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## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

### FINANCIAL HIGHLIGHTS

	Year ended 31 December 2021 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>	Change
Revenue from contracts with customers	20,210,526	15,368,511	31.5%
Gross profit	3,188,310	3,212,710	-0.8%
Profit for the year attributable to owners of the Company	1,315,245	840,906	56.4%
Profit for the year attributable to owners of the Company excluding the effect of share-based payment expenses	1,315,245	1,388,580 <sup>#</sup>	-5.3%
Basic and diluted earnings per share ( <i>RMB</i> )	0.804	0.514	56.4%
	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>	Change
Total assets	29,640,474	25,851,099	14.7%
Total liabilities	15,872,439	13,227,891	20.0%
Net assets	13,768,035	12,623,208	9.1%
Net assets per share ( <i>RMB</i> )	8.4	7.7	9.1%
Gearing ratio* (%)	53.5	51.2	2.3 percentage points

<sup>#</sup> Excluding the share-based payment expenses of RMB547,674,000 for 2020

\* 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 2021 (the “**Year**”) together with comparative figures for the year ended 31 December 2020 as follows. The consolidated annual results have been reviewed by the Company’s audit committee.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	Year ended 31 December	
		2021 RMB’000	2020 RMB’000
Revenue from contracts with customers	3	20,210,526	15,368,511
Cost of sales		<u>(17,022,216)</u>	<u>(12,155,801)</u>
<b>Gross profit</b>		<b>3,188,310</b>	<b>3,212,710</b>
Selling and distribution expenses		(430,244)	(381,553)
Administrative expenses		(480,059)	(510,225)
Research and development costs		(667,782)	(512,737)
Share-based payment expenses		–	(547,674)
Net impairment losses reversed/(recognised) on financial assets		42,823	(39,777)
Other income	4	306,450	332,593
Other losses – net	5	<u>(132,832)</u>	<u>(164,618)</u>
<b>Operating profit</b>		<b>1,826,666</b>	<b>1,388,719</b>
Finance income	7	68,959	75,587
Finance costs	7	<u>(233,498)</u>	<u>(282,866)</u>
<b>Finance costs – net</b>		<b>(164,539)</b>	<b>(207,279)</b>
Share of results of associates and joint ventures accounted for using the equity method		<u>(30,453)</u>	<u>(3,384)</u>
<b>Profit before income tax</b>		<b>1,631,674</b>	<b>1,178,056</b>
Income tax expenses	8	<u>(234,814)</u>	<u>(327,000)</u>
<b>Profit for the year</b>		<b><u>1,396,860</u></b>	<b><u>851,056</u></b>

		<b>Year ended 31 December</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit attributable to:</b>			
– Owners of the Company		<b>1,315,245</b>	840,906
– Non-controlling interests		<b>81,615</b>	10,150
		<u><b>1,396,860</b></u>	<u>851,056</u>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB)</b>			
Basic and diluted earnings per share	<i>9</i>	<u><b>0.804</b></u>	<u>0.514</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
<b>Profit for the year</b>		<b>1,396,860</b>	851,056
<b>Other comprehensive (loss)/income for the year:</b>			
<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		(6,552)	5,161
– Exchange differences on translation of foreign operations		(6,892)	(21,265)
– Income tax relating to these items		933	(3,661)
		<b>(12,511)</b>	(19,765)
<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		(163,317)	210,806
– Income tax relating to these items		43,795	(48,227)
		<b>(119,522)</b>	162,579
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(132,033)</b>	142,814
<b>Total comprehensive income for the year</b>		<b>1,264,827</b>	993,870
<b>Total comprehensive income for the year attributable to:</b>			
– Owners of the Company		1,183,861	983,720
– Non-controlling interests		80,966	10,150
		<b>1,264,827</b>	993,870

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
		2021	2020
	Note	RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		4,520,281	3,832,318
Right-of-use assets		672,705	646,930
Goodwill		26,414	26,414
Investments accounted for using the equity method		223,783	346,220
Financial assets at fair value through other comprehensive income (“FVOCI”)		2,016,947	2,480,576
Financial assets at fair value through profit or loss (“FVPL”)		363,800	340,000
Other financial assets at amortised cost		608,921	576,421
Deposits for land leases		5,890	5,890
Deferred tax assets		378,938	258,122
		<u>8,817,679</u>	<u>8,512,891</u>
<b>Current assets</b>			
Inventories		5,206,919	3,703,960
Trade receivables	11	4,433,827	3,100,118
Other receivables	11	993,556	1,642,832
Prepayments		1,327,042	1,115,896
Financial assets at fair value through other comprehensive income		3,262,355	3,422,363
Financial assets at fair value through profit or loss		411,578	515,126
Income tax prepaid		5,875	355
Pledged bank deposits		1,897,477	1,653,224
Cash and cash equivalents		3,284,166	2,184,334
		<u>20,822,795</u>	<u>17,338,208</u>

		<b>As at 31 December</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>2,764,313</b>	3,114,085
Bills payable	<i>12</i>	<b>3,833,491</b>	3,250,469
Other payables	<i>12</i>	<b>2,189,571</b>	767,311
Contract liabilities		<b>824,532</b>	2,203,973
Borrowings	<i>13</i>	<b>3,998,099</b>	2,378,970
Deferred income		<b>12,484</b>	19,654
Income tax payable		<b>235,863</b>	231,952
Warranty provision		<b>863,250</b>	578,595
		<u><b>14,721,603</b></u>	<u>12,545,009</u>
<b>Net current assets</b>		<u><b>6,101,192</b></u>	<u>4,793,199</u>
<b>Total assets less current liabilities</b>		<u><b>14,918,871</b></u>	<u>13,306,090</u>
<b>Non-current liabilities</b>			
Deferred income		<b>200,477</b>	177,551
Warranty provision		<b>848,784</b>	372,480
Deferred tax liabilities		<b>101,575</b>	132,851
		<u><b>1,150,836</b></u>	<u>682,882</u>
<b>Net assets</b>		<u><b>13,768,035</b></u>	<u>12,623,208</u>
<b>Capital and reserves</b>			
Share capital		<b>119,218</b>	119,218
Reserves		<b>13,279,977</b>	12,096,116
<b>Equity attributable to owners of the Company</b>		<b>13,399,195</b>	12,215,334
<b>Non-controlling interests</b>		<u><b>368,840</b></u>	<u>407,874</u>
<b>Total equity</b>		<u><b>13,768,035</b></u>	<u>12,623,208</u>

## **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 Hong Kong Stock Exchange (“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 certain financial assets and financial liabilities which are carried at fair value.

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

##### ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”***

In the current year, the Group has applied Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2” (the “Amendments”) issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021.

The Amendments provide practical expedients to address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes in the basis for determining the contractual cash flows and hedge accounting as a result of interest rate benchmark reform. The Amendments also set out the disclosure requirements.

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 2021 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 beyond 30 June 2021’, effective for the accounting period beginning on or after 1 April 2021
- 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 contracts’, effective for the accounting period beginning on or after 1 January 2023
- Amendments to IAS 1 and IFRS Practice Statement 2, ‘Disclosure of Accounting Policies’, effective for the accounting period beginning on or after 1 January 2023
- Amendments to IAS 8, ‘Definition of accounting estimates’, effective for the accounting period beginning on or after 1 January 2023
- Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’, effective for the accounting period beginning on or after 1 January 2023

### 3. OPERATING SEGMENT INFORMATION

The Group’s operating and reporting segments have been identified on the basis of internal management reports that are regularly reviewed by the Company’s Board of Directors, being the chief operating decision maker (“CODM”) of the Group, in order to allocate resources to segments and to assess their performances.

In prior period, the Group’s operating segments were based on geographical location of customers, there were four operating segments namely (i) The People’s Republic of China (the “PRC”); (ii) the United States of America (the “USA”); (iii) Europe; and (iv) other countries.

In recent years, the Group has begun to undertake an expansion of its trading business. During the current year, owing to the growing size of trading business, and considering the Group’s internal restructuring last year, the CODM revised the basis and presentation of the segment as detailed below. The CODM believes the current reportable segments could provide better summary to them in reviewing the Group’s operating performance and making decision in resource allocation. Accordingly, the comparative figures of the reportable segments have been re-presented for the purpose of presenting segment information.

For management purposes, the Group is now organised into business units based on the type of products and services and has four reportable operating segments as follows:

- wind and industrial gear transmission equipment segment: design, develop, manufacture and distribution of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications;
- rail transportation gear transmission equipment segment: engages in manufacture and distribution of gear transmission equipment used in rail transportation fields;
- trading business segment: focuses on bulk commodity and steel industry chain;
- the “others” segment comprises principal services on lighting project, municipal landscape project and engineering procurement construction project.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax from operations is measured consistently with the Group’s profit before tax except that interest income, finance costs, dividend income, fair value gains/losses from the Group’s financial instruments, gains/losses on disposal of subsidiaries and a joint venture, share-based payment expenses, foreign exchange gains/losses, share of results of associates and joint ventures as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, structured bank deposits, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss/other comprehensive income, other financial assets at amortised cost, certain other receivables and unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, dividend payable to non-controlling interests, consideration received for partial disposal of a subsidiary, tax payable, deferred tax liabilities, financial guarantee liability and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.



(a) **Segment information**

	Wind and industrial gear transmission equipment <i>RMB'000</i>	Rail transportation gear transmission equipment <i>RMB'000</i>	Trading business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2021</b>					
<b>Segment revenue</b>					
Total segment revenue	13,991,299	370,938	5,763,631	93,464	20,219,332
Inter-segment revenue	(8,288)	(518)	–	–	(8,806)
Revenue from external customers	<u>13,983,011</u>	<u>370,420</u>	<u>5,763,631</u>	<u>93,464</u>	<u>20,210,526</u>
Timing of revenue recognition					
At a point in time	<u>13,983,011</u>	<u>370,420</u>	<u>5,763,631</u>	<u>93,464</u>	<u>20,210,526</u>
<b>Segment results</b>	<u>1,548,922</u>	<u>102,690</u>	<u>82,330</u>	<u>3,228</u>	<u>1,737,170</u>
<i>Reconciliation:</i>					
Finance costs – net					(164,539)
Dividend income					25,207
Interest income from other financial assets at amortised cost					32,500
Interest income from deferred payment of consideration for partial disposal of a subsidiary					94,118
Losses on disposal of a joint venture					(16,984)
Gains on disposal of subsidiaries					411
Foreign exchange losses, net					(67,907)
Fair value gains on financial assets at FVPL					28,684
Share of results of associates and joint ventures					(30,453)
Corporate and other unallocated expenses					(6,533)
<b>Profit before income tax</b>					<u>1,631,674</u>
<b>Other segment information</b>					
Write-down of inventories	157,483	6,714	–	–	164,197
Net impairment losses (reversed)/recognised on financial assets	(3,368)	3,711	3,112	(4,156)	(701)
Impairment losses on property, plant and equipment	80,762	1,470	–	–	82,232
Impairment losses on prepayments	7,711	–	–	–	7,711
Depreciation	422,056	3,814	40	501	426,411
Capital expenditure	<u>1,225,688</u>	<u>19,972</u>	<u>74</u>	<u>22</u>	<u>1,245,756</u>
<b>As at 31 December 2021</b>					
<b>Segment assets</b>	15,425,872	464,886	2,732,756	820,817	19,444,331
Corporate and other unallocated assets					10,196,143
Total assets					<u>29,640,474</u>
<b>Segment liabilities</b>	9,935,849	188,499	56,786	171,484	10,352,618
Corporate and other unallocated liabilities					5,519,821
Total liabilities					<u>15,872,439</u>

	Wind and industrial gear transmission equipment <i>RMB'000</i>	Rail transportation gear transmission equipment <i>RMB'000</i>	Trading business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2020</b>					
<b>(restated)</b>					
<b>Segment revenue</b>					
Total segment revenue	13,185,115	302,762	1,818,532	72,254	15,378,663
Inter-segment revenue	(7,421)	(2,731)	–	–	(10,152)
Revenue from external customers	<u>13,177,694</u>	<u>300,031</u>	<u>1,818,532</u>	<u>72,254</u>	<u>15,368,511</u>
Timing of revenue recognition					
At a point in time	<u>13,177,694</u>	<u>300,031</u>	<u>1,818,532</u>	<u>72,254</u>	<u>15,368,511</u>
<b>Segment results</b>	<u>1,916,626</u>	<u>55,017</u>	<u>30,972</u>	<u>(4,207)</u>	1,998,408
<i>Reconciliation:</i>					
Finance costs – net					(207,279)
Dividend income					9,668
Interest income from other financial assets at amortised cost					37,431
Share-based payment expenses					(547,674)
Foreign exchange losses, net					(131,087)
Fair value gains on financial assets at FVPL					35,922
Share of results of associates and joint ventures					(3,384)
Corporate and other unallocated expenses					(13,949)
<b>Profit before income tax</b>					<u>1,178,056</u>
<b>Other segment information</b>					
Write-down of inventories	36,786	779	–	–	37,565
Net impairment losses recognised on financial assets	59,477	5,076	10	405	64,968
Impairment losses on property, plant and equipment	65,074	–	–	–	65,074
Impairment losses on prepayments	20,937	–	–	–	20,937
Depreciation	426,592	4,714	1	548	431,855
Capital expenditure	<u>383,258</u>	<u>12,988</u>	<u>64</u>	<u>129</u>	<u>396,439</u>
<b>As at 31 December 2020 (restated)</b>					
<b>Segment assets</b>	13,659,316	393,453	1,727,815	75,788	15,856,372
Corporate and other unallocated assets					9,994,727
Total assets					<u>25,851,099</u>
<b>Segment liabilities</b>	10,091,647	140,033	141,671	14,768	10,388,119
Corporate and other unallocated liabilities					2,839,772
Total liabilities					<u>13,227,891</u>

**(b) Geographical information**

**(i) Revenue from external customers**

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
PRC	17,349,166	12,791,687
USA	1,722,418	1,605,518
Europe	120,176	250,757
Other countries	1,018,766	720,549
	<u>20,210,526</u>	<u>15,368,511</u>

**(ii) Non-current assets**

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	
	2021	2020
	RMB'000	RMB'000
PRC	5,183,167	4,669,477
USA	131,446	139,754
Europe	8,735	6,390
Other countries	125,725	42,151
	<u>5,449,073</u>	<u>4,857,772</u>

**(c) 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	
	2021	2020
	RMB'000	RMB'000
Customer A (Note)	2,739,526	2,363,793
Customer B (Note)	2,207,333	1,562,929
	<u>2,739,526</u>	<u>1,562,929</u>

Note: Revenue from sale of wind and industrial gear transmission equipment.

#### 4. OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Dividend income from financial assets at FVOCI	25,207	9,668
Interest income from other financial assets at amortised cost	32,500	37,431
Interest income from deferred payment of consideration for partial disposal of a subsidiary ( <i>Note 17</i> )	94,118	–
Government grants ( <i>Note</i> )		
– Deferred income recognised	19,934	19,505
– Other government subsidies	50,058	163,085
Sale of scraps and materials	63,302	73,160
Gross fixed rental income	7,676	8,230
Others	13,655	21,514
	<u>306,450</u>	<u>332,593</u>

*Note:*

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

## 5. OTHER LOSSES – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Gains/(losses) on disposal of property, plant and equipment, net	5,196	(4,379)
Losses on disposal of a joint venture	(16,984)	–
Gains on disposal of subsidiaries	411	–
Foreign exchange losses, net	(67,907)	(131,087)
Net fair value gains on financial assets at FVPL	28,684	35,922
Impairment losses on property, plant and equipment	(82,232)	(65,074)
	<u>(132,832)</u>	<u>(164,618)</u>

## 6. EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of inventories sold	15,499,143	10,717,864
Employee benefit expenses	1,516,828	1,930,652
Depreciation of property, plant and equipment	410,776	416,322
Depreciation of right-of-use assets	15,649	15,636
Auditors' remuneration		
– Audit services	3,883	4,600
– Non-audit services	3,389	2,659
Write-down of inventories	164,197	37,565
Other expenses	986,436	982,692
	<u>18,600,301</u>	<u>14,107,990</u>

## 7. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Finance income</b>		
Bank interest income	<u>68,959</u>	<u>75,587</u>
<b>Finance costs</b>		
Interest expenses	<u>(233,498)</u>	<u>(282,866)</u>
<b>Finance costs – net</b>	<u>(164,539)</u>	<u>(207,279)</u>

## 8. INCOME TAX EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax – charge for the year		
– PRC	328,088	233,744
– Hong Kong	16,609	63,852
– Others	1,077	206
Current income tax – over provision in respect of prior years	(18,656)	(4,926)
	327,118	292,876
Deferred tax	(92,304)	34,124
<b>Income tax expenses</b>	<b>234,814</b>	<b>327,000</b>

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	1,631,674	1,178,056
Tax calculated at statutory tax rate of 25%	407,918	294,514
Tax effect of:		
– Lower tax rate enacted by local authority or different tax rates of subsidiaries in other jurisdictions	(112,117)	(155,528)
– Share of results of associates and joint ventures	7,613	846
– Non-taxable income	(2,251)	(2,180)
– Non-deductible expenses	5,257	154,745
– Utilisation of previously unrecognised tax losses	(74,521)	(95,127)
– Tax losses for which no deferred tax assets was recognised	26,477	88,479
– Temporary differences for which no deferred income tax assets was recognised	53,021	60,373
– Additional deductions on research and development expenses	(68,150)	(35,303)
– Over-provision in respect of prior years	(18,656)	(4,926)
– Others	10,223	21,107
	234,814	327,000

**(a) PRC corporate income tax**

PRC corporate income tax has been provided at the rate of 25% (2020: 25%) on the taxable profits of the Group's PRC subsidiaries for the year ended 31 December 2021.

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:

<b>Name of company</b>	<b>Year ended during which approval was obtained</b>	<b>Year ending during which approval will expire</b>
Nanjing High Speed Gear Manufacturing Co., Ltd. ("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
NGC (Baotou) Transmission Equipment Co., Ltd.	31 December 2021	31 December 2023
Jiangsu Green Lighting Engineering Co., Ltd.	31 December 2021	31 December 2023

**(b) Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2021.

**(c) Other corporate income tax**

Other corporate income tax has been provided at the applicable rate of 8.5% to 18.5% (2020: 8.5%-18.5%) on the estimated assessable profits arising from the jurisdictions at which the entities are operated.

**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.

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net profit attributable to owners of the Company	<b>1,315,245</b>	840,906
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<b>1,635,291</b>	1,635,291
Basic earnings per share (RMB)	<b>0.804</b>	0.514

No adjustment is made to the diluted earnings per share for the year ended 31 December 2021 and 2020 as there were no potential dilutive shares in issue.

**10. DIVIDENDS**

The directors did not recommend to declare any final dividend in respect of the year ended 31 December 2021 (2020: Nil).

## 11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Amounts due from third parties	4,996,424	3,673,273
– Amount due from a joint venture	–	5,215
	<u>4,996,424</u>	<u>3,678,488</u>
Less: Loss allowances	(562,597)	(578,370)
	<u>4,433,827</u>	<u>3,100,118</u>
Other receivables		
– Amounts due from third parties	1,188,450	1,947,272
– Amounts due from associates	45,951	26,713
– Amount due from a joint venture	–	1,925
	<u>1,234,401</u>	<u>1,975,910</u>
Less: Loss allowances	(374,131)	(421,170)
	<u>860,270</u>	<u>1,554,740</u>
Value-added tax recoverable	133,286	88,092
	<u>993,556</u>	<u>1,642,832</u>
	<u><b>5,427,383</b></u>	<u><b>4,742,950</b></u>

The Group generally allows a credit period within 90 days to its trade customers for trading business. Apart from that, the Group generally allows a credit period within 180 days to its customers for other sales. 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 2021, included in other receivables were receivables from former subsidiaries of RMB542,233 thousands (2020: RMB890,024 thousands).



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

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

**(ii) Impairment and risk exposure**

The Group applies the IFRS 9 simplified approach to measuring ECL 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:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Less than 90 days	<b>3,401,925</b>	2,695,596
90 to 180 days	<b>441,965</b>	193,705
181 to 365 days	<b>407,263</b>	104,940
1 to 2 years	<b>146,182</b>	68,272
Over 2 years	<b>36,492</b>	37,605
	<hr/>	<hr/>
	<b>4,433,827</b>	<b>3,100,118</b>
	<hr/> <hr/>	<hr/> <hr/>

## 12. TRADE, BILLS AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– Amounts due to third parties	2,764,295	3,112,705
– Amount due to an associate	18	253
– Amount due to a joint venture	–	1,127
	<u>2,764,313</u>	<u>3,114,085</u>
Bills payable	<u>3,833,491</u>	<u>3,250,469</u>
	<u>6,597,804</u>	<u>6,364,554</u>
Other payables		
– Accruals	125,652	65,984
– Other tax payables	20,515	36,742
– Purchase of property, plant and equipment	158,189	93,574
– Payroll and welfare payables	198,803	192,811
– Financial guarantee liabilities	6,359	7,103
– Consideration received for partial disposal of a subsidiary ( <i>Note 17</i> )	1,000,000	–
– Amounts due to third parties	576,051	370,995
– Dividends payable to non-controlling interests	89,002	–
– Amount due to an associate	15,000	–
– Amount due to a joint venture	–	102
	<u>2,189,571</u>	<u>767,311</u>
	<u>8,787,375</u>	<u>7,131,865</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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	2,704,030	3,062,192
31 – 60 days	484,097	558,016
61 – 180 days	1,464,588	873,572
181 – 365 days	1,832,549	1,428,972
Over 365 days	112,540	441,802
	<u>6,597,804</u>	<u>6,364,554</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 venture and associates are unsecured, interest-free and repayable within 180 days.

### 13. BORROWINGS

	As at 31 December		As at 31 December	
	2021		2020	
	Effective interest rate	<i>RMB'000</i>	Effective interest rate	<i>RMB'000</i>
	%		%	
<b>Current</b>				
Bank loans – Unsecured	3.00-5.22	2,200,939	3.45-5.44	1,828,970
Bank loans – Secured	3.40-5.22	1,397,160	3.69-5.44	550,000
Loans from other financial institution – Secured	7.61	400,000	N/A	–
		<u>3,998,099</u>		<u>2,378,970</u>

The above borrowings are repayable within one year.

The exposure of the Group's fixed-rate borrowings are as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed-rate borrowings	<u>3,998,099</u>	<u>2,378,970</u>

As at 31 December 2021, the Group's borrowing denominated in currencies other than RMB was USD2,500 thousands (2020: Nil), which was equivalent to RMB15,939 thousands (2020: Nil).

The secured borrowings were secured by pledge of assets, details of which are set out in Note 16.

## 14. CONTINGENT LIABILITIES

### Financial guarantees

As at 31 December 2021, the Group issued financial guarantees to banks in respect of bank loans of RMB220,796 thousands granted to one of the Group's associates and RMB3,000 thousands granted to an independent third party (2020: RMB290,012 thousands granted to one of the Group's associates and RMB442,000 thousands granted to 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 RMB6,359 thousands (2020: RMB7,103 thousands) has been recognised in the consolidated statement of financial position as liabilities.

## 15. CAPITAL COMMITMENTS

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Contracted, but not provided for:</b>		
Plant and machinery	<u>1,573,737</u>	<u>438,377</u>

## 16. 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	
	2021	2020
	RMB'000	RMB'000
Bills receivable	1,338,295	1,202,626
Trade receivables	398,803	–
Property, plant and equipment	660,886	600,754
Land use rights	358,195	146,068
Pledged bank deposits	<u>1,897,477</u>	<u>1,653,224</u>
	<u>4,653,656</u>	<u>3,602,672</u>

## **17. PARTIAL DISPOSAL OF A SUBSIDIARY WITHOUT LOSS OF CONTROL**

On 30 March 2021, Nanjing Gear Enterprise Management Co., Ltd. (the “Vendor”), a wholly-owned subsidiary of the Group, and Nanjing High Speed entered into an equity transfer agreement (the “Equity Transfer Agreement”) with Shanghai Wensheng Asset Management Co., Ltd. (the “Purchaser”), an independent third party, to dispose 43% of the equity interests of Nanjing High Speed at a consideration of RMB4,300,000 thousands (the “Disposal”). Pursuant to the Equity Transfer Agreement, if the transferee is not the Purchaser itself, the identity of the transferee is restricted to be a legal entity controlled or jointly controlled directly or indirectly by the Purchaser. The transferee is not the Purchaser itself but Shanghai Qiwo Enterprise Management Partnership (Limited Partnership) (the “Transferee”). As a part of the Equity Transfer Agreement, the Vendor grants a put option to the Transferee, which the Transferee could request the Vendor to repurchase all the equity interest of Nanjing High Speed acquired by the Transferee during the 3 years from the completion date of the Disposal under certain conditions, at the Transferee’s discretion, at an exercise price as set out in the Equity Transfer Agreement.

On 15 July 2021, the Purchaser, the Vendor, Nanjing High Speed and the Transferee entered into a supplemental agreement to the Equity Transfer Agreement, pursuant to which (i) the payment schedule of the second and the remaining instalments of the consideration for the Disposal has been extended, and (ii) the Transferee agreed to pay an extension interest (the “Extension Interest”) to the Vendor at the rate of 6.0% per annum for the second and remaining instalments.

On 15 October 2021, the Purchaser, the Vendor, Nanjing High Speed and the Transferee entered into the second supplemental agreement, pursuant to which (i) the payment schedule of the second and the remaining instalments of the consideration for the Disposal has been further extended, and (ii) the Transferee agreed to increase the Extension Interest to the rate of 6.6% per annum for the second and remaining instalments.

As at 31 December 2021, the Vendor has received RMB1,000,000 thousands as the first instalment of the consideration, the industrial and commerce registration for the transfer of 37% of the equity interest in Nanjing High Speed to the Transferee was completed. To secure the payment obligation of the Transferee, a pledge (the “Pledge”) of the 37% of the equity interest in Nanjing High Speed was made in favour of the Vendor by the Transferee. The amount of RMB1,000,000 thousands was included in “other payables” as in the opinion of the directors, the Disposal has not been completed in substance. The Extension Interest amounted to RMB94,118 thousands has been accrued in “other income” for the year ended 31 December 2021.

For further details of the Disposal, please refer to the announcements of the Company dated 30 March 2021, 15 July 2021 and 15 October 2021 and the circular of the Company dated 26 May 2021.

## **18. EVENTS AFTER THE REPORTING PERIOD**

As referred to the Disposal in Note 17, subsequent to the end of the reporting period, the Vendor has received RMB3,300,000 thousands in total as the second and the remaining instalments of the consideration and RMB115,491 thousands as the Extension Interest, the Pledge was released upon receiving the second instalment, and the industrial and commerce registration for the transfer of the remaining 6% of the equity interest in Nanjing High Speed to the Transferee was completed, thus the Disposal has been completed.

After the completion of the Disposal, the Group’s equity interest in Nanjing High Speed will decrease to approximately 50.02%, Nanjing High Speed will continue to be a subsidiary of the Group.

## 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 and trade of goods. During the Year, the Group recorded sales revenue of approximately RMB20,210,526,000 (2020: RMB15,368,511,000), representing an increase of 31.5% as compared with 2020, and the gross profit margin was approximately 15.8% (2020: 20.9%). Profit attributable to owners of the Company was approximately RMB1,315,245,000 (2020: RMB840,906,000), representing an increase of 56.4% as compared with 2020, or a decrease of 5.3% as compared with 2020 if excluding the effect of share-based payment expenses of approximately RMB547,674,000 for 2020. Basic earnings per share was RMB0.804 (2020: RMB0.514), representing an increase of 56.4% as compared with 2020.

#### 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, by leveraging on its strong research, design and development capabilities, our technology have reached an internationally advanced technical level. The wind gear transmission equipment products of the Group are widely applied in onshore and offshore wind power. The 2MW-7MW wind gear transmission equipment products have been provided to domestic and overseas customers in bulk and are well recognised by customers in general. With the product platform StanGear™ and WinGear™ and our core technology platform, we are continuing to upgrade our 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 and striving 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, Suzlon and Doosan. 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 domestic and 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 3.3% to approximately RMB12,039,140,000 (2020: RMB11,651,603,000) as compared with the 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 has continued to adhere to the strategy for green development of the industrial gear transmission equipment business. 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 positions and market positions, 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 gear box and planetary gear box segment and to explore new markets of the same segment. At the same time, the Group has 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 RMB1,943,871,000 (2020: RMB1,526,091,000) for the Group, representing an increase of 27.4% over the last year.

## 3. Rail transportation gear transmission equipment

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

The Group's rail transportation gear transmission equipment products are 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 in 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, Canada, France and Spain. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, the Company's rail transportation gear transmission equipment is 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 RMB370,420,000 (2020: RMB300,031,000) for the Group, representing an increase of 23.5% over the 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 revenue generated from the bulk commodity trading business accounted for approximately 85% of the total revenue generated 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 revenue generated from the trading business in steel industry chain accounted for approximately 15% of the total revenue generated 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 approximately RMB5,763,631,000 (2020: RMB1,818,532,000), representing an increase of 216.9% over the last year, which was mainly due to the commencement of the trading business in the second half of 2020.

#### LOCAL AND EXPORT SALES

During the Year, the Group maintained its position as the leading supplier of the mechanical transmission equipment in the PRC. During the Year, the overseas sales amounted to approximately RMB2,861,360,000 (2020: RMB2,576,824,000), representing an increase of 11.0% over the last year. Overseas sales accounted for 14.2% (2020: 16.8%) of the total sales, representing a decrease of 2.6 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 Brazil.

#### FINANCIAL PERFORMANCE

##### REVENUE

Sales revenue of the Group for the Year increased by 31.5% to approximately RMB20,210,526,000.

	Revenue		Change
	Year ended 31 December		
	2021	2020	
	RMB'000	RMB'000	
Wind gear transmission equipment	12,039,140	11,651,603	3.3%
Industrial gear transmission equipment	1,943,871	1,526,091	27.4%
Rail transportation gear transmission equipment	370,420	300,031	23.5%
Trading business	5,763,631	1,818,532	216.9%
Other products	93,464	72,254	29.4%
<b>Total</b>	<b>20,210,526</b>	<b>15,368,511</b>	<b>31.5%</b>



During the Year, the Group's sales revenue was approximately RMB20,210,526,000, representing an increase of 31.5% as compared with the last year. This was mainly due to the increase in the trading business.

During the Year, sales revenue from wind gear transmission equipment was approximately RMB12,039,140,000 (2020: RMB11,651,603,000), representing an increase of 3.3% as compared with the last year; sales revenue from industrial gear transmission equipment was approximately RMB1,943,871,000 (2020: RMB1,526,091,000), representing an increase of 27.4% as compared with the last year; sales revenue from rail transportation gear transmission equipment was approximately RMB370,420,000 (2020: RMB300,031,000), representing an increase of 23.5% as compared with the last year; and sales revenue from trading business was approximately RMB5,763,631,000 (2020: 1,818,532,000), representing an increase of 216.9% as compared with the last year, which was mainly due to the commencement of the trading business in the second half of 2020.

### **GROSS PROFIT MARGIN AND GROSS PROFIT**

During the Year, the Group's consolidated gross profit margin was approximately 15.8% (2020: 20.9%), representing a decrease of 5.1 percentage points as compared with the last year. Consolidated gross profit for the Year amounted to approximately RMB3,188,310,000 (2020: RMB3,212,710,000), representing a decrease of 0.8% as compared with the last year. The decrease in consolidated gross profit margin during the Year was mainly due to (i) the increase in the proportion of trading business with low gross profit margin; and (ii) the decrease in the gross profit margin of wind and industrial gear transmission equipment resulting from the decreased sales price and the increased costs.

### **OTHER INCOME**

During the Year, the Group's other income was approximately RMB306,450,000 (2020: RMB332,593,000), representing a decrease of 7.9% as compared with the last year. Other income mainly comprised of dividend income, interest income, government grants and income from sales of scraps and materials. The main reason for the decrease was the decrease in government grants.

### **OTHER LOSSES – NET**

During the Year, the Group's other net losses were approximately RMB132,832,000 (2020: RMB164,618,000). Other net losses 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 RMB430,244,000 (2020: RMB381,553,000), representing an increase of 12.8% as compared with the last year. Selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses, staff costs and business expenses. Selling and distribution expenses represented 2.1% (2020: 2.5%) of sales revenue for the Year, representing a decrease of 0.4 percentage points as compared with the last year.

## **ADMINISTRATIVE EXPENSES**

During the Year, the Group's administrative expenses were approximately RMB480,059,000 (2020: RMB510,225,000), representing a decrease of 5.9% as compared with the last year. The decrease in the administrative expenses was mainly due to the business restructuring of one of the Company's subsidiaries last year. Its staff costs and depreciation were included in administrative expenses during last year, while these expense items were included in production cost during the Year as it has resumed normal operation. The administrative expenses represented 2.4% (2020: 3.3%) of sales revenue, representing a decrease of 0.9 percentage points as compared with the last year.

## **RESEARCH AND DEVELOPMENT COSTS**

During the Year, the Group's research and development costs amounted to approximately RMB667,782,000 (2020: RMB512,737,000), representing an increase of 30.2% as compared with the last year, which was mainly due to the increased efforts in research and development of new products.

## **NET IMPAIRMENT LOSSES REVERSED/(RECOGNISED) ON FINANCIAL ASSETS**

During the Year, the reversal of impairment losses on financial assets of the Group amounted to approximately RMB42,823,000 (2020: net impairment losses recognised on financial assets of RMB39,777,000), which are comprised of impairment losses on trade receivables amounting to RMB4,216,000 and reversal of impairment losses on other receivables amounting to RMB47,039,000. The decrease in impairment losses were mainly due to the reversal of impairment on other receivables of specific customers based on evaluation of credit risk.

## **FINANCE COSTS**

During the Year, the Group's finance costs were approximately RMB233,498,000 (2020: RMB282,866,000), representing a decrease of 17.5% as compared with the last year, which was mainly due to the decrease in the average balance of borrowings during the Year as compared with that of last year, resulting from the repayment of corporate bonds during 2020, and the decrease in interest rate on borrowings as compared with that of last year.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2021, the equity attributable to owners of the Company amounted to approximately RMB13,399,195,000 (31 December 2020: RMB12,215,334,000). The Group had total assets of approximately RMB29,640,474,000 (31 December 2020: RMB25,851,099,000), representing an increase of 14.7% as compared with the beginning of the year. Total current assets were approximately RMB20,822,795,000 (31 December 2020: RMB17,338,208,000), representing an increase of 20.1% as compared with the beginning of the year. Total non-current assets were approximately RMB8,817,679,000 (31 December 2020: RMB8,512,891,000), representing an increase of 3.6% as compared with the beginning of the year.

As at 31 December 2021, total liabilities of the Group were approximately RMB15,872,439,000 (31 December 2020: RMB13,227,891,000), representing an increase of approximately RMB2,644,548,000, or 20.0%, as compared with the beginning of the year. Total current liabilities were approximately RMB14,721,603,000 (31 December 2020: RMB12,545,009,000), representing an increase of 17.4% as compared with the beginning of the year. Total non-current liabilities were approximately RMB1,150,836,000 (31 December 2020: RMB682,882,000), representing an increase of 68.5% as compared with the beginning of the year, mainly due to the increase in warranty provision as compared with last year.

As at 31 December 2021, the net current assets of the Group were approximately RMB6,101,192,000 (31 December 2020: RMB4,793,199,000), representing an increase of approximately RMB1,307,993,000 or 27.3%, as compared with the beginning of the year.

As at 31 December 2021, total cash and bank balances of the Group were approximately RMB5,407,454,000 (31 December 2020: RMB4,157,603,000), representing an increase of approximately RMB1,249,851,000 or 30.1%, as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB1,897,477,000 (31 December 2020: RMB1,653,224,000) and the structured bank deposits included in the financial assets at fair value through profit or loss amounting to RMB225,811,000 (31 December 2020: RMB320,045,000).

As at 31 December 2021, the Group had total borrowings of approximately RMB3,998,099,000 (31 December 2020: RMB2,378,970,000), representing an increase of approximately RMB1,619,129,000 or 68.1%, as compared with the beginning of the year, which will mature within one year. The fixed interest rates of the Group's borrowings during the Year ranged from 3.00% to 7.61% per annum.

Taking into account the capital generated within and the banking credit available to the Group, and the net current assets of approximately RMB6,101,192,000 as at 31 December 2021, 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) increased from 51.2% as at 31 December 2020 to 53.5% as at 31 December 2021.

## **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's bank borrowings denominated in U.S. dollars as at 31 December 2021 amounted to approximately USD2,500,000.

As at 31 December 2021, the Group's borrowings with fixed interest rates accounted for approximately 100% of total borrowings.

## **PLEDGE OF ASSETS**

Save as disclosed in above note 16, the Group has made no further pledge of assets as at 31 December 2021.

## **PROSPECTS**

In 2021, the global efforts in COVID-19 pandemic prevention and control were faced with challenges as new cases continued to arise. Against the backdrop of the prolonged pandemic around the world, China has scientifically coordinated pandemic prevention and control, and economic and social development. As a result, China's national economy has achieved sustained and stable recovery, new achievements have been made in high-quality development, and the "14th Five Year Plan" has made a good start. In 2021, China's GDP was RMB114,367 billion, representing a year-on-year increase of 8.1% and an average growth of 5.1% for the latest two years. In particular, the primary industry, the secondary industry and the tertiary industry increased by 7.1%, 8.2% and 8.2%, respectively, driving the economic growth by 0.5 percentage points, 3.1 percentage points and 4.5 percentages points, respectively. The Chinese economy had been recovering steadily throughout the year.

Looking back on 2021, the wind power market in the PRC maintained a relatively high growth, marking a good start of the "14th Five-Year Plan". According to the latest data released by National Energy Administration, in 2021, the new grid-connected installed wind power capacity nationwide was approximately 47.57 million kilowatts, the second highest level since the "13th Five-year Plan", of which, onshore wind power increased by 30.67 million kilowatts and offshore wind power increased by 16.90 million kilowatts. The installed wind power generation capacity nationwide was approximately 328 million kilowatts, representing a year-on-year increase of 16.6%; the total installed capacity of onshore wind power was 302 million kilowatts and the total installed capacity of offshore wind power was 26.39 million kilowatts. From the perspective of development, offshore wind power was the emerging segment in 2021. The newly installed capacity for the year was 1.8 times that of the total built-up capacity, and the total installed capacity ranked first in the world.

The Group is a leading supplier of wind power transmission equipment, and is making continued efforts in expanding into diversified, large and overseas market. Leveraging on its strong research, design and development capabilities, our technology have reached an internationally advanced technical level. The wind gear transmission equipment products of the Group are widely applied in onshore and offshore wind power which have been provided to domestic and overseas customers in bulk and are well recognised by customers in general. In 2022, several models of 8MW-15MW large-megawatt wind power gear transmission equipment have entered the stage of small batch production and prototype trial production. Meanwhile, the Group has also reserved the production and research and development capabilities of the 16MW and larger megawatt wind power gear transmission equipment. With the product platform StanGear™ and WinGear™ and our core technology platform, we are continuing to upgrade our 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 and ultra-MW. In light of market development trend, the Company is actively developing gear boxes at large-megawatt scale and introducing technologies of status monitoring, big data analysis and mobile terminal technology and striving to establish an integrated product and service system of intelligent gear boxes.

During the Year, the Group maintained a strong customer portfolio. Customers of its wind power business include the major wind turbine manufacturers in the PRC, and the renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Suzlon and Doosan. With our quality products and good services, the Group has received a wide range of recognition and trust from domestic and overseas customers. 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 customers while seizing emerging market opportunities to increase production capacity with a view to providing further diversified services for global customers.

The Group's business in industrial gear transmission equipment segment continues to adhere to its development strategy. By adhering to the concept of energy conservation and environmental protection, the Group consolidated its industrial heavy equipment market advantages, strengthened research and development and innovation, and exported standard, modular and intelligent products with international competitiveness. Besides, the Group has also been actively developing and expanding the application of industrial gear transmission equipment such as standard gear boxes and industrial planetary gear boxes in new markets and new industries, building an intelligent product application system, and giving products greater added value and longer life cycles. During the Year, the Group's "Jiangsu Industrial Gear Engineering Research Center" passed inspection for acceptance, and the "Jiangsu Industrial High-speed Precision Gear Transmission Engineering Research Center" was approved for construction, providing continuous support for the Group to enhance its technological innovation capabilities as well as market competitiveness. Meanwhile, 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 to enhance their current production efficiency without increasing capital expenditure, and satisfying their diversified and differentiated needs, thereby maintaining the Group'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 gear box products, which has laid a solid foundation for further expansion in 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 the PRC 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, Canada and France. With optimized gear box design technology, excellent sealing technology and effective control of the production process, the Group's rail transportation gear transmission equipment are more environmentally friendly, and the products are well received by users.

Looking forward to the year of 2022, under the guidance of "dual carbon" goals, the Chinese government is making full efforts to support the development of clean energy from various aspects such as finance, technology, policy and industry regulations. At the beginning of 2022, the State Council released the "Comprehensive Working Plan for Energy Conservation and Emission Reduction During the '14 Five-Year Plan' Period" (《“十四五”節能減排綜合工作方案》), which requires further improvement of energy conservation and emission reduction policies and mechanisms to promote substantial increase in energy utilization efficiency and continuous reduction in the total emission of major pollutants, with a view to achieving synergy effect of energy conservation, carbon reduction as well as pollution reduction, continuous improvement of ecological environment, and promoting energy conservation and emission reduction projects in agriculture and rural areas. In February 2022, the National Development and Reform Commission and the National Energy Administration jointly released the "Opinions on Improving the System, Mechanism and Policy Measures for Green and Low-Carbon Transformation of Energy" (《關於完善能源綠色低碳轉型體制機制和政策措施的意見》), which promotes the construction of the energy supply system featured by clean and low-carbon energy. Focusing on deserts and Gobi, the Chinese government intends to speed up the construction of large-scale wind power and photovoltaic power generation bases, to upgrade existing coal-fired power units within relevant regions, exploring the establishment of a mechanism for coordinating transmission and reception for new energy power transmission, and supporting the development, grid connection and utilization of new energy to the greatest extent. Driven by various policies, as one of the renewable energy sources, the wind power will enter a period of stable growth, and achieve larger-scale development with higher proportion in the future. The further increase of utilization of wind power, coupled with the stable investment and growth of the industry, will propel the optimization of the wind power layout and effectively promote the development of the Group's wind power gear transmission equipment business.

In 2022, the Group will adhere to the four core competitive strengths of “innovative thinking, zero defects, professional services, and customer orientation”, continuing to develop its gear transmission equipment business. Leveraging on its advantages in technology, management, market and brand, the Group will further improve product quality, increase investment in innovation, and continue to provide customers with better product and more comprehensive services. Meanwhile, the Group will continue to keep abreast of market trends of its products, proactively adapt to the new normal of economic development and improve product quality and economies of scale while further increasing our share in the market, thus setting a new record in the Group’s profitability in its core business while creating greater value for its shareholders and investors. Under the background of accelerating the energy transformation in China and the proposal of “dual carbon” target, the Group, as a leading supplier in the field of wind power transmission equipment, responds positively by upholding the concept of promoting the green development of its own business and industrial chain through innovation, leads the development trend of technology in the industry, and reduces the levelised cost of electricity of wind power in order to support the “30•60” dual carbon goals.

## **OTHER SUPPLEMENTARY INFORMATION**

### **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

### **FOREIGN EXCHANGE RISK**

The Group’s operations are mainly conducted in the PRC. With the exception of export sales and imported equipment which are transacted mainly in U.S. dollars and Euro, 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 were 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 recorded by the Group during the Year was approximately RMB67,907,000 (2020: RMB131,087,000), mainly including 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 have formulated foreign exchange risk management measures and strategies and will actively manage the net amount of foreign currency assets and liabilities to reduce its exposures to exchange rate risks in 2022.

## INTEREST RATE RISK

During the Year, the loans of the Group are mainly bank loans. 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 at 31 December 2021, the Group employed approximately 6,163 employees (31 December 2020: 6,025). Staff cost of the Group for the Year approximated to RMB1,516,828,000 (2020: RMB1,930,652,000, including share-based payment expenses of RMB547,674,000). The cost included basic salaries, share-based payment expenses, 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 2021:

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 2021 (RMB' 000)	Percentage of total assets of the Group	Accumulated change in unrealized losses in fair value (RMB' 000)	Dividends received 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	1,942,431	6.55%	57,569	23,604

*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 2021, the total paid up capital contribution was RMB30,929,080 thousands, of which RMB2,000,000 thousands was contributed by Group.

The Directors believe that the future performance of the significant investment 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 the investment and the market trends to adjust its investment strategies in due course.



## SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE YEAR

On 30 March 2021, Nanjing Gear Enterprise Management Co., Ltd.\* (南京高齒企業管理有限公司) (the “**Vendor**”), an indirect wholly-owned subsidiary of the Company, and Nanjing High Speed Gear Manufacturing Co., Ltd.\* (南京高速齒輪製造有限公司) (“**Nanjing High Speed**”), a direct non-wholly owned subsidiary of the Vendor and an indirect non-wholly owned subsidiary of the Company, entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with Shanghai Wensheng Asset Management Co., Ltd. (上海文盛資產管理股份有限公司) (the “**Purchaser**”), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase an aggregate of 43% of the equity interest of Nanjing High Speed at the consideration of RMB4.3 billion (the “**Disposal**”). Pursuant to the Equity Transfer Agreement, if the transferee is not the Purchaser itself, the identity of the transferee is restricted to be a legal entity controlled or jointly controlled directly or indirectly by the Purchaser. The transferee is not the Purchaser itself but Shanghai Qiwo Enterprise Management Partnership (Limited Partnership)\* (上海其沃企業管理合夥企業(有限合夥)) (the “**Transferee**”). Also, pursuant to the Equity Transfer Agreement, the Vendor granted a put option to the Transferee, which the Transferee could request the Vendor to repurchase all the equity interest of Nanjing High Speed acquired by the Transferee under certain conditions, at the Transferee’s discretion, at an exercise price as set out in the Equity Transfer Agreement.

On 15 July 2021, the Purchaser, the Vendor, Nanjing High Speed and the Transferee entered into a supplemental agreement to the Equity Transfer Agreement (the “**Supplemental Agreement**”). Pursuant to the Supplemental Agreement, the payment schedule of the second and the remaining instalments of the consideration for the Disposal has been extended. On 15 October 2021, the Purchaser, the Vendor, Nanjing High Speed and the Transferee entered into the second supplemental agreement (the “**Second Supplemental Agreement**”). Pursuant to the Second Supplemental Agreement, the payment schedule of the second and the remaining instalments of the consideration for the Disposal has been further extended.

As at the date of this announcement, all conditions precedent of the Equity Transfer Agreement have been fulfilled and the completion of the disposal of 43% equity interest in Nanjing High Speed (the “**Completion**”) took place on 4 March 2022 in accordance with the terms and conditions of the Equity Transfer Agreement, the Supplemental Agreement and the Second Supplemental Agreement. Following the Completion, the equity interest of the Vendor in Nanjing High Speed will decrease from approximately 93.02% to approximately 50.02%. Nanjing High Speed will continue to be an indirect non-wholly owned subsidiary of Fullshare Holdings Limited (“**Fullshare**”, stock code: 607) and the Company and its financial results will continue to be consolidated with the results of Fullshare and the Company.

For further details of the Disposal, please refer to the joint announcements of Fullshare and the Company dated 30 March 2021, 15 July 2021, 15 October 2021 and 4 March 2022 and the circular of the Company dated 26 May 2021.

Save as the Disposal disclosed above, during the Year, the Group did not conduct significant acquisition or disposal of any other subsidiaries and associates.

## DISPOSAL OF LISTED SECURITIES

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), an indirect wholly-owned subsidiary of the Company, and Nanjing High Speed disposed an aggregate of 26,099,071 shares of Riyue Heavy Industry Co., Ltd., a company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603218.SH) through open market and block trade in a series of transactions conducted during the period between 3 August 2020 and 20 July 2021 at a consideration of approximately RMB599,865,000 (after deducting transaction costs) (the “**Disposal of Listed Securities**”). The Disposal of Listed Securities constituted a disclosable transaction of the Company under Chapter 14 of the Listing Rules. For further details in relation to the Disposal of Listed Securities, please refer to the announcement of the Company dated 20 July 2021.

## 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 2021.

## 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 2021 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 2021. 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 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. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company from time to time in light of the prevailing circumstances of the Company.

## **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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

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

Hong Kong, 4 March 2022

*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 Mr. Jiang Xihe, Ms. Jiang Jianhua, Dr. Chan Yau Ching, Bob and Mr. Nathan Yu Li.*