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ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)	Change
Revenue from contracts with customers	9,685,586	10,601,507	-8.6%
Gross profit	1,353,556	1,805,980	-25.1%
(Loss)/profit for the period attributable to owners of the Company	(78,708)	722,802	N/A
Basic and diluted (loss)/earnings per share (RMB)	(0.048)	0.442	N/A
	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)	Change
Total assets	35,830,851	29,640,474	20.9%
Total liabilities	22,463,790	15,872,439	41.5%
Net assets	13,367,061	13,768,035	-2.9%
Net assets per share (RMB)	8.2	8.4	-2.4%
Gearing ratio* (%)	62.7	53.5	9.2 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 unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Period under Review**”), together with the comparative figures as follows. The interim financial information is unaudited, but has been reviewed by the audit committee of the Company and Baker Tilly Hong Kong Limited, the auditor of the Company.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	3	9,685,586	10,601,507
Cost of sales		(8,332,030)	(8,795,527)
Gross profit		1,353,556	1,805,980
Selling and distribution expenses		(192,527)	(205,170)
Administrative expenses		(263,769)	(243,894)
Research and development costs		(365,701)	(451,007)
Net impairment losses recognised on financial assets		(67,770)	(28,974)
Other income	4	126,408	135,641
Other gains/(losses) – net	5	62,127	(38,339)
Operating profit		652,324	974,237
Finance income	7	52,566	30,634
Finance costs	7	(263,578)	(135,550)
Finance costs – net		(211,012)	(104,916)
Share of results of associates and joint ventures accounted for using the equity method		(2,598)	10,847
Profit before income tax		438,714	880,168
Income tax expenses	8	(324,878)	(119,350)
Profit for the period		113,836	760,818
(Loss)/profit for the period attributable to:			
– Owners of the Company		(78,708)	722,802
– Non-controlling interests		192,544	38,016
		113,836	760,818
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB)			
Basic and diluted (loss)/earnings per share	9	(0.048)	0.442

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	<u>113,836</u>	<u>760,818</u>
Other comprehensive income/(loss) for the period:		
<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	11,636	3,207
– Exchange differences on translation of foreign operations	9,145	(3,715)
– Income tax relating to these items	<u>(1,400)</u>	<u>(507)</u>
	<u>19,381</u>	<u>(1,015)</u>
<i>Items that will not be reclassified to profit or loss</i>		
– Changes in the fair value of equity instruments at fair value through other comprehensive income	(24,668)	(141,575)
– Income tax relating to these items	<u>14,141</u>	<u>35,156</u>
	<u>(10,527)</u>	<u>(106,419)</u>
Other comprehensive income/(loss), net of tax	<u>8,854</u>	<u>(107,434)</u>
Total comprehensive income for the period	<u><u>122,690</u></u>	<u><u>653,384</u></u>
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	(79,287)	616,094
– Non-controlling interests	<u>201,977</u>	<u>37,290</u>
	<u><u>122,690</u></u>	<u><u>653,384</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		5,457,542	4,520,281
Right-of-use assets		684,583	672,705
Goodwill		26,414	26,414
Investments accounted for using the equity method		221,185	223,783
Financial assets at fair value through other comprehensive income (“FVOCI”)		1,976,022	2,016,947
Financial assets at fair value through profit or loss (“FVPL”)		375,700	363,800
Other financial assets at amortised cost		–	608,921
Deposits for land leases		5,890	5,890
Deferred tax assets		472,158	378,938
		9,219,494	8,817,679
Current assets			
Inventories		5,815,208	5,206,919
Trade receivables	<i>11</i>	5,837,959	4,433,827
Other receivables	<i>11</i>	880,270	993,556
Prepayments		1,571,846	1,327,042
Financial assets at fair value through other comprehensive income		2,871,893	3,262,355
Financial assets at fair value through profit or loss		71,805	411,578
Other financial assets at amortised cost		625,038	–
Income tax prepaid		11,838	5,875
Pledged bank deposits		3,583,802	1,897,477
Cash and cash equivalents		5,341,698	3,284,166
		26,611,357	20,822,795

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Current liabilities			
Trade payables	<i>12</i>	2,958,461	2,764,313
Bills payable	<i>12</i>	4,519,915	3,833,491
Other payables	<i>12</i>	980,773	2,189,571
Contract liabilities		959,708	824,532
Borrowings	<i>13</i>	4,538,356	3,998,099
Deferred income		9,721	12,484
Income tax payable		177,281	235,863
Warranty provision		1,035,750	863,250
Written put option liability	<i>14(b)</i>	4,384,115	–
		19,564,080	14,721,603
Net current assets		7,047,277	6,101,192
Total assets less current liabilities		16,266,771	14,918,871
Non-current liabilities			
Borrowings	<i>13</i>	1,611,805	–
Deferred income		292,859	200,477
Warranty provision		886,612	848,784
Deferred tax liabilities		108,434	101,575
		2,899,710	1,150,836
Net assets		13,367,061	13,768,035
Capital and reserves			
Share capital		119,218	119,218
Reserves		10,471,680	13,279,977
Equity attributable to owners of the Company		10,590,898	13,399,195
Non-controlling interests		2,776,163	368,840
Total equity		13,367,061	13,768,035

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

This interim condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the Group’s 2021 annual consolidated financial statements, except for the adoption of amendments to accounting policies, as set out in Note 2.

The preparation of interim condensed consolidated financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim condensed consolidated financial information for the six months ended 30 June 2022 contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group’s 2021 annual consolidated financial statements. This interim condensed consolidated financial information and notes thereon do not include all of the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

This interim condensed consolidated financial information is unaudited, but has been reviewed by the Audit Committee. It has also been reviewed by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants.

2. CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has applied the following amendments to IFRSs (the “Amendments”) issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 Cycle

The application of the Amendments has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in this condensed consolidated financial information.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

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

- (a) 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;
- (b) rail transportation gear transmission equipment segment: manufacture and distribution of gear transmission equipment used in rail transportation fields;
- (c) trading business segment: focuses on bulk commodity and steel industry chain;
- (d) the "others" segment comprises principally services on lighting projects, municipal landscape projects and engineering procurement construction projects.

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/loss before income 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, 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, written put option liability, dividend payable to non-controlling interests, 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>
For the six months ended 30 June 2022 (unaudited)					
Segment revenue					
Total segment revenue	6,443,659	183,841	3,044,189	18,624	9,690,313
Inter-segment revenue	(4,727)	-	-	-	(4,727)
Revenue from external customers	<u>6,438,932</u>	<u>183,841</u>	<u>3,044,189</u>	<u>18,624</u>	<u>9,685,586</u>
Timing of revenue recognition					
At a point in time	<u>6,438,932</u>	<u>183,841</u>	<u>3,044,189</u>	<u>18,624</u>	<u>9,685,586</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>
Segment results	546,137	30,452	40,610	(9,715)	607,484
Finance costs – net					(211,012)
Dividend income					32
Interest income from other financial assets at amortised cost					16,117
Interest income from deferred payment of consideration for partial disposal of a subsidiary					21,373
Foreign exchange gains, net					47,208
Fair value gains on financial assets at FVPL					14,596
Share of results of associates and joint ventures					(2,598)
Corporate and other unallocated expenses					(54,486)
Profit before income tax					438,714
Other segment information					
Write-down/(reversal of write-down) of inventories	68,078	(1,237)	–	–	66,841
Net impairment losses recognised on financial assets	12,661	11,918	183	544	25,306
Impairment losses on property, plant and equipment	49	–	–	–	49
Impairment losses on prepayments	4,198	–	–	–	4,198
Depreciation	201,784	2,036	22	344	204,186
Capital expenditure	1,105,549	12,983	29	–	1,118,561
As at 30 June 2022 (unaudited)					
Segment assets	17,390,571	480,984	3,028,711	1,195,601	22,095,867
Corporate and other unallocated assets					13,734,984
Total assets					35,830,851
Segment liabilities	10,878,550	190,706	82,043	128,209	11,279,508
Corporate and other unallocated liabilities					11,184,282
Total liabilities					22,463,790
For the six months ended 30 June 2021 (unaudited)					
Segment revenue					
Total segment revenue	7,219,641	203,254	3,149,579	31,670	10,604,144
Inter-segment revenue	(2,129)	(508)	–	–	(2,637)
Revenue from external customers	<u>7,217,512</u>	<u>202,746</u>	<u>3,149,579</u>	<u>31,670</u>	<u>10,601,507</u>
Timing of revenue recognition					
At a point in time	<u>7,217,512</u>	<u>202,746</u>	<u>3,149,579</u>	<u>31,670</u>	<u>10,601,507</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>
Segment results	900,916	59,495	41,634	(24,178)	977,867
Finance costs – net					(104,916)
Dividend income					23,604
Foreign exchange losses, net					(31,325)
Fair value gains on financial assets at FVPL					13,549
Share of results of associates and joint ventures					10,847
Corporate and other unallocated expenses					(9,458)
Profit before income tax					880,168
Other segment information					
Write-down of inventories	140,610	1,666	–	–	142,276
Net impairment losses recognised on financial assets	21,239	3,541	805	2,981	28,566
Impairment losses on property, plant and equipment	22,100	–	–	–	22,100
Impairment losses on prepayments	427	–	–	–	427
Depreciation	184,580	1,933	19	254	186,786
Capital expenditure	565,853	17,377	48	22	583,300
As at 31 December 2021 (audited)					
Segment assets	15,425,872	464,886	2,732,756	820,817	19,444,331
Corporate and other unallocated assets					10,196,143
Total assets					29,640,474
Segment liabilities	9,935,849	188,499	56,786	171,484	10,352,618
Corporate and other unallocated liabilities					5,519,821
Total liabilities					15,872,439

(b) Geographical information

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers		
PRC	8,540,980	8,905,795
USA	793,333	1,007,732
Europe	67,201	86,490
Other countries	284,072	601,490
	9,685,586	10,601,507

4. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend income from financial assets at FVOCI	32	23,604
Interest income from other financial assets at amortised cost	16,117	16,117
Interest income from deferred payment of consideration for partial disposal of a subsidiary (<i>Note</i>)	21,373	–
Government grants		
– Deferred income recognised	7,743	9,909
– Other government subsidies	38,479	28,431
Sale of scraps and materials	26,970	41,622
Gross fixed rental income	3,113	6,755
Others	12,581	9,203
	<u>126,408</u>	<u>135,641</u>

Note:

The amount represented extension interest received from deferred payment of consideration for the Group's disposal of 43% equity interest in Nanjing High Speed Gear Manufacturing Co., Ltd. ("Nanjing High Speed") during the period, details of which are set out in Note 14 to the interim condensed consolidated financial information.

5. OTHER GAINS/(LOSSES) – NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Gains on disposal of property, plant and equipment, net	372	1,126
Gains on disposal of subsidiaries	–	411
Foreign exchange gains/(losses), net	47,208	(31,325)
Net fair value gains on financial assets at FVPL	14,596	13,549
Impairment losses on property, plant and equipment	(49)	(22,100)
	<u>62,127</u>	<u>(38,339)</u>

6. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	7,590,920	8,133,022
Employee benefits expenses	811,203	760,035
Depreciation of property, plant and equipment	194,098	192,139
Depreciation of right-of-use assets	8,724	7,785
Write-down of inventories	66,841	142,276
Other expenses	482,241	460,341
	<u>9,154,027</u>	<u>9,695,598</u>
Total cost of sales, selling and distribution expenses, research and development costs and administrative expenses	<u>9,154,027</u>	<u>9,695,598</u>

7. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Finance income		
– Bank interest income	<u>52,566</u>	<u>30,634</u>
Finance costs		
– Interest expenses on bank and other borrowings	<u>(182,316)</u>	<u>(135,550)</u>
Less: Interest capitalised	<u>2,853</u>	<u>–</u>
	<u>(179,463)</u>	<u>(135,550)</u>
– Written put option liability: unwinding of discount (<i>Note 14(b)</i>)	<u>(84,115)</u>	<u>–</u>
	<u>(263,578)</u>	<u>(135,550)</u>
Finance costs – net	<u>(211,012)</u>	<u>(104,916)</u>

8. INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax – charge for the period		
– PRC	422,771	154,658
– Hong Kong	273	12,537
– Others	17	300
Current income tax – over-provision in respect of prior years	<u>(22,830)</u>	<u>–</u>
	<u>400,231</u>	<u>167,495</u>
Deferred tax	<u>(75,353)</u>	<u>(48,145)</u>
Income tax expenses	<u>324,878</u>	<u>119,350</u>

(a) PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2021: 25%) on the taxable profits of the Group's PRC subsidiaries for the six months ended 30 June 2022. The increase in PRC corporate income tax is attributable to an one-off income tax of RMB315,140,000 (six months ended 30 June 2021: Nil) arising from the partial disposal of a subsidiary during the period. Refer to Note 14(a) for details.

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
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% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2022.

(c) Other corporate income tax

Other corporate income tax has been provided at the applicable tax rates of 8.5% to 18.5% (six months ended 30 June 2021: 8.5% to 18.5%) on the estimated assessable profits arising from the jurisdictions in which the entities are operated.

9. (LOSS)/EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Net (loss)/profit attributable to owners of the Company	(78,708)	722,802
Weighted average number of ordinary shares outstanding for basic (loss)/earnings per share ('000)	1,635,291	1,635,291
Basic (loss)/earnings per share (RMB)	<u>(0.048)</u>	<u>0.442</u>

No adjustment is made to the diluted (loss)/earnings per share for the six months ended 30 June 2022 and 2021 as there was no potential dilutive shares in issue.

10. DIVIDENDS

The directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Trade receivables		
– Amounts due from third parties	6,428,166	4,996,424
Less: Loss allowances	(590,207)	(562,597)
	5,837,959	4,433,827
Other receivables		
– Amounts due from third parties	1,201,112	1,188,450
– Amounts due from associates	45,951	45,951
	1,247,063	1,234,401
Less: Loss allowances	(408,635)	(374,131)
	838,428	860,270
Value-added tax recoverable	41,842	133,286
	880,270	993,556
	6,718,229	5,427,383

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 associates are unsecured, interest-free and repayable on demand.

As at 30 June 2022, included in other receivables were receivables from former subsidiaries of RMB510,296 thousands (31 December 2021: RMB542,233 thousands).

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:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Less than 90 days	4,682,181	3,401,925
90 to 180 days	385,714	441,965
181 to 365 days	402,244	407,263
1 to 2 years	328,815	146,182
Over 2 years	39,005	36,492
	<u>5,837,959</u>	<u>4,433,827</u>

12. TRADE, BILLS AND OTHER PAYABLES

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Trade payables		
– Amounts due to third parties	2,958,443	2,764,295
– Amounts due to an associate	18	18
	<u>2,958,461</u>	<u>2,764,313</u>
Bills payable	<u>4,519,915</u>	<u>3,833,491</u>
	<u>7,478,376</u>	<u>6,597,804</u>
Other payables		
– Accruals	159,097	125,652
– Other tax payables	79,077	20,515
– Purchase of property, plant and equipment	139,972	158,189
– Payroll and welfare payables	105,974	198,803
– Financial guarantee liabilities (Note 15)	3,789	6,359
– Consideration received for partial disposal of a subsidiary (Note)	–	1,000,000
– Amounts due to third parties	386,026	576,051
– Dividends payable to non-controlling interests	89,002	89,002
– Amount due to an associate	17,836	15,000
	<u>980,773</u>	<u>2,189,571</u>
	<u>8,459,149</u>	<u>8,787,375</u>

Note: As at 31 December 2021, the Group has received RMB1,000,000 thousands as the first instalment of the consideration for its disposal of 43% equity interest in Nanjing High Speed, details of which are set out in Note 14 to the interim condensed consolidated financial information.

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:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
0 to 30 days	3,362,679	2,704,030
31 to 60 days	604,263	484,097
61 to 180 days	3,239,074	1,464,588
181 to 365 days	166,010	1,832,549
Over 365 days	106,350	112,540
	7,478,376	6,597,804

13. BORROWINGS

	Unaudited 30 June 2022		Audited 31 December 2021	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Current				
Bank loans – Unsecured	3.70-5.22	3,738,356	3.00-5.22	2,200,939
Bank loans – Secured	3.40	400,000	3.40-5.22	1,397,160
Loans from other financial institution – Secured	7.61	400,000	7.61	400,000
		4,538,356		3,998,099
Non-current				
Bank loans – Unsecured	4.53	499,996		–
Bank loans – Secured	5.02	1,111,809		–
		1,611,805		–
		6,150,161		3,998,099

Note: The secured borrowings were secured by pledge of assets, details of which are set out in Note 17. In addition, as at 30 June 2022, the secured non-current bank loans were secured by the Group's 100% equity interests in NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd.

14. PARTIAL DISPOSAL OF INTEREST IN 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 actual transferee is Shanghai Qiwo Enterprise Management Partnership (Limited Partnership) (the “**Transferee**”). For further details of the Disposal, please refer to the announcements of the Company dated 30 March 2021, 15 July 2021, 15 October 2021 and the circular of the Company dated 26 May 2021.

The Disposal has been completed on 4 March 2022. Upon the completion of the Disposal, the Group’s equity interest in Nanjing High Speed decreased from approximately 93.02% to approximately 50.02%. Nanjing High Speed remains a subsidiary of the Group and as such, the Disposal is accounted for as an equity transaction.

The effect on equity attributable to owners of the Company during the period is summarised as follows:

	Six months ended 30 June 2022 RMB’000
Consideration received for the Disposal	4,300,000
Less: Non-controlling interests recognised	(2,205,346)
Less: Income tax recognised directly in equity (<i>Note (a)</i>)	(523,664)
Less: Written put option liability recognised (<i>Note (b)</i>)	<u>(4,300,000)</u>
Decrease in equity attributable to owners of the Company	<u><u>(2,729,010)</u></u>

Notes:

- (a) Income tax of RMB838,804 thousands is recognised from the Disposal, which is calculated on the differences between the consideration for the Disposal of RMB4,300,000 thousands and the investment cost of RMB944,785 thousands, at applicable PRC income tax rate of 25%. Out of which, RMB523,664 thousands is recognised directly in equity as the Disposal is accounted for as an equity transaction, and the amount is calculated on the differences between the consideration for the Disposal of RMB4,300,000 thousands and 43% of the consolidated net assets of Nanjing High Speed at the date of the Disposal of RMB2,205,346 thousands, at applicable PRC income tax rate of 25%. The remaining portion of income tax of RMB315,140 thousands relates to post acquisition profit of Nanjing High Speed, and is recognised in profit or loss.

(b) Written put option liability

As part of the Equity Transfer Agreement, the Vendor grants a put option to the Transferee, at which the Transferee could request the Vendor to repurchase all of 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 of RMB4,300,000 thousands plus 6% interest per annum.

The written put option liability is initially recognised at fair value with a corresponding charge directly to equity within 'other reserves'. The fair value of the written put option liability at grant date is measured at the present value of the exercise price of RMB4,300,000 thousands plus 6% interest per annum, by applying a discount rate of 6%, and on the assumption that the put option will be redeemable in 3 years.

The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option becomes exercisable. In the event that the option is unexercised upon expiry, the liability is derecognised with a corresponding adjustment to equity.

The movement of written put option liability during the period is as follows:

	<i>RMB'000</i>
At 1 January 2022 (audited)	–
Issuance of written put option	4,300,000
Unwinding of discount	84,115
	<hr/>
At 30 June 2022 (unaudited)	4,384,115
	<hr/> <hr/>

15. CONTINGENT LIABILITIES

Financial guarantees

As at 30 June 2022, the Group issued financial guarantees to banks in respect of bank loans of RMB48,018 thousands (31 December 2021: RMB220,796 thousands) granted to one of the Group's associates and RMB Nil (31 December 2021: RMB3,000 thousands) granted to an independent third party. 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 RMB3,789 thousands (31 December 2021: RMB6,359 thousands) has been recognised in the interim condensed consolidated statement of financial position as liabilities.

16. CAPITAL COMMITMENTS

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 <i>RMB'000</i>
Contracted, but not provided for:		
Plant and machinery	2,942,306	1,573,737

17. ASSETS PLEDGED AS SECURITIES

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 <i>RMB'000</i>
Bills receivable	812,855	1,338,295
Trade receivables	398,803	398,803
Property, plant and equipment	352,125	660,886
Land use rights	415,853	358,195
Pledged bank deposits	3,583,802	1,897,477
	5,563,438	4,653,656

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China High Speed Transmission Equipment Group Co., Ltd. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in the research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that is used in wind power and a wide range of industrial applications and trade of goods. During the six months ended 30 June 2022 (the “**Period under Review**”), the Group recorded sales revenue of approximately RMB9,685,586,000 (30 June 2021: RMB10,601,507,000), representing a decrease of 8.6% as compared with the corresponding period of 2021, and the gross profit margin was approximately 14.0% (30 June 2021: 17.0%). During the Period under Review, loss attributable to owners of the Company was approximately RMB78,708,000 (30 June 2021: profit attributable to owners of the Company of RMB722,802,000), and basic loss per share was RMB0.048 (30 June 2021: basic earnings per share of RMB0.442), which was mainly attributable to (i) the income tax expenses incurred arising from the disposal (the “**Disposal**”) of 43% equity interest in Nanjing High Speed Gear Manufacturing Co., Ltd.* (南京高速齒輪製造有限公司), a subsidiary of the Company; (ii) the accrued interest incurred arising from the put option liability in connection with the Disposal; and (iii) the decreases in revenue and gross profit margin as compared to the same period last year, resulting from (a) the decrease in selling price of the wind gear transmission equipment; (b) the increase in price of raw materials; and (c) the decrease in sales of the Group due to the prolonged COVID-19 pandemic.

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. During the Period under Review, the Group maintains a strong customer portfolio. Customers of its wind gear transmission equipment 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.

The wind gear transmission equipment is a major product that has been developed by the Group. During the Period under Review, sales revenue of wind gear transmission equipment business decreased by 12.2% to approximately RMB5,435,953,000 (30 June 2021: RMB6,192,952,000) as compared with the corresponding period of 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 widely applied to customers in industries such as metallurgy, construction materials, rubber and plastic, petrochemical, aerospace, mining, ports and engineering machinery.

In recent years, the Group has always adhered to the strategy for green development of the industrial gear transmission equipment. With a focus on energy conservation, environmental protection and low carbon, as well as in-depth exploration in the transmission technology and extended driving technology, the Group has, under the iteration and upgrading of product technology in the field of heavy-duty transmission, developed standardized, modular and intelligent products which are internationally competitive and a electromechanical control integrated drive system with high efficiency, high reliability and low energy consumption. 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 production mode, which improves its comprehensive competitiveness and further consolidates its market advantages. Meanwhile, the Group has vigorously explored developed new markets and expanded new 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 also 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 and reduce energy consumption 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 Period under Review, the industrial gear transmission equipment business generated sales revenue of approximately RMB1,002,979,000 (30 June 2021: RMB1,024,560,000) for the Group, representing a decrease of 2.1% as compared with the corresponding period of 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, Taipei 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 Period under Review, the rail transportation gear transmission equipment business generated sales revenue of approximately RMB183,841,000 (30 June 2021: RMB202,746,000) for the Group, representing a decrease of 9.3% as compared with the corresponding period of 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. 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. 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 Period under Review, the sales revenue of the trading business amounted to approximately RMB3,044,189,000 (30 June 2021: RMB3,149,579,000), representing a decrease of 3.4% as compared with the corresponding period of last year.

LOCAL AND EXPORT SALES

During the Period under Review, the Group maintained its position as the leading supplier of the mechanical transmission equipment in the PRC. During the Period under Review, the overseas sales amounted to approximately RMB1,144,606,000 (30 June 2021: RMB1,695,712,000), representing a decrease of 32.5% over the corresponding period of last year. Overseas sales accounted for 11.8% (30 June 2021: 16.0%) of the total sales, representing a decrease of 4.2 percentage points over the corresponding period of 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.

PROSPECTS

During the first half of 2022, the “triple pressures” on China’s economy have intensified again due to the impact of factors beyond expectation, such as the Russo-Ukrainian crisis and sanction measures, the new round of preventive and control policies for the epidemics. China adhered to the principle of “stability first, seeking progress in the midst of stability”, withstood the pressure and rose to the challenges, while focusing on stabilizing the macro economy, accelerating the resumption of production and business. This resulted in a stable macro economy with an upward trend during the first half of the year. According to statistics, the gross domestic product (GDP) of China for the first half of 2022 was RMB56,264.2 billion, increasing by 2.5% year-on-year at constant prices. During the second quarter, China’s economy withstood the pressure and achieved positive growth, increasing by 0.4% year-on-year. Among them, the value added of the primary sector was RMB2,913.7 billion, increasing by 5.0% year-on-year; the value added of the secondary sector was RMB22,863.6 billion, increasing by 3.2%; and the value added of the tertiary sector was RMB30,486.8 billion, increasing by 1.8%. For the first half of the year, China’s economy showed a stable recovery with outstanding resilience.

As a leading supplier of wind power transmission equipment, the Group makes continuous efforts in expanding into diversified, large and overseas market. Leveraging on its strong research, design and development capabilities, the Group currently has products covering different megawatt-class wind power gear transmission equipment for onshore wind power and offshore wind power assembly, of which the 2MW to 7MW-class wind power gear transmission equipment products have been supplied to domestic and overseas customers in bulk, with the product technology reaching international leading level. The Group has been widely recognized and trusted by its domestic and overseas customers for its quality products and good services. During the Period under Review, the Group continued to maintain a strong customer portfolio, with wind power customers including major domestic wind turbine package manufacturers in China and internationally renowned wind turbine package manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Suzlon and Doosan.

As the government's policies in recent years have vigorously promoted wind power across the country, some wind turbine manufacturers have substantially reduced their selling price of wind turbines in order to capture share of the wind power market with vast potential, resulting in fierce price war and a substantial decrease in the price of wind turbines. Against this backdrop, as wind gear transmission equipment is one of the essential components of wind turbines, the downward price trend has inevitably lowered the prices of the wind gear transmission equipment of the Group, which in turn has led to a decrease in gross profit margin in the Group's wind gear transmission equipment business. The adverse impact of the continuous price competition in the wind turbine manufacturing industry has posed great challenges and increased uncertainties to the development of the wind gear transmission equipment of the Group, and may adversely affect the long-term operation of the wind gear transmission equipment business.

The Group continues to adhere to its green development strategy in terms of its business in industrial gear transmission equipment segment. By adhering to the concept of energy conservation, environmental protection and low carbon, the Group has continued to promote and improve the “standardized, modularized and serialized” product system, explore in-depth transmission technology, and guide the development direction of industrial gear transmission to “four highs and three lows” (i.e., high power, high speed, high load and high precision; low power consumption, low vibration and low noise). Besides, the Group has also been actively developing driving technology and has developed an “integrated, intelligent and digital” driving product system. As Jiangsu Industrial Gear Engineering Research Center and Jiangsu Industrial High-speed Precision Gear Transmission Engineering Research Center, the Group has been provided with continuous support to enhance its technological innovation capability and market competitiveness. Customers of the industrial gear business include internationally renowned companies such as HeidelbergCement (a company listed on the Frankfurt Stock Exchange (stock code: HEI) and the 678th largest listed company in the world in the Forbes Global 2000 in 2020) and Primetals Technologies (a joint venture of Mitsubishi Heavy Industries and its partners).

According to Fortune Business Insights, a leading market research publisher, the worldwide industrial gearbox market was USD26.17 billion in 2020. The market is expected to grow from USD27.92 billion in 2021 to USD38.10 billion in 2028, representing a CAGR of 4.5% from 2021 to 2028. Coupled with the expected market growth, supportive government policies, such as the “Pre-2030 Carbon Peaking Action Plan”, which promotes energy-saving and low-carbon strategies in key areas such as metallurgy, building materials, petrochemicals and chemicals; the “14th Five-Year Plan” for the development of intelligent manufacturing, which calls for the completion of more than 500 demonstration factories for intelligent manufacturing; and the “14th Five-Year Plan”, which aims to facilitate the research and development of the major technologies equipment of (a) construction machinery, (b) nuclear power plants, (c) large petroleum, petrochemical and coal chemical equipment and (d) key components of large-scale metallurgical, mining equipment and port machinery, enhancing the core competitiveness of the manufacturing industry; and the “Opinions on Promoting the Green Development of “One Belt, One Road”, which promotes the application areas of green infrastructure, green energy, green transportation, green finance, boosting the demand for industrial gears, have provided a promising future for China’s industrial gear industry. In view of the huge market potential and due to the established market and reputation of the Group in the industrial gear industry in the PRC, the Group intends to devote more resources to the industrial gear transmission equipment business and strive to develop the industrial gear transmission equipment business. With its core competencies, including its operational excellence and proven track record in manufacturing industrial gears, the Group will continue to focus on providing “four highs and three lows” solutions to its customers. The Group has identified strategic initiatives to leverage its strengths for organic expansion in China and overseas, including attracting new customers and enhancing customer loyalty, as well as pursuing new business opportunities by venturing into new product categories and new market avenues. 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 and reduce energy consumption 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, Taipei 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, France and Spain.

The Group has been engaged in the commodity trading business and steel industry chain trading business since 2012. The commodity trading business mainly involves the procurement and sale of bulk refined oil products and copper cathode. The steel industry chain business mainly involves the procurement and sale of raw coal, upstream raw materials for steel, coke and bulk steel. According to the Bureau of Operation of the National Development and Reform Commission of the PRC, from 2017 to 2021, the total trading volume of industrial commodities in the PRC increased year on year, reaching RMB299.6 trillion in 2021. To capture the huge market potential of the commodity trading industry in China and to broaden its income sources, the Group will continue to seize the opportunities to develop its trading business.

During the second half of 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 and to provide customers with better product and more comprehensive services. Meanwhile, the Group will continue to keep abreast of product market trends, improve product quality and economies of scale while expanding market share on all fronts, thereby enabling the Group to reach new record highs in profitability and create more value for shareholders and investors. With the introduction of the carbon peaking and carbon neutral targets, "green" has become the "new coordinate" for the quality development of Chinese enterprises. Against this backdrop, the Group, as a leading supplier in the transmission equipment sector, will continue to uphold the concept of driving the green development of its business and industry chain through innovation, leading the technological development trend of the industry and building a new "green" engine to help the country achieve the "dual carbon" targets.

FINANCIAL PERFORMANCE

REVENUE

Sales revenue of the Group for the Period under Review decreased by 8.6% to approximately RMB9,685,586,000.

	Revenue		Change
	Six months ended 30 June 2022	2021	
	RMB'000	RMB'000	
Wind gear transmission equipment	5,435,953	6,192,952	-12.2%
Industrial gear transmission equipment	1,002,979	1,024,560	-2.1%
Rail transportation gear transmission equipment	183,841	202,746	-9.3%
Trading business	3,044,189	3,149,579	-3.4%
Other products	18,624	31,670	-41.2%
Total	9,685,586	10,601,507	-8.6%

During the Period under Review, the Group's sales revenue was approximately RMB9,685,586,000, representing a decrease of 8.6% as compared with the corresponding period of last year. This was mainly due to a decline of the Group's sales as a result of the prolonged COVID-19 pandemic and the decrease in selling price of the wind gear transmission equipment.

During the Period under Review, sales revenue from wind gear transmission equipment was approximately RMB5,435,953,000 (30 June 2021: RMB6,192,952,000), representing a decrease of 12.2% as compared with the corresponding period of last year; sales revenue from industrial gear transmission equipment was approximately RMB1,002,979,000 (30 June 2021: RMB1,024,560,000), representing a decrease of 2.1% as compared with the corresponding period of last year; sales revenue from rail transportation gear transmission equipment was approximately RMB183,841,000 (30 June 2021: RMB202,746,000), representing a decrease of 9.3% as compared with the corresponding period of last year; and sales revenue from trading business was approximately RMB3,044,189,000 (30 June 2021: RMB3,149,579,000), representing a decrease of 3.4% as compared with the corresponding period of last year.

Gross profit margin and gross profit

During the Period under Review, the Group's consolidated gross profit margin was approximately 14.0% (30 June 2021: 17.0%), representing a decrease of 3.0 percentage points as compared with the corresponding period of last year. Consolidated gross profit for the Period under Review amounted to approximately RMB1,353,556,000 (30 June 2021: RMB1,805,980,000), representing a decrease of 25.1% as compared with the corresponding period of last year. During the Period under Review, the decrease in consolidated gross profit margin was mainly attributable to (i) a decrease in selling price of wind gear transmission equipment; and (ii) an increase in price of raw material.

Other income

During the Period under Review, the Group's other income was approximately RMB126,408,000 (30 June 2021: RMB135,641,000), representing a decrease of 6.8% as compared with the corresponding period of last year. Other income mainly comprised of interest income, government grants and income from sales of scraps and materials.

Other gains/(losses) – net

During the Period under Review, the Group's other net gains were approximately RMB62,127,000 (30 June 2021: net losses of RMB38,339,000) and mainly included foreign exchange gains and fair value gains on financial assets at FVPL.

Selling and distribution expenses

During the Period under Review, the Group's selling and distribution expenses were approximately RMB192,527,000 (30 June 2021: RMB205,170,000), representing a decrease of 6.2% as compared with the corresponding period of last year. Selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses, staff costs and business expenses. Selling and distribution expenses accounted for 2.0% (30 June 2021: 1.9%) of sales revenue for the Period under Review, representing an increase of 0.1 percentage points over the corresponding period of last year.

Administrative expenses

During the Period under Review, the Group's administrative expenses were approximately RMB263,769,000 (30 June 2021: RMB243,894,000), representing an increase of 8.1% as compared with the corresponding period of last year. The increase in the administrative expenses was mainly due to the increase in staff costs and bank charges. Administrative expenses accounted for 2.7% (30 June 2021: 2.3%) of sales revenue for the Period under Review, representing an increase of 0.4 percentage points over the corresponding period of last year.

Research and development costs

During the Period under Review, the Group's research and development costs amounted to approximately RMB365,701,000 (30 June 2021: RMB451,007,000), representing a decrease of 18.9% as compared with the corresponding period of last year. Research and development costs accounted for 3.8% (30 June 2021: 4.3%) of sales revenue for the Period under Review, representing a decrease of 0.5 percentage points over the corresponding period of last year.

Net impairment losses recognised on financial assets

During the Period under Review, the net impairment losses recognised on financial assets of the Group amounted to approximately RMB67,770,000 (30 June 2021: RMB28,974,000), mainly comprising impairment losses on trade receivables of RMB33,258,000 and impairment losses on other receivables of RMB34,512,000. The net impairment losses recognised on financial assets of the Group increased by RMB38,796,000 as compared with the corresponding period of last year, which was mainly due to the increase in impairment losses of other receivables.

Finance costs

During the Period under Review, the Group's finance costs were approximately RMB263,578,000 (30 June 2021: RMB135,550,000), representing an increase of 94.5% as compared with the corresponding period of last year, which was mainly due to an increase in bank borrowings and the accrued interest arising from put option liability in connection with the Disposal.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2022, the equity attributable to owners of the Company amounted to approximately RMB10,590,898,000 (31 December 2021: RMB13,399,195,000). The Group had total assets of approximately RMB35,830,851,000 (31 December 2021: RMB29,640,474,000), representing an increase of 20.9% as compared with the beginning of the year. Total current assets were approximately RMB26,611,357,000 (31 December 2021: RMB20,822,795,000), representing an increase of 27.8% as compared with the beginning of the year, which was mainly due to the increase in cash and cash equivalents, pledged bank deposits and trade receivables. Total non-current assets were approximately RMB9,219,494,000 (31 December 2021: RMB8,817,679,000), representing an increase of 4.6% as compared with the beginning of the year.

As at 30 June 2022, total liabilities of the Group were approximately RMB22,463,790,000 (31 December 2021: RMB15,872,439,000), representing an increase of approximately RMB6,591,351,000 or 41.5% as compared with the beginning of the year. Total current liabilities were approximately RMB19,564,080,000 (31 December 2021: RMB14,721,603,000), representing an increase of 32.9% as compared with the beginning of the year, which was mainly due to the put option liability in connection with the Disposal. Total non-current liabilities were approximately RMB2,899,710,000 (31 December 2021: RMB1,150,836,000), representing an increase of 152.0% as compared with the beginning of the year, which was mainly due to an increase of bank borrowings.

As at 30 June 2022, the net current assets of the Group were approximately RMB7,047,277,000 (31 December 2021: RMB6,101,192,000), representing an increase of approximately RMB946,085,000 or 15.5% as compared with the beginning of the year.

As at 30 June 2022, total cash and bank balances of the Group were approximately RMB8,981,159,000 (31 December 2021: RMB5,407,454,000), representing an increase of approximately RMB3,573,705,000 or 66.1% as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB3,583,802,000 (31 December 2021: RMB1,897,477,000) and the structured bank deposits included in the financial assets at fair value through profit or loss amounting to RMB55,659,000 (31 December 2021: RMB225,811,000).

As at 30 June 2022, the Group had total borrowings of approximately RMB6,150,161,000 (31 December 2021: RMB3,998,099,000), representing an increase of approximately RMB2,152,062,000 or 53.8% as compared with the beginning of the year, of which borrowings due within one year were RMB4,538,356,000 (31 December 2021: RMB3,998,099,000), accounting for approximately 73.8% (31 December 2021: 100%) of the total borrowings. The Group's borrowings during the Period under Review bear interest rates from 3.40% to 7.61% per annum.

Taking into account the capital generated internally, the banking credit available to the Group and the net current assets of approximately RMB7,047,277,000 as at 30 June 2022, 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 53.5% as at 31 December 2021 to 62.7% as at 30 June 2022.

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 30 June 2022 amounted to approximately USD500,000.

As at 30 June 2022, the Group's borrowings with fixed interest rates accounted for 91.9% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in notes 13 and 17 to the interim condensed consolidated financial information, the Group has made no further pledge of assets as at 30 June 2022.

INTERIM DIVIDEND

The Board of the Company did not recommend to declare any interim dividend in respect of the six months ended 30 June 2022.

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 Period under Review 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 exchange gains (included in "other gains – net") recorded by the Group during the Period under Review were approximately RMB47,208,000 (30 June 2021: net exchange losses of RMB31,325,000), mainly including gains from export business denominated in U.S. dollars due to the fluctuation of Renminbi against U.S. dollars during the Period under Review.

The Group actively manages the net amount of foreign currency assets and liabilities through formulation of foreign exchange risk management measures and strategies so as to reduce its exposures to exchange rate risks.

INTEREST RATE RISK

During the Period under Review, the loans of the Group are mainly sourced from banks. 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 30 June 2022, the Group had approximately 6,299 employees (30 June 2021: 5,964). Staff costs of the Group for the Period under Review amounted to approximately RMB811,203,000 (30 June 2021: RMB760,035,000). The costs derived from employee benefits such as basic salaries, discretionary bonus and staff benefits such as medical, insurance plans, pension scheme, and unemployment insurance plan.

SIGNIFICANT INVESTMENTS DURING THE PERIOD UNDER REVIEW

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 30 June 2022:

Name of the investee company	Percentage of capital contribution paid up by the Group	Cost of investment (RMB'000)	Fair value as at 30 June 2022 (RMB'000)	Percentage of total assets of the Group	Accumulated change in unrealised losses in fair value (RMB'000)	Dividends received during the Period under Review (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	1,889,635	5.27%	110,365	-

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 30 June 2022, 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 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 ACQUISITIONS AND DISPOSALS DURING THE PERIOD UNDER REVIEW

During the Period under Review, the Group had no material acquisition or disposal of subsidiaries and affiliates.

CORPORATE GOVERNANCE

During the Period under Review, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) (the “**Corporate Governance Code**”), except for the deviation from code provision C.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 chairman of the Board and chief executive officer of the Company 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 power 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 contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as its internal code of conduct regarding Directors’ securities transactions. The Company has made specific enquiries on all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code during the Period under Review. The Company will continue to ensure the compliance with the Model Code.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Group occurred since 30 June 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Group has not purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

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

Hong Kong, 19 August 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.