<i>13</i>	3,114,085	2,050,701
Bills payable	<i>13</i>	3,250,469	3,884,766
Other payables	<i>13</i>	767,311	1,041,008
Contract liabilities		2,203,973	529,255
Borrowings	<i>14</i>	2,378,970	2,824,000
Corporate bonds	<i>14</i>	–	1,914,275
Deferred income		19,654	17,124
Income tax payable		231,952	76,840
Warranty provision		578,595	216,868
		12,545,009	12,554,837
Net current assets		4,793,199	3,358,316
Total assets less current liabilities		13,306,090	12,304,011
Non-current liabilities			
Borrowings	<i>14</i>	–	736
Corporate bonds	<i>14</i>	–	498,437
Deferred income		177,551	180,273
Warranty provision		372,480	97,164
Deferred tax liabilities		132,851	198,003
		682,882	974,613
Net assets		12,623,208	11,329,398
Capital and reserves			
Share capital		119,218	119,218
Reserves		12,096,116	11,087,825
Equity attributable to owners of the Company		12,215,334	11,207,043
Non-controlling interests		407,874	122,355
Total equity		12,623,208	11,329,398

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. BASIS OF PREPARATION

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

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for their annual reporting period commencing 1 January 2020:

- Amendments to IFRS 3, ‘Definition of a Business’
- Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest Rate Benchmark Reform’
- Amendments to IAS 1 and IAS 8, ‘Definition of Material’
- Amendments to Reference to the Conceptual Framework in IFRSs

The amendments had no material impact on the Group’s financial positions and performance for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations listed below have been published that are not mandatory to be adopted for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards and amendments are either currently not relevant to the Group or had no material impact on the Group’s consolidated financial statements.

- Amendments to IFRS 16, ‘COVID-19-related rent concessions’, effective for the accounting period beginning on or after 1 June 2020
- Amendments to IFRS 3, ‘Reference to the Conceptual Framework’, effective for the accounting period beginning on or after 1 January 2022
- Amendments to IAS 16, ‘Property, Plant and Equipment: Proceeds before Intended Use’, effective for the accounting period beginning on or after 1 January 2022

- Amendments to IAS 37, ‘Onerous Contracts — Cost of Fulfilling a Contract’, effective for the accounting period beginning on or after 1 January 2022
- Annual Improvements to IFRSs 2018-2020 Cycle, effective for the accounting period beginning on or after 1 January 2022
- Amendments to IAS 1, ‘Classification of Liabilities as Current or Non-current’, effective for the accounting period beginning on or after 1 January 2023
- IFRS 17, ‘Insurance contract’, effective for the accounting period beginning on or after 1 January 2023

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

(a) **Segment information**

	PRC <i>RMB'000</i>	USA <i>RMB'000</i>	Europe <i>RMB'000</i>	Other countries <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2020					
Segment revenue					
Total segment revenue	17,493,226	1,696,999	364,982	732,688	20,287,895
Inter-segment revenue	<u>(4,701,539)</u>	<u>(91,481)</u>	<u>(114,225)</u>	<u>(12,139)</u>	<u>(4,919,384)</u>
Revenue from external customers	<u>12,791,687</u>	<u>1,605,518</u>	<u>250,757</u>	<u>720,549</u>	<u>15,368,511</u>
Timing of revenue recognition					
At a point in time	<u>12,791,687</u>	<u>1,605,518</u>	<u>250,757</u>	<u>720,549</u>	<u>15,368,511</u>
Segment results	<u>2,571,425</u>	<u>324,812</u>	<u>47,456</u>	<u>148,164</u>	3,091,857
Unallocated other income					71,893
Other losses – net					(164,618)
Net impairment losses recognised on financial assets					(39,777)
Finance costs – net					(207,279)
Share of results of associates and joint ventures					(3,384)
Corporation and other unallocated expenses					<u>(1,570,636)</u>
Profit before income tax					<u>1,178,056</u>
Other segment information					
Write-down of inventories	37,565	–	–	–	37,565
Net impairment losses on financial assets	39,495	(35)	(9)	326	39,777
Impairment losses on property, plant and equipment	65,074	–	–	–	65,074
Impairment losses on prepayments	20,937	–	–	–	20,937
Depreciation and amortisation	423,377	7,322	995	264	431,958
Capital expenditure	<u>376,208</u>	<u>2,906</u>	<u>5,790</u>	<u>17,112</u>	<u>402,016</u>
As at 31 December 2020					
Segment assets	6,492,319	16,968	11,839	1,355	6,522,481
Corporate and other unallocated assets					<u>19,328,618</u>
Total assets					<u>25,851,099</u>

	PRC RMB'000	USA RMB'000	Europe RMB'000	Other countries RMB'000	Total RMB'000
For the year ended 31 December 2019					
Segment revenue					
Total segment revenue	9,178,669	2,108,333	616,165	318,496	12,221,663
Inter-segment revenue	(2,332,051)	(64,338)	(94,940)	(7,438)	(2,498,767)
Revenue from external customers	<u>6,846,618</u>	<u>2,043,995</u>	<u>521,225</u>	<u>311,058</u>	<u>9,722,896</u>
Timing of revenue recognition					
At a point in time	<u>6,846,618</u>	<u>2,043,995</u>	<u>521,225</u>	<u>311,058</u>	<u>9,722,896</u>
Segment results	<u>1,123,404</u>	<u>390,123</u>	<u>92,432</u>	<u>54,536</u>	1,660,495
Unallocated other income					93,894
Other gains – net					64,543
Net impairment losses recognised on financial assets					(62,188)
Finance costs – net					(431,189)
Share of results of associates and joint ventures					4,752
Corporation and other unallocated expenses					(914,230)
Profit before income tax					<u>416,077</u>
Other segment information					
Reversal of write-down of inventories	(1,838)	–	–	–	(1,838)
Net impairment losses on financial assets	62,196	(16)	–	8	62,188
Impairment losses on property, plant and equipment	8,003	–	–	–	8,003
Impairment losses on prepayments	12,982	–	–	–	12,982
Depreciation and amortisation	464,267	7,729	1,200	274	473,470
Capital expenditure	<u>581,033</u>	<u>775</u>	<u>234</u>	<u>25,584</u>	<u>607,626</u>
As at 31 December 2019					
Segment assets	4,799,221	96,020	27,596	233,673	5,156,510
Corporate and other unallocated assets					<u>19,702,338</u>
Total assets					<u>24,858,848</u>

(b) Other geographical information

Non-current assets by the locations of the assets and excludes financial assets at FVOCI, financial assets at FVPL, other financial assets at amortised cost and deferred tax assets are detailed below:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
PRC	4,669,477	4,768,785
USA	139,754	154,886
Europe	6,390	7,558
Other countries	42,151	26,154
	<u>4,857,772</u>	<u>4,957,383</u>

(c) Revenue from major products and services within the scope of IFRS 15

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wind gear transmission equipment	11,651,603	8,178,999
Industrial gear transmission equipment	1,526,091	1,261,820
Rail transportation gear transmission equipment	300,031	225,097
Trading business	1,818,532	–
Other products and services	72,254	56,980
	<u>15,368,511</u>	<u>9,722,896</u>

(d) Information about major customers

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Customer A (Note (i))	2,363,793	2,980,529
Customer B (Note (ii))	1,562,929	1,224,934
	<u>3,926,722</u>	<u>4,205,463</u>

Notes:

- (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	
	2020	2019
	RMB'000	RMB'000
Dividend income from financial assets at FVOCI	9,668	7,641
Dividend income from financial assets at FVPL	–	22,808
Interest income from other financial assets at amortised cost	37,431	47,602
Government grants (<i>Note</i>)		
– Deferred income recognised	19,505	17,124
– Other government subsidies	163,085	46,083
Sale of scraps and materials	73,160	19,335
Gross fixed rental income	8,230	8,850
Others	21,514	12,864
	<u>332,593</u>	<u>182,307</u>

Note: Government grants mainly represented grants from the PRC's local authority to support local companies.

5. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment, net	(4,379)	(25,818)
Gains on disposal of joint ventures	–	1,469
Losses on disposal of an associate	–	(5,093)
Foreign exchange (losses)/gains, net	(131,087)	28,241
Net fair value gains on financial assets at FVPL	35,922	73,747
Impairment losses on property, plant and equipment	(65,074)	(8,003)
	<u>(164,618)</u>	<u>64,543</u>

6. EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of inventories sold	10,717,864	6,408,722
Employee benefit expenses	1,930,652	1,359,689
Depreciation of property, plant and equipment	416,322	438,326
Depreciation of right-of-use assets	15,636	12,195
Amortisation of intangible assets	–	14,825
Auditor's remuneration		
– Audit services	4,600	3,600
– Non-audit services	2,659	1,500
Write-down/(reversal of write-down) of inventories	37,565	(1,838)
Other expenses	982,692	828,025
	<u>14,107,990</u>	<u>9,065,044</u>

7. SHARE-BASED PAYMENT EXPENSES

On 4 December 2020, an employee partnership enterprise, namely Shanghai Shifu Enterprise Management LLP (“Shanghai Shifu”), which was established to incentivise the core employees of the Group and on behalf of certain designated employees of the Group, entered into a capital increase agreement with Nanjing Gear Enterprise Management Co., Ltd. (“Nanjing Gear”), an indirect wholly-owned subsidiary of the Group, and Nanjing High Speed Gear Manufacturing Co., Ltd. (“Nanjing High Speed”), a direct non-wholly owned subsidiary of Nanjing Gear after such a Capital Increase (as defined hereunder), pursuant to which Shanghai Shifu agreed to make the capital contribution in an aggregate amount of RMB150 million (the “Capital Increase”) in cash to the registered capital of Nanjing High Speed. Upon completion of the Capital Increase, Shanghai Shifu owned as to approximately 6.98% equity interest in Nanjing High Speed. For details of the Capital Increase, please refer to the Company’s announcement dated 4 December 2020 and circular dated 24 December 2020.

The Capital Increase was completed on 24 December 2020. The Capital Increase constituted a deemed disposal of 6.98% equity interest of Nanjing High Speed and an equity-settled share-based payment transaction. The fair value of 100% equity interest of Nanjing High Speed at the date of Capital Increase is assessed as RMB10,000,000 thousands with reference to the consideration of RMB4.3 billion for the sale of 43% equity interest of Nanjing High Speed to an independent third party on 30 March 2021. The difference between the fair value of the 6.98% equity interest in Nanjing High Speed and the Capital Increase amount, being RMB547,674 thousands, is recognised in profit or loss as share-based payment expenses.

8. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Finance income		
Bank interest income	75,587	80,841
Finance costs		
Interest expenses	(282,866)	(510,020)
Net foreign exchange losses	–	(2,010)
	<u>(282,866)</u>	<u>(512,030)</u>
Finance costs – net	<u>(207,279)</u>	<u>(431,189)</u>

9. INCOME TAX EXPENSES

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax – charge for the year		
– PRC	233,744	85,021
– Hong Kong	63,852	12,545
– Others	206	669
Current income tax – (over)/under provision in respect of prior years	<u>(4,926)</u>	5,894
	292,876	104,129
Deferred tax	<u>34,124</u>	<u>(41,699)</u>
Income tax expenses	<u>327,000</u>	<u>62,430</u>

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax from continuing operations	1,178,056	416,077
Tax calculated at statutory tax rate of 25%	294,514	104,019
Tax effect of:		
– Lower tax rate enacted by local authority or different tax rates of subsidiaries in other jurisdictions	(155,528)	(12,385)
– Share of results of associates and joint ventures	846	(4,552)
– Non-taxable income	(2,180)	(1,910)
– Non-deductible expenses	154,745	20,215
– Utilisation of previously unrecognised tax losses	(95,127)	(112,022)
– Tax losses for which no deferred income tax assets was recognised	88,479	60,234
– Temporary differences for which no deferred tax assets was recognised	60,373	15,137
– Additional deductions on research and development expenses	(35,303)	(26,849)
– Withholding tax at 5% on the undistributed earnings of the PRC subsidiaries	–	14,649
– (Over)/under provision in respect of prior years	(4,926)	5,894
– Others	21,107	–
	327,000	62,430

(a) PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2019: 25%) on the taxable profits of the Group's PRC subsidiaries for the year ended 31 December 2020.

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

Name of company	Year ended during which approval was obtained	Year ending during which approval will expire
Nanjing High Speed	31 December 2020	31 December 2022
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2020	31 December 2022
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2020	31 December 2022

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2020.

(c) Other corporate income tax

Other corporate income tax has been provided at the applicable rate of 8.5% to 18.5% (2019: 8.5%-18.5%) on the estimated assessable profits arising from the jurisdictions at which the entities are operated.

10. 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	
	2020 RMB'000	2019 RMB'000
Profit from continuing operations attributable to owners of the Company	840,906	367,426
Profit from discontinued operations attributable to owners of the Company	–	70,762
Net profit attributable to owners of the Company	<u>840,906</u>	<u>438,188</u>
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<u>1,635,291</u>	<u>1,635,291</u>
Basic earnings per share (RMB per share)		
– From continuing operations attributable to owners of the Company	0.514	0.225
– From discontinued operations attributable to owners of the Company	–	0.043
	<u>0.514</u>	<u>0.268</u>

No adjustment is made to the diluted earnings per share for the year ended 31 December 2020 and 2019 as there was no potential dilutive shares in issue.

11. DIVIDENDS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Dividends recognised as distribution during the year:		
2019 final dividend of HK20 cents per share (2018: final dividend of HK8 cents per share)	<u>299,193</u>	<u>114,994</u>

The directors did not recommend to declare any final dividend in respect of the year ended 31 December 2020.

12. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Amounts due from third parties	3,673,273	2,904,710
– Amounts due from a joint venture	5,215	9,553
	<u>3,678,488</u>	<u>2,914,263</u>
Less: Loss allowances	(578,370)	(536,162)
	<u>3,100,118</u>	<u>2,378,101</u>
Other receivables		
– Amounts due from third parties	1,947,272	2,336,404
– Amounts due from associates	26,713	237,687
– Amounts due from a joint venture	1,925	445
	<u>1,975,910</u>	<u>2,574,536</u>
Less: Loss allowances	(421,170)	(472,063)
	<u>1,554,740</u>	<u>2,102,473</u>
Value-added tax recoverable	88,092	123,956
	<u>1,642,832</u>	<u>2,226,429</u>
	<u><u>4,742,950</u></u>	<u><u>4,604,530</u></u>

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

All of the amounts due from the Group's joint venture 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 2020, included in other receivables were receivables from former subsidiaries of the bundle transaction of RMB890,024 thousands (2019: RMB1,003,834 thousands).

During the year ended 31 December 2020, the Group received overdue beneficial interests of the trust of RMB512,813 thousands which was reclassified from financial assets at FVPL to other receivables at maturity as at 31 December 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 as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 90 days	2,695,596	1,826,916
90 to 180 days	193,705	96,585
181 to 365 days	104,940	217,652
1 to 2 years	68,272	143,111
Over 2 years	37,605	93,837
	<hr/>	<hr/>
	3,100,118	2,378,101
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE, BILLS AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– Amounts due to third parties	3,112,705	2,049,268
– Amounts due to an associate	253	318
– Amounts due to a joint venture	1,127	1,115
	<u>3,114,085</u>	<u>2,050,701</u>
Bills payable	<u>3,250,469</u>	<u>3,884,766</u>
	<u>6,364,554</u>	<u>5,935,467</u>
Other payables		
– Accruals	65,984	86,480
– Other tax payables	36,742	65,259
– Purchase of property, plant and equipment	93,574	167,867
– Payroll and welfare payables	192,811	151,238
– Financial guarantee liabilities	7,103	28,115
– Amounts due to third parties	370,995	541,828
– Amounts due to associates	–	221
– Amounts due to a joint venture	102	–
	<u>767,311</u>	<u>1,041,008</u>
	<u>7,131,865</u>	<u>6,976,475</u>

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	3,062,192	2,198,577
31- 60 days	558,016	407,034
61 – 180 days	873,572	863,605
181 – 365 days	1,428,972	2,301,865
Over 365 days	441,802	164,386
	<u>6,364,554</u>	<u>5,935,467</u>

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

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

14. BORROWINGS AND CORPORATE BONDS

	As at 31 December			
	2020		2019	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
	%		%	
Current				
Bank loans – Unsecured	3.45-5.44	1,828,970	4.35-5.92	1,927,500
Bank loans – Secured	3.69-5.44	550,000	3.69-5.92	896,500
		<u>2,378,970</u>		<u>2,824,000</u>
Corporate bonds –Unsecured (Note)		–	6.59-6.62	1,914,275
		<u>2,378,970</u>		<u>4,738,275</u>
Non-current				
Bank loans – Secured		–	8.00	736
Corporate bonds –Unsecured (Note)		–	7.62	498,437
		–		<u>499,173</u>
		<u>2,378,970</u>		<u>5,237,448</u>

Note:

In March 2017, July 2017 and January 2018, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. (“Nanjing Drive”) issued three tranches of corporate bonds with principal amounts of RMB900,000 thousands, RMB1,020,000 thousands and RMB500,000 thousands which carries interest rates of 6.47%, 6.50% and 7.50% per annum respectively. All corporate bonds have a period of 5 years, attached with the option of adjusting the nominal interest rate for issuer and the option of redemption for investors at the end of the third year. During the year ended 31 December 2020, Nanjing Drive have paid in an aggregate amount of RMB2,420,000 thousands for the full redemption of the three tranches of bonds. All the bonds have been cancelled subsequently.

The maturity of borrowings and corporate bonds is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
– On demand or within 1 year	2,378,970	2,824,000
– Between 1 and 2 years	–	736
	<u>2,378,970</u>	<u>2,824,736</u>
Corporate bonds repayable:		
– On demand or within 1 year	–	1,914,275
– Between 1 and 2 years	–	498,437
	–	<u>2,412,712</u>
	<u>2,378,970</u>	<u>5,237,448</u>

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Fixed-rate borrowings:		
– Within one year	2,378,970	4,648,275
– More than one year	–	499,173
	<u>2,378,970</u>	<u>5,147,448</u>

The Group has no variable-rate borrowings as at 31 December 2020. As at 31 December 2019, the Group had variable-rate borrowings of RMB90,000 thousands which carried interest rates based on the prescribed rate of People's Bank of China.

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Effective interest rates:		
– Fixed-rate borrowings	3.45%-5.44%	3.69%-8.00%
– Variable-rate borrowings	–	4.57%-4.70%

All borrowings are denominated in RMB.

The secured borrowings were secured by certain assets, details of which are set out in Note 17.

15. CONTINGENT LIABILITIES

(i) Financial guarantees

As at 31 December 2020, the Group issued financial guarantees to banks in respect of bank loans of RMB732,012 thousands (2019: RMB780,008 thousands) granted to one of the Group's associates and two independent third parties. 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 RMB7,103 thousands (2019: RMB28,115 thousands) has been recognised in the consolidated statement of financial position as liabilities.

(ii) Outstanding litigation

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

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

Upon the date of the approval of these consolidated financial statements, the Claim was still awaiting for trial. The independent lawyers engaged by the Group believe that there are solid arguments to rebut the Claim on the merits and is of a view that the settlement value to this case would be substantially below 50% of the total Claimed Amount. As at 31 December 2020, based on the assessment of the independent lawyers, a provision amounting to RMB8,066 thousands (2019: RMB8,066 thousands) was accrued by management.

16. CAPITAL COMMITMENTS

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contracted, but not provided for:		
Plant and machinery	<u>438,377</u>	<u>237,046</u>

17. ASSETS PLEDGED AS SECURITIES

At the end of the reporting period, certain assets of the Group were pledged to secure banking facilities granted to the Group as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bills receivable	1,202,626	1,179,231
Property, plant and equipment	600,754	757,984
Land use rights	146,068	176,107
Pledged bank deposits	<u>1,653,224</u>	<u>2,642,560</u>
	<u>3,602,672</u>	<u>4,755,882</u>

18. SUBSEQUENT EVENTS

On 30 March 2021, Nanjing Gear and Nanjing High Speed entered into an equity transfer agreement (the “Agreement”) with Shanghai Wensheng Asset Management Co., Ltd. (“the Purchaser”), an independent third party, pursuant to which, Nanjing Gear agreed to sell and the Purchaser agreed to purchase the 43% equity interest of Nanjing High Speed (the “Disposal”) at a consideration of RMB4.3 billion. Completion of the Disposal is subject to the satisfaction of the conditions precedent contained in the Agreement. For details, please refer to the Company’s announcement dated 30 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the research, design, development, manufacture and distribution of a broad range of mechanical transmission equipments that are used in wind power and a wide range of industrial applications. During the Year, the Group recorded sales revenue of approximately RMB15,368,511,000 in continuing operations (2019: RMB9,722,896,000), representing an increase of 58.1% as compared with 2019, and the gross profit margin was approximately 20.9% (2019: 19.9%). Profit attributable to owners of the Company from continuing and discontinued operations was approximately RMB840,906,000 (2019: RMB438,188,000), representing an increase of 91.9% as compared with 2019, and basic earnings per share was RMB0.514 (2019: RMB0.268), representing an increase of 91.8% as compared with 2019.

Principal Business Review

1. *Wind gear transmission equipment*

Diversified, large and overseas market development

The Group is a leading supplier of wind gear transmission equipment in China (the “**PRC**” or “**China**”). By leveraging on its strong research, design and development capabilities, the Group has a range of products including 1.5MW, 2MW, 3MW, 4MW, 5MW and 6MW wind power transmission equipment whose technology have reached an internationally advanced technical level and which have been provided to domestic and overseas customers in bulk and are 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 7MW and above wind power gear box with a technological level comparable to the international level. With the product platform NGC StanGear™ and our core technology platform, we continue to upgrade product design and computation analysis technology, process manufacturing technology, heat treatment and control technology and the processing technology of precise tooth profiles for the reserve of solid technology foundation for the manufacturing of equipment in MW. In light of market development trend, the Group is actively developing gear boxes in MW and introducing technologies of status monitoring, big data analysis and mobile terminal technology so as to establish an integrated product and service system of intelligent gear boxes.

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 the renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Vestas and Suzlon. 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 subsidiaries in the United States, Germany, Singapore, Canada and India to support the sustainable development strategy of the Group and 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 42.5% to approximately RMB11,651,603,000 (2019: RMB8,178,999,000) as compared with last year.

2. Industrial gear transmission equipment

Enhanced market competitiveness through changes in production modes and sales strategies

The Group's industrial gear transmission equipment products are mainly supplied to customers in industries such as metallurgy, construction materials, rubber and plastic, petrochemical, aerospace and mining.

In recent years, the Group insisted on the strategy for green development of the industrial gear transmission equipment business. Above all, with technology as its competitive advantage, the Group has upgraded the technology of the heavy products with a focus on energy-saving and environmentally-friendly products and explored in-depth the heavy-duty transmission field. Meanwhile, the Group has developed modular, serialized and intelligent products which are internationally competitive. Through the characteristics of "complete range, clear layers and precise subdivision" as our products positioning and market positioning, the Group would be able to facilitate its change in sales strategies and to explore new markets and industries. In particular, the Group aims to focus on the research and development of the standard gearbox and planetary gearbox segment and to explore new markets of the same segment. At the same time, the Group strengthened its efforts to provide and sell parts and components of relevant products as well as comprehensive system solutions to its customers, helping them to enhance their current production efficiency without increasing capital expenditure and satisfying the diverse and differentiated needs of customers, thereby maintaining the Group's position as a major supplier in the industrial gear transmission equipment market.

During the Year, the industrial gear transmission equipment business generated sales revenue of approximately RMB1,526,091,000 (2019: RMB1,261,820,000) for the Group, representing an increase of 20.9% over last year.

3. Rail transportation gear transmission equipment

Featured by environmental-friendly through design technology, sealing technology and effective control

The Group's rail transportation gear transmission equipment is widely used in the rail transportation fields such as high-speed rails, metro lines, urban train and tram. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry. The Group has obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry for its rail transportation gear transmission equipment products, which has laid a solid foundation for further expansion of the international rail transportation market. Currently the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and other cities in China and have also been successfully applied to rail transportation transmission equipment in multiple countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia and Canada. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, NGC rail transportation gearboxes are more environmentally friendly, and the products are well received by users.

During the Year, the rail transportation gear transmission equipment business generated sales revenue of approximately RMB300,031,000 (2019: RMB225,097,000), representing an increase of 33.3% over last year.

4. *Trading business*

Explore and expand trading business through resource integration

The trading business of the Group mainly focuses on bulk commodity and steel industry chain. The bulk commodity trading business mainly involves the procurement and wholesale of refined oil and electrolytic copper. During the Year, the bulk commodity trading business accounted for approximately 60% in the trading business. The trading business in steel industry chain mainly involves the procurement and wholesale of coal and coke (the raw material of steel), and the procurement and wholesale of steel. During the Year, the trading business in steel industry chain accounted for approximately 40% in the trading business. The Group's trading business in steel industry chain takes core resources of its trade system as a key point in expanding its system. At present, the Group has completed the preliminary resource integration of the steel industry from the upstream raw material to special steel, which promotes the development of the trading business.

During the Year, the sales revenue of the trading business amounted to RMB1,818,532,000 (2019: Nil).

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 RMB2,576,824,000 (2019: RMB2,876,278,000), representing a decrease of 10.4% over last year. Overseas sales accounted for 16.8% of the total sales (2019: 29.6%), representing a decrease of 12.8 percentage points over last year. At present, the overseas customers of the Group are based mainly in the U.S. and other countries and regions such as Europe, India and Brazil.

FINANCIAL PERFORMANCE (CONTINUING OPERATIONS)

Sales revenue of the Group for the Year increased by 58.1% to approximately RMB15,368,511,000.

	Revenue		Change
	Year ended 31 December		
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	
Continuing operations			
Wind gear transmission equipment	11,651,603	8,178,999	42.5%
Industrial gear transmission equipment	1,526,091	1,261,820	20.9%
Rail transportation gear transmission equipment	300,031	225,097	33.3%
Trading business	1,818,532	–	N/A
Other products and services	72,254	56,980	26.8%
	<hr/>	<hr/>	
Total	15,368,511	9,722,896	58.1%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

REVENUE

During the Year, the Group's sales revenue was approximately RMB15,368,511,000, representing an increase of 58.1% as compared with last year. This was mainly due to the increase in the market demand of wind gear transmission equipment and trading business.

During the Year, sales revenue from wind gear transmission equipment was approximately RMB11,651,603,000 (2019: RMB8,178,999,000), representing an increase of 42.5% as compared with last year; sales revenue from industrial gear transmission equipment was approximately RMB1,526,091,000 (2019: RMB1,261,820,000), representing an increase of 20.9% as compared with last year; sales revenue from rail transportation gear transmission equipment was approximately RMB300,031,000 (2019: RMB225,097,000), representing an increase of 33.3% as compared with last year; and sales revenue from trading business was approximately RMB1,818,532,000 (2019: nil).

GROSS PROFIT MARGIN AND GROSS PROFIT

During the Year, the Group's consolidated gross profit margin was approximately 20.9% (2019: 19.9%), representing an increase of 1.0 percentage point as compared with last year. Consolidated gross profit for the Year amounted to approximately RMB3,212,710,000 (2019: RMB1,934,893,000), representing an increase of 66.0% as compared with last year. During the Year, the increase in consolidated gross profit margin was due to the economies of scale. The increase in consolidated gross profit was mainly due to the increase in sales revenue and gross profit margin.

OTHER INCOME

During the Year, the Group's other income was approximately RMB332,593,000 (2019: RMB182,307,000), representing an increase of 82.4% as compared with last year. Other income mainly comprised of dividend, interest income, government grants and income from sales of scraps and materials. The main reason for the increase are the increase in government grants and sale of scraps and materials.

OTHER (LOSSES)/GAINS – NET

During the Year, the Group's other net loss was approximately RMB164,618,000 (2019: net gain of RMB64,543,000). Other net loss mainly included foreign exchange losses and impairment losses on property, plant and equipment.

SELLING AND DISTRIBUTION EXPENSES

During the Year, the Group's selling and distribution expenses were approximately RMB381,553,000 (2019: RMB362,811,000), representing an increase of 5.2% as compared with last year. Selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses, staff costs and business expenses. Selling and distribution expenses represented 2.5% (2019: 3.7%) of sales revenue for the Year, representing a decrease of 1.2 percentage points as compared with last year which was mainly due to the increase in sales revenue.

ADMINISTRATIVE EXPENSES

During the Year, the Group's administrative expenses were approximately RMB510,225,000 (2019: RMB519,269,000), representing a decrease of 1.7% as compared with last year. Administrative expenses accounted for 3.3% (2019: 5.3%) to the sales revenue, representing a decrease of 2.0 percentage points as compared with last year which was mainly due to the increase in sales revenue.

RESEARCH AND DEVELOPMENT COSTS

During the Year, the Group's research and development costs amounted to approximately RMB512,737,000 (2019: RMB394,961,000), representing an increase of 29.8% as compared with last year, which was mainly due to the increased efforts in research and development of new products.

NET IMPAIRMENT LOSSES RECOGNISED ON FINANCIAL ASSETS

During the Year, the net impairment losses on financial assets of the Group amounted to approximately RMB39,777,000 (2019: RMB62,188,000), which are mainly comprised of impairment losses for trade receivables amounting to RMB63,793,000 and reversal of impairment losses for other receivables amounting to RMB24,016,000, the impairment losses were mainly due to individual provision for bad debts of trade receivables and other receivables based on evaluation of credit risk of specific customers.

FINANCE COSTS

During the Year, the Group's finance costs were approximately RMB282,866,000 (2019: RMB512,030,000), representing a decrease of 44.8% as compared with last year, which was mainly due to the decrease in corporate bonds and bank loans as compared with last year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, the equity attributable to owners of the Company amounted to approximately RMB12,215,334,000 (31 December 2019: RMB11,207,043,000). The Group had total assets of approximately RMB25,851,099,000 (31 December 2019: RMB24,858,848,000), representing an increase of 4.0% as compared with the beginning of the year. Total current assets were approximately RMB17,338,208,000 (31 December 2019: RMB15,913,153,000), representing an increase of 9.0% as compared with the beginning of the year. Total non-current assets were approximately RMB8,512,891,000 (31 December 2019: RMB8,945,695,000), representing a decrease of 4.8% as compared with the beginning of the year.

As at 31 December 2020, total liabilities of the Group were approximately RMB13,227,891,000 (31 December 2019: RMB13,529,450,000), representing a decrease of approximately RMB301,559,000, or 2.2%, as compared with the beginning of the year. Total current liabilities were approximately RMB12,545,009,000 (31 December 2019: RMB12,554,837,000), representing a decrease of 0.1% as compared with the beginning of the year. Total non-current liabilities were approximately RMB682,882,000 (31 December 2019: RMB974,613,000), representing a decrease of 29.9% as compared with the beginning of the year, which was mainly due to the decrease in corporate bonds as compared with the last year.

As at 31 December 2020, the net current assets of the Group were approximately RMB4,793,199,000 (31 December 2019: RMB3,358,316,000), representing an increase of approximately RMB1,434,883,000 or 42.7%, as compared with the beginning of the year.

As at 31 December 2020, total cash and bank balances of the Group were approximately RMB4,157,603,000 (31 December 2019: RMB5,318,455,000), representing a decrease of approximately RMB1,160,852,000, or 21.8%, as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB1,653,224,000 (31 December 2019: RMB2,642,560,000) and the structured bank deposits included in the financial assets at fair value through profit or loss amounting to RMB320,045,000 (31 December 2019: RMB155,480,000).

As at 31 December 2020, the Group had total borrowings of approximately RMB2,378,970,000 (31 December 2019: RMB5,237,448,000, including corporate bonds), representing a decrease of approximately RMB2,858,478,000, or 54.6%, as compared with the beginning of the year, of which borrowings due within one year were approximately RMB2,378,970,000 (31 December 2019: RMB4,738,275,000), accounting for 100% (31 December 2019: 90.5%) of the total borrowings. The fixed or floating interest rates of the Group's borrowings as at 31 December 2020 ranged from 3.45% to 5.44% per annum.

Taking into account the capital generated within and the banking credit available to the Group, and the net current assets of approximately RMB4,793,199,000 as at 31 December 2020, 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 54.4% as at 31 December 2019 to 51.2% as at 31 December 2020.

CAPITAL STRUCTURE

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

The Group's cash and cash equivalents were mainly denominated in Renminbi and U.S. dollars. The Group has no foreign currency borrowings as of 31 December 2020.

As at 31 December 2020, the Group's borrowings with fixed interest rates accounted for 100% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in above note 17, the Group has made no further pledge of assets as at 31 December 2020.

PROSPECTS

In the early 2020, the COVID-19 pandemic spread across the world and the global economy therefore suffered unprecedented impact. The prevention and control measures and other policies implemented by different nations and countries have led to a temporary recovery of the world economy. The International Monetary Fund (IMF) and other institutions estimated that the global economy will shrink over 4% in 2020 due to the pandemic. China has adopted effective prevention and control measures to deal with the pandemic. The scientific coordination in the normal prevention and control measures of the pandemic and the dual circulation in economic development led to continuous steady recovery and strong resilience and vitality in the national economy. China has also become one of the major economies in the world with positive economic growth in 2020. However, at the end of 2020, the re-occurrence of the pandemic in certain countries resulted in their stricter lockdown measures against it. In this regard, it is hard to expect an overall positive recovery of the global economy. As the pandemic in the overseas subsists, it will have a lasting and far-reaching negative impact on the global economy. Under the current complicated circumstances, the construction of a new development pattern of international and domestic dual circulation reinforcing each other is necessary and China's economy will encounter various risks and challenges.

Looking back at 2020, the wind power industry grew against the downward economic trend. The 2020 is the closing year of the "13th Five-Year Plan", driven by the rapid installation and grid connection of wind power, the performance of wind power and renewable energy industry was remarkable. According to the statistics released by Bloomberg New Energy Finance, the global newly-installed wind power capacity amounted to 96.3GW, representing an increase of 59% over 2019, of which onshore newly-installed wind power capacity amounted to 90.2GW, reaching a record high while offshore newly-installed wind power capacity amounted to 6.1GW. Driven by the rapid installation, China and the United States achieved a new high record in newly-installed wind power capacity. In 2020, the newly installed wind capacity in China has reached 57.8GW, a double increase over 2019. Among which, onshore wind capacity increased to 53.8GW, increased by 105% over the last year while the offshore wind capacity increased to 4GW, increased by 47% over the last year. According to the latest statistics released by Global Wind Energy Council-GWEC, the offshore wind power in China has ranked first for the three consecutive years in the world and its newly-installed wind power capacity accounted for over half of the global newly-installed wind power capacity. The total offshore wind power in China exceeded that of Germany, being the second largest offshore wind power market in the world after the UK.

The Group is a leading supplier of wind power gear transmission equipment, with diversified, large and overseas market development. By leveraging its strong research, design and development capabilities, the Group has a range of products including 1.5MW, 2MW, 3MW, 4MW, 5MW and 6MW wind power transmission equipment which can be provided to domestic and overseas customers in bulk. The product technology has reached an internationally advanced technical level. The Group has also successfully developed and accumulated 7MW and above wind power gear box with a technological level comparable to international advanced level, thus enabling it to have the capability and technology to produce those products. During the Year, gear box above 7MW has also entered the pre-development stage of product design, parts processing and assembly. Relying on the NGC StanGear™ product platform and core technology platform, we continue to optimize product design and calculation analysis technology, process manufacturing technology, heat treatment control technology, and precision tooth profile processing technology to reserve a solid technical foundation for the manufacture of large MW models. In line with market development trends, the Company actively develops large MW gearboxes, introduces condition monitoring, big data analysis, and mobile terminal technology to create an integrated product and service system for intelligent gearboxes.

Currently, the Group continues to maintain a strong customer portfolio. The customers of wind power business include the major wind turbine manufacturers in the PRC, as well as the renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Vestas and 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 subsidiaries in the United States, Germany, Singapore, Canada and India to support the sustainable development strategy of the Group. The Group strives to have closer communication and discussion with potential customers and to grasp the opportunities in emerging markets so as to enhance production capacity and to further diversify services for global customers.

In recent years, the Group's industrial gear transmission equipment business has insisted on its green development strategy. By adhering to the concept of energy conservation and environmental protection and focusing on heavy-duty transmission field, the Group consolidated its industrial heavy equipment market advantages, strengthened independent R&D and innovation, and exported modular, serialized and intelligent products with international competitiveness. Besides, the Company has also been actively developing and expanding the application of industrial gear transmission equipment such as standard gearboxes and industrial planetary gearboxes in new markets and new industries, building an intelligent-manufacturing integrated product application system, and giving products greater added value and longer life cycles. At the same time, the Group strengthened its efforts to provide and sell parts and components of relevant products as well as comprehensive system solutions to its customers, helping them enhance their current production efficiency without increasing capital expenditure, and satisfying their diversified and differentiated needs, thereby maintaining the Company's position as a major supplier in the industrial gear transmission equipment product market.

The Group's rail transportation gear transmission equipment is widely used in the rail transportation fields such as high-speed rails, metro lines, urban train and tram. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry. The Group has obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry for its rail transportation transmission equipment products, which has laid a solid foundation for further expansion of the international rail transportation market. Currently the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and other cities in China and have also been successfully applied to rail transportation transmission equipment in multiple countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia and Canada. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, the Group's rail transportation transmission equipment are more environmentally friendly, and the products are well received by users. The Group will continue to expand the gear transmission equipment business in high-speed rails, metro lines, urban train and tram and accelerate the research and development of rail transportation transmission equipment products for a stronger development in the field of rail transportation gear transmission equipment.

China made a solemn promise to the world that "we strive to achieve the peak of carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060." Looking ahead to 2021, with the continuous promotion by the Chinese government for the development of renewable energy industry and the high initiative of state-owned enterprises engaged in the business fields of energy and power in developing new energy, the domestic wind power industry will embrace new opportunities in accelerated development. In 2021, "carbon neutrality" is one of the eight key economic tasks of the central government. The wind power serves as a key green energy supporting "carbon neutrality" and will enter into a critical stage of a new development. In February 2021, the State Council and the National Energy Administration issued the Guiding Opinions on Accelerating

the Establishment and Improvement of a Green and Low-Carbon Loop Development Economic System (《關於加快建立健全綠色低碳迴圈發展經濟體系的指導意見》), which emphasizes the acceleration of the high-quality development and high standard conservation, the establishment of an economic system for the development of a green and low-carbon circle to ensure the realization of the peak of carbon dioxide emissions and carbon neutrality. It also states the need to speed up the green upgrade of infrastructure, propel the transformation of energy system to a green and low-carbon one and raise the utilization rate of the renewable energy so as to promote the development of the wind power industry. In March 2021, the National Development and Reform Commission of China and other four departments jointly issued the Notice on the Guidance of Increasing Financial Support to Promote the Sound and Orderly Development in Wind Power and Photovoltaic Power Generation Industry (《關於引導加大金融支持力度促進風電和光伏發電等行業健康有序發展的通知》) and other nine initiatives, which stipulate that financial institutions may extend or renew loans upon negotiation with renewable energy enterprises on the commercial principles and independently issue subsidy and approve loans based on the market principle and rule of laws. More efforts shall be made in financial support to promote the sound and orderly development in wind power and other renewable energy industries. With the support and guidance of policies, the wind power serves as an importance driven force to the transformation of global energy and will enter into a stage of “double speed” in the future development. The further increase of utilization of wind power and stable investment and growth of the industry will propel the optimization of the wind power layout and effectively help the development of the Group’s wind power gear transmission equipment business.

In the future, the Group will adhere to the four core competitive strengths of “innovative thinking, zero defects, professional services, and customer orientation”, keep up with market policy trends, and outperform the average market development by the visionary market strategy, continue to invest in innovation, advanced manufacturing technologies, promote the management concept of zero defects, inject high-level investments in human resources and build an excellent corporate culture, etc., to achieve a development speed higher than the market average, and to be a stable and sustainable industry leader.

OTHER SUPPLEMENTARY INFORMATION

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HKD0.20) (tax inclusive).

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 mainly in U.S. dollars and Euros, the Group’s domestic revenue and expenses are denominated in Renminbi. Therefore, the Board is of the view that the Group’s operating cash flow and liquidity during the Year was likely to face certain exchange rate risks. The Group does not use any foreign currency derivatives to hedge against the exposure in foreign exchange.

The net loss of foreign exchange (included in “other gains – net” and “finance costs”) recorded by the Group during the Year was approximately RMB131,087,000 (2019: net gain of RMB28,241,000), primarily include loss from our export business denominated in U.S. dollars due to the fluctuation of Renminbi against U.S. dollars during the Year.

The Group will actively manage the net amount of foreign currency assets and liabilities by formulating foreign exchange risk management measures and strategies, with a view to reducing its exposures to exchange rate risks in 2021.

INTEREST RATE RISK

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

EMPLOYEES AND REMUNERATION

As of 31 December 2020, the Group employed approximately 6,025 employees (2019: 5,962) in continuing operations. Staff cost in continuing operations of the Group for the Year approximated to RMB1,930,652,000 (including share-based payment expenses of RMB547,674,000) (2019: RMB1,359,689,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

SIGNIFICANT INVESTMENT HELD DURING THE YEAR

Set out below is the significant investment held by the Group which was classified as financial assets at fair value through other comprehensive income as at 31 December 2020:

Name of the investee company	Percentage of capital contribution paid up by the Group	Cost of investment (RMB' 000)	Fair value as at 31 December 2020 (RMB' 000)	Percentage of total assets of the Group	Accumulated change in unrealized gains in fair value (RMB' 000)	Dividends received/receivable during the Year (RMB' 000)
Zhejiang Zheshang Chanrong Investment Partnership (Limited Partnership)* (浙江浙商產融投資合夥企業 (有限合夥))(note)	6.47%	2,000,000	2,039,719	7.89%	39,719	-

Note: Zhejiang Zheshang Chanrong Investment Partnership (Limited Partnership)* (浙江浙商產融投資合夥企業 (有限合夥)), formerly known as “Zhejiang Zheshang Chanrong Share Investment Fund LLP*” 浙江浙商產融股權投資基金合夥企業 (有限合夥), a limited partnership established and registered under the PRC laws in accordance with a limited partnership agreement, is primarily engaged in, among other things, private equity investment, investment management and investment consultation. As at 31 December 2020, the total paid up capital contribution was RMB30,930,080 thousands, of which RMB2,000,000 thousands was contributed by Group.

The Directors believe that the future performance of the significant investments held by the Group will be affected by the overall economic environment, market condition and the business performance of the investee company. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies in due course.

SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE YEAR

On 4 December 2020, Shanghai Shifu Enterprise Management LLP* (上海驪福企業管理合夥企業(有限合夥)) (“**Shanghai Shifu**”), a connected person of the Company, entered into a capital increase agreement with Nanjing High Speed Gear Manufacturing Co., Ltd.* (南京高速齒輪製造有限公司) (“**Nanjing High Speed**”), an indirect non-wholly owned subsidiary of the Company after such a Capital Increase (as defined hereunder), and Nanjing Gear Enterprise Management Co., Ltd.* (南京高齒企業管理有限公司) (“**Nanjing Gear**”), an indirect wholly-owned subsidiary of the Company, pursuant to which Shanghai Shifu agreed to make the capital contribution in an aggregate amount of RMB150 million in cash to the registered capital of Nanjing High Speed (the “**Capital Increase**”). Upon completion of the Capital Increase, Shanghai Shifu owned as to approximately 6.98% of the equity interest in Nanjing High Speed (the “**Deemed Disposal**”). For further details, please refer to the announcement of the Company dated 4 December 2020 and the circular of the Company dated 24 December 2020.

Save as the Deemed Disposal disclosed above, during the Year, the Group had no any other significant acquisition and disposal.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING YEAR

Save as disclosed in above note 18, there are no other important events occurred subsequent to 31 December 2020.

SCOPE OF WORK OF BAKER TILLY

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed with the Company’s auditor, Baker Tilly Hong Kong Limited (“**Baker Tilly**”), which is consistent with the figures set out in the Group’s consolidated financial statements for the year ended 31 December 2020. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly on this announcement.

CORPORATE GOVERNANCE

During the Year, the Company has complied with the code provisions set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”), except for the deviation from code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Hu Jichun is the chairman of the Board and the chief executive officer of the Company. The Board considers that vesting the roles of both the chairman of the Board and the chief executive officer in Mr. Hu Jichun is beneficial to the business development and management of the Group, enabling the Company to formulate and implement decisions promptly and efficiently while the balance of functions and powers will not be impaired.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules as its internal code of conduct regarding Directors’ securities transactions. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

In March 2017, July 2017 and January 2018, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.* (南京高精傳動設備製造集團有限公司) (“**Nanjing Drive**”), a wholly-owned subsidiary of the Company, issued three tranches of corporate bonds with principal amounts of RMB900 million, RMB1,020 million and RMB500 million (the “**Bonds**”) which carry interest rates of 6.47%, 6.50% and 7.50% per annum, respectively, and the Bonds were listed on the Shanghai Stock Exchange. The Bonds have a period of 5 years, attached with the option of adjusting the nominal interest rate for issuer and the option of redemption for investors at the end of the third year. During the year ended 31 December 2020, Nanjing Drive paid at an aggregate amount of RMB2,420 million for the full redemption of the Bonds (the “**Redemption**”) and the Bonds were then delisted from the Shanghai Stock Exchange and cancelled subsequently. Nanjing Drive funded the Redemption with its internal resources. For details of the Redemption, please refer to the announcement of the Company dated 19 August 2020.

Save as disclosed above, during the Year, neither the Company nor its subsidiaries has otherwise purchased, sold or redeemed any of the Group’s listed securities.

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

Hong Kong, 31 March 2021

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