

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.



ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)	Change
Revenue from contracts with customers	11,257,595	9,685,586	16.2%
Gross profit	1,752,834	1,353,556	29.5%
Profit/(Loss) for the period attributable to owners of the Company	209,167	(78,708)	NA
Basic and diluted earnings/(loss) per share (RMB)	0.128	(0.048)	NA
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)	Change
Total assets	43,235,356	41,634,453	3.8%
Total liabilities	29,398,190	28,039,883	4.8%
Net assets	13,837,166	13,594,570	1.8%
Net assets per share (RMB)	8.5	8.3	2.4%
Gearing ratio* (%)	68.0	67.3	0.7 percentage point

* *Gearing ratio = total liabilities/total assets*

* *For identification purposes 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 2023 (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 2023

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2023	2022
		RMB’000	RMB’000
Revenue from contracts with customers	3	11,257,595	9,685,586
Cost of sales		<u>(9,504,761)</u>	<u>(8,332,030)</u>
Gross profit		1,752,834	1,353,556
Selling and distribution expenses		(235,463)	(192,527)
Administrative expenses		(285,434)	(263,769)
Research and development costs		(459,359)	(365,701)
Net impairment losses recognised on financial assets		(82,692)	(67,770)
Other income	4	103,646	126,408
Other gains – net	5	<u>91,602</u>	<u>62,127</u>
Operating profit		<u>885,134</u>	<u>652,324</u>
Finance income	7	55,897	52,566
Finance costs	7	<u>(396,453)</u>	<u>(263,578)</u>
Finance costs – net		(340,556)	(211,012)
Share of results of associates accounted for using the equity method		<u>(1,888)</u>	<u>(2,598)</u>
Profit before income tax		542,690	438,714
Income tax expenses	8	<u>(30,329)</u>	<u>(324,878)</u>
Profit for the period		<u>512,361</u>	<u>113,836</u>
Profit/(loss) for the period attributable to:			
– Owners of the Company		209,167	(78,708)
– Non-controlling interests		<u>303,194</u>	<u>192,544</u>
		<u>512,361</u>	<u>113,836</u>
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB)			
Basic and diluted earnings/(loss) per share	9	<u>0.128</u>	<u>(0.048)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	512,361	113,836
Other comprehensive (loss)/income for the period:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
– Changes in the fair value of debt investments at fair value through other comprehensive income	(890)	11,636
– Exchange differences on translation of foreign operations	(27,544)	9,145
– Income tax relating to these items	(336)	(1,400)
	<u>(28,770)</u>	<u>19,381</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	(306,756)	(24,668)
– Income tax relating to these items	65,761	14,141
	<u>(240,995)</u>	<u>(10,527)</u>
Other comprehensive (loss)/income, net of tax	<u>(269,765)</u>	8,854
Total comprehensive income for the period	<u>242,596</u>	<u>122,690</u>
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	(60,710)	(79,287)
– Non-controlling interests	303,306	201,977
	<u>242,596</u>	<u>122,690</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Non-current assets		
Property, plant and equipment	8,274,306	7,124,012
Right-of-use assets	723,901	676,284
Goodwill	26,414	26,414
Investments accounted for using the equity method	197,048	220,023
Financial assets at fair value through other comprehensive income (“FVOCI”)	1,337,628	1,613,095
Financial assets at fair value through profit or loss (“FVPL”)	399,500	387,600
Deposits for land leases	5,890	5,890
Deferred tax assets	885,803	728,894
	11,850,490	10,782,212
Current assets		
Inventories	8,503,222	6,928,601
Trade receivables	11 7,173,671	7,090,581
Other receivables	11 1,964,982	1,313,896
Prepayments	1,799,175	1,855,636
Financial assets at fair value through other comprehensive income	2,707,459	3,531,659
Financial assets at fair value through profit or loss	260,936	182,035
Other financial assets at amortised cost	–	641,421
Income tax prepaid	20,416	27,671
Pledged bank deposits	4,555,978	4,897,224
Cash and cash equivalents	4,399,027	4,383,517
	31,384,866	30,852,241

		Unaudited	Audited
		30 June	31 December
		2023	2022
		RMB'000	RMB'000
Current liabilities			
Trade payables	12	4,187,390	4,148,629
Bills payable	12	5,670,407	5,916,252
Other payables	12	892,749	1,309,726
Contract liabilities		1,465,094	1,508,801
Borrowings	13	4,695,906	4,657,412
Deferred income		41,486	18,495
Income tax payable		160,041	259,438
Warranty provision		1,159,446	988,395
Written put option liability		4,643,175	4,514,175
		<u>22,915,694</u>	<u>23,321,323</u>
Net current assets		<u>8,469,172</u>	<u>7,530,918</u>
Total assets less current liabilities		<u>20,319,662</u>	<u>18,313,130</u>
Non-current liabilities			
Borrowings	13	4,804,070	3,185,172
Deferred income		459,995	303,077
Warranty provision		1,079,012	1,114,729
Deferred tax liabilities		139,419	115,582
		<u>6,482,496</u>	<u>4,718,560</u>
Net assets		<u>13,837,166</u>	<u>13,594,570</u>
Capital and reserves			
Share capital		119,218	119,218
Reserves		10,296,023	10,356,733
Equity attributable to owners of the Company		<u>10,415,241</u>	<u>10,475,951</u>
Non-controlling interests		3,421,925	3,118,619
Total equity		<u>13,837,166</u>	<u>13,594,570</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022 annual consolidated financial statements, except for the adoption of new and amendments to IFRSs, 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 2023 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 2022 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 2022.

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 new and 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 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to IFRSs and amendments has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial information.

A number of amendments to IFRSs are published that are not mandatory to be adopted for annual period beginning on 1 January 2023 and early application is permitted. The Group has not early adopted any of the forthcoming new or amended IFRSs in preparing this interim condensed consolidated financial information.

3. REVENUE AND 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 before tax from operations is measured consistently with the Group's profit 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 an associate, loss on early redemption of other financial assets at amortised cost, foreign exchange gains/losses, share of results of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, income tax prepaid, 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, income 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 2023					
(unaudited)					
Segment revenue					
Total segment revenue	8,119,398	118,180	3,006,818	13,199	11,257,595
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	<u>8,119,398</u>	<u>118,180</u>	<u>3,006,818</u>	<u>13,199</u>	<u>11,257,595</u>
Timing of revenue recognition					
At a point in time	<u>8,119,398</u>	<u>118,180</u>	<u>3,006,818</u>	<u>13,199</u>	<u>11,257,595</u>
Segment results	827,113	19,936	7,472	(4,407)	850,114
Finance costs – net					(340,556)
Dividend income					240
Interest income from other financial assets at amortised cost					5,254
Loss on disposal of an associate					(8,087)
Loss on early redemption of other financial assets at amortised cost					(34,075)
Foreign exchange gains, net					113,833
Fair value gains on financial assets at FVPL					8,915
Share of results of associates					(1,888)
Corporate and other unallocated expenses					(51,060)
Profit before income tax					<u>542,690</u>
Other segment information					
Write-down/(reversal of write-down) of inventories	17,710	(731)	–	100	17,079
Net impairment losses recognised/ (reversed) on financial assets	17,721	(1,585)	17,597	621	34,354
Reversal of impairment losses on property, plant and equipment	(11,680)	–	–	–	(11,680)
Impairment losses on prepayments	1,553	–	–	–	1,553
Depreciation of property, plant and equipment and right-of-use assets	251,843	3,044	24	127	255,038
Capital expenditure	1,430,243	370	–	–	1,430,613

	Wind and industrial gear transmission equipment RMB'000	Rail transportation gear transmission equipment RMB'000	Trading business RMB'000	Others RMB'000	Total RMB'000
As at 30 June 2023 (unaudited)					
Segment assets	22,969,841	451,394	4,341,628	1,347,634	29,110,497
Corporate and other unallocated assets					14,124,859
Total assets					43,235,356
Segment liabilities	14,169,333	119,345	211,585	351,022	14,851,285
Corporate and other unallocated liabilities					14,546,905
Total liabilities					29,398,190
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>
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

	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>
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 of property, plant and equipment and right-of-use assets	201,784	2,036	22	344	204,186
Capital expenditure	1,105,549	12,983	29	–	1,118,561
As at 31 December 2022 (audited)					
Segment assets	21,938,046	480,179	3,470,051	1,264,434	27,152,710
Corporate and other unallocated assets					14,481,743
Total assets					<u>41,634,453</u>
Segment liabilities	14,477,988	163,057	290,962	281,503	15,213,510
Corporate and other unallocated liabilities					12,826,373
Total liabilities					<u>28,039,883</u>

(b) Geographical information

	Unaudited Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from external customers		
PRC	10,121,714	8,540,980
USA	768,303	793,333
Europe	55,568	67,201
Other countries	312,010	284,072
	<u>11,257,595</u>	<u>9,685,586</u>

4. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend income from financial assets at FVOCI	240	32
Interest income from other financial assets at amortised cost	5,254	16,117
Interest income from deferred payment of consideration for partial disposal of a subsidiary	–	21,373
Government grants		
– Deferred income recognised	17,577	7,743
– Other government subsidies	22,186	38,479
Sale of scraps and materials	38,734	26,970
Gross fixed rental income	2,042	3,113
Others	17,613	12,581
	<u>103,646</u>	<u>126,408</u>

5. OTHER GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Losses)/gains on disposal of property, plant and equipment, net	(664)	372
Loss on disposal of an associate	(8,087)	–
Loss on early redemption of other financial assets at amortised cost	(34,075)	–
Foreign exchange gains, net	113,833	47,208
Net fair value gains on financial assets at FVPL	8,915	14,596
Reversal of impairment/(impairment) losses on property, plant and equipment	11,680	(49)
	<u>91,602</u>	<u>62,127</u>

6. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	8,838,300	7,590,920
Employee benefits expenses	891,332	811,203
Depreciation of property, plant and equipment	240,161	194,098
Depreciation of right-of-use assets	8,856	8,724
Write-down of inventories	17,079	66,841
Other expenses	489,289	482,241
	<u>10,485,017</u>	<u>9,154,027</u>

7. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Finance income		
– Interest income from bank deposits	<u>55,897</u>	<u>52,566</u>
Finance costs		
– Interest expenses on bank and other borrowings	(268,528)	(182,316)
– Less: Interest capitalised	<u>1,075</u>	<u>2,853</u>
	(267,453)	(179,463)
– Written put option liability: unwinding of discount	<u>(129,000)</u>	<u>(84,115)</u>
	<u>(396,453)</u>	<u>(263,578)</u>
Finance costs – net	<u>(340,556)</u>	<u>(211,012)</u>

8. INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax – charge for the period		
– PRC	134,992	422,771
– Hong Kong	5,645	273
– Others	3,948	17
Over-provision in respect of prior years	<u>(46,553)</u>	<u>(22,830)</u>
	98,032	400,231
Deferred tax	<u>(67,703)</u>	<u>(75,353)</u>
Income tax expenses	<u>30,329</u>	<u>324,878</u>

(a) PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2022: 25%) on the taxable profits of the Group's PRC subsidiaries for the six months ended 30 June 2023. The decrease of PRC corporate income tax in the current period mainly attributable to an one-off tax of RMB315,140,000 arising from the partial disposal of a subsidiary in March 2022.

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 Gear Manufacturing Co., Ltd. ("Nanjing High Speed")	31 December 2020	31 December 2022 (<i>Note</i>)
Nanjing High Speed & Accurate Gear (Group) Co., Ltd. ("Nanjing High Accurate")	31 December 2020	31 December 2022 (<i>Note</i>)
Nanjing High Accurate Rail Transportation Equipment Co., Ltd. ("Rail Transportation")	31 December 2020	31 December 2022 (<i>Note</i>)
NGC (Baotou) Transmission Equipment Co., Ltd.	31 December 2021	31 December 2023
Jiangsu Green Lighting Engineering Co., Ltd.	31 December 2021	31 December 2023

Note:

The approval of preferential tax rate of Nanjing High Speed, Nanjing High Accurate and Rail Transportation were all issued on 2 December 2020. The preferential tax rate was applicable for 3 years when it was first approved by the taxation authority. As at the end of the reporting period, Nanjing High Speed, Nanjing High Accurate and Rail Transportation are in the processes of applying to renew the qualification of the high technology development enterprises to continuously enjoy the preferential tax rate, and expected that a successful renewals could be obtained by the end of 2023.

(b) Hong Kong Profits Tax

Hong Kong Profits Tax for the six months ended 30 June 2023 and 30 June 2022 has been provided under the two-tiered profits tax rates regime, the first HK\$2 million of the estimated assessable profits is calculated at 8.25% and the estimated assessable profits above HK\$2 million is calculated at 16.5%.

(c) Other corporate income tax

Other corporate income tax has been provided at the rates of 8.5% to 21% (six months ended 30 June 2022: 8.5% to 18.5%) on the estimated assessable profits arising from the jurisdictions at which the entities are operated.

9. EARNINGS/(LOSS) PER SHARE

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

	Unaudited Six months ended 30 June	
	2023	2022
Net profit/(loss) attributable to owners of the Company (<i>RMB'000</i>)	209,167	(78,708)
Weighted average number of ordinary shares outstanding for basic earnings/(loss) per share (<i>'000</i>)	1,635,291	1,635,291
Basic earnings/(loss) per share (<i>RMB</i>)	<u>0.128</u>	<u>(0.048)</u>

No adjustment is made to the diluted earnings/(loss) per share for the six months ended 30 June 2023 and 2022 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 2023 (six months ended 30 June 2022: Nil).

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Trade receivables		
– Amounts due from third parties	7,869,895	7,761,041
Less: Loss allowances	<u>(696,224)</u>	<u>(670,460)</u>
	<u>7,173,671</u>	<u>7,090,581</u>
Other receivables		
– Value-added tax recoverable	424,244	221,855
– Loans to third parties	572,830	632,208
– Amounts due from associates	45,951	45,951
– Amounts due from former subsidiaries	517,375	513,755
– Amounts due from other third parties	<u>919,705</u>	<u>367,504</u>
	<u>2,480,105</u>	<u>1,781,273</u>
Less: Loss allowances	<u>(515,123)</u>	<u>(467,377)</u>
	<u>1,964,982</u>	<u>1,313,896</u>
	<u>9,138,653</u>	<u>8,404,477</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 sales of gear transmission equipment. 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.

All of the amounts due from the Group's associates are unsecured, interest-free and repayable on demand.

Loans receivable is unsecured, interest bearing at 6% to 15% (2022: 6% to 15%) per annum.

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 2023 RMB'000	Audited 31 December 2022 RMB'000
Less than 90 days	5,646,591	5,905,783
90 to 180 days	543,935	415,828
181 to 365 days	621,829	412,200
1 to 2 years	255,329	265,114
Over 2 years	105,987	91,656
	7,173,671	7,090,581

12. TRADE, BILLS AND OTHER PAYABLES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Trade payables		
– Amounts due to third parties	4,187,372	4,148,611
– Amounts due to an associate	18	18
	4,187,390	4,148,629
Bills payable	5,670,407	5,916,252
	9,857,797	10,064,881
Other payables		
– Accruals	143,654	135,996
– Other tax payables	40,263	44,539
– Purchase of property, plant and equipment	322,594	522,501
– Payroll and welfare payables	123,085	229,189
– Financial guarantee liabilities	3,045	3,417
– Amounts due to third parties	245,108	359,084
– Amount due to an associate	15,000	15,000
	892,749	1,309,726
	10,750,546	11,374,607

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 2023 RMB'000	Audited 31 December 2022 RMB'000
0 to 30 days	4,636,453	4,522,861
31 to 60 days	1,096,188	948,427
61 to 180 days	3,704,484	2,678,443
181 to 365 days	309,784	1,834,680
Over 365 days	110,888	80,470
	9,857,797	10,064,881

13. BORROWINGS

	Unaudited 30 June 2023		Audited 31 December 2022	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
	%		%	
Current				
Bank loans – Unsecured	3.00 – 4.65	3,845,906	3.50 – 4.79	4,257,412
Bank loans – Secured	3.10	450,000	NA	–
Loans from other financial institution – Secured	7.61	400,000	7.61	400,000
		4,695,906		4,657,412
Non-current				
Bank loans – Unsecured	3.60 – 4.59	1,999,605	4.53 – 4.55	849,756
Bank loans – Secured	4.07 – 4.91	2,804,465	3.10 – 5.03	2,335,416
		4,804,070		3,185,172
		9,499,976		7,842,584

Note:

The secured borrowings were secured by pledge of assets, details of which are set out in Note 16. In addition, as at 30 June 2023 and 31 December 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. CONTINGENT LIABILITIES

Financial guarantees

As at 30 June 2023, the Group issued financial guarantees to banks in respect of bank loans of RMB32,022 thousands (31 December 2022: RMB40,020 thousands) granted to an associate. 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 RMB3,045 thousands (31 December 2022: RMB3,417 thousands) has been recognised in the interim condensed consolidated statement of financial position as liabilities.

15. CAPITAL COMMITMENTS

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

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Contracted, but not provided for:		
Property, plant and equipment	<u>2,233,677</u>	<u>3,117,804</u>

16. 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 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Bills receivable	861,671	1,034,234
Trade receivables	398,826	398,826
Property, plant and equipment	1,534,877	1,281,047
Land use rights	346,480	269,570
Pledged bank deposits	<u>4,555,978</u>	<u>4,897,224</u>
	<u>7,697,832</u>	<u>7,880,901</u>

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 sales 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 2023 (the “**Period under Review**”), the Group recorded sales revenue of approximately RMB11,257,595,000 (30 June 2022: RMB9,685,586,000), representing an increase of 16.2% as compared with the corresponding period of 2022, and the gross profit margin was approximately 15.6% (30 June 2022: 14.0%). During the Period under Review, profit attributable to owners of the Company was approximately RMB209,167,000 (30 June 2022: loss attributable to owners of the Company of RMB78,708,000), and basic earnings per share was RMB0.128 (30 June 2022: basic loss per share of RMB0.048), which was mainly attributable to the fact that no income tax expenses incurred from disposal of the subsidiary’s equity interest during the Period under Review, while an income tax expenses of approximately RMB315,000,000 incurred arising from 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, in the corresponding period last year.

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 large-megawatt wind gear transmission equipment products such as 11MW and 12MW have been provided to domestic and overseas customers in bulk. During the Period under Review, the Group maintains a strong customer portfolio. Customers of our wind gear transmission equipment products 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 increased by 30.3% to approximately RMB7,082,478,000 as compared with the corresponding period of last year (30 June 2022: RMB5,435,953,000).

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 driving system with high efficiency, high reliability and low energy consumption. With "complete range, clear layers and precise subdivision" as our product positioning and market positioning, the Group was able to facilitate changes in sales strategies and production models, improve comprehensive competitiveness and further consolidate market advantages. At the same time, the Group vigorously developed new markets and expanded into new industries, particularly focusing on research and development and market expansion for products such as standard gear box and planetary gear box. These initiatives were carried out comprehensively. Meanwhile, the Group also strengthened its efforts to provide and sell the parts and components of relevant products as well as comprehensive system solutions to its customers, helping customers 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 market of industrial gear transmission equipment products.

During the Period under Review, the industrial gear transmission equipment business generated sales revenue of approximately RMB1,036,920,000 (30 June 2022: RMB1,002,979,000) for the Group, representing an increase of 3.4% 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 trains and trams. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry. The Group has obtained ISO/TS22163 Certificate for the Quality Management System of International Railway Industry and CRCC Certification for Railway Products 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 many Chinese cities, such as Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and Taipei, and other countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia, Canada, France, Spain, Romania and Tanzania. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, the Company's rail transportation gear transmission equipment products are more environmental 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 RMB118,180,000 (30 June 2022: RMB183,841,000) for the Group, representing a decrease of 35.7% 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 comprises trading business of bulk commodities and trading business in steel industrial chain. The bulk commodity trading business mainly involves the procurement and wholesale of refined oil and electrolytic copper. The trading business in steel industrial chain mainly involves, among others, the procurement and wholesale of raw coal and coke, being upstream raw materials of steel, and the procurement and wholesale of steel. The Group's trading business in steel industrial chain make use of the core resources in the trade system of steel industrial chain as a cut-in point to develop the trading business system of the steel industrial chain. At present, the Group has completed the preliminary resources integration of the steel industry from upstream raw materials to special steel, which promotes the development of the trading business.

During the Period under Review, the trading business generated sales revenue of approximately RMB3,006,818,000 (30 June 2022: RMB3,044,189,000), representing a decrease of 1.2% 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 RMB1,135,881,000 (30 June 2022: RMB1,144,606,000), representing a decrease of 0.8% as compared with the corresponding period of last year. Overseas sales accounted for approximately 10.1% (30 June 2022: 11.8%) of the total sales of the Group, representing a decrease of 1.7 percentage points as compared with the corresponding period of last year. At present, the overseas customers of the Group are mainly based in U.S. and other countries and regions such as Europe, India and Brazil.

PROSPECTS

During the first half of 2023, amidst an increasingly complicated and challenging external environment with mounting uncertainties in the global economy, the national economy has been developing under pressure, the PRC government has adopted a series of proactive macro-economic control policies and effectively addressed challenges in all aspects, thereby driving a stable economic growth and maintaining a higher growth rate. According to statistics released by the National Bureau of Statistics of China, China's annual GDP during the first half of 2023 was approximately RMB59,303.4 billion, representing an approximate 5.5% year-on-year increase at constant prices. Fundamentals of China's economy for its long-term development remain unchanged, characterized by strong resilience, ample potential and great vitality, and the necessary factors for quality development remain unchanged.

In achieving the goals of “dual carbon” targets, i.e., “carbon neutrality” and “carbon peaking”, under policies of the PRC government, and faster optimization of energy consumption structure under the national policies, the development in clean energy industries has become an irreversible trend. The wind milling industry, in particular, has experienced rapid market expansion, with a steadily increasing demand for in-depth cooperation in onshore wind power assembly and expansion into offshore wind power business. Adhering to the principles of “innovative thinking and zero defects”, the Group has increased its R&D investment and offered a comprehensive collection of products covering different megawatt-class wind power gear transmission equipment with full set of supporting services to global markets. 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. Furthermore, the Group was awarded the “Gold Award for Best Transmission Chain” in 2022 by Windpower Monthly, the authoritative global wind power periodical, which further demonstrates the Group's technical capabilities and market position in the field of wind power transmission equipment.

However, national policies in recent years have vigorously promoted the development of wind power, and some wind turbine manufacturers have substantially reduced their selling price of wind turbines in order to capture a share of the wind power market with vast potential, resulting in a 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 of wind turbines has inevitably lowered the prices of the wind gear transmission equipment of the Group. The adverse effects as a result of the continuous price competition in the wind turbine manufacturing industry has posed challenges to the development of the wind gear transmission equipment of the Group.

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 research on new transmission technology, and lead 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 actively pursued the development of driving technology and has developed an “integrated, intelligent and digital” driving product system. Through close technical cooperation with domestic and overseas customers, and with the support by its R&D systems across the globe, the Group has been working on innovation and development of intelligent connected products that provide our customers with intelligent solutions for gear transmission products. With the help of the 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 of the Group include internationally renowned companies such as Heidelberg Cement (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).

With the rapid development of the machinery industry, the gear industry has become the largest industry in China’s mechanical basic sector, aligning with the development trend of the national economy. At present, China’s gear industry is transitioning from a phase of high-speed growth to one of high-quality development, prompting the gear industry to change its economic development mode, optimize its industrial structure and transform its growth momentum. According to the data compiled by the China Machinery General Parts Industry Association, the production value of gear industry in China has maintained steady growth, with a market size of RMB330.0 billion in 2022, representing a year-on-year growth of 5.0%, while the market size is expected to reach RMB346.0 billion in 2023. With robust market demand and supply-side structural upgrading, the development of diversified types of gear products heralds a new area of economic growth.

At the same time, China has implemented a number of policies in recent years to encourage industry development and innovation, enhancing the core competitiveness of the manufacturing industry. These policies have brought clear and extensive market prospects for the development of related industries, and created a good production and operation environment for the Group. In view of the huge market potential and the established market reputation of the Group in the industrial gear industry in the PRC, leveraging on the Group’s core competitiveness, including its operational excellence and proven track record in manufacturing industrial gears, we will continue to provide high-quality products, efficient drive systems and intelligent solutions to its customers. At the same time, the Group will fully leverage its strengths to expand further into overseas markets attracting new customers and enhancing customer loyalty, as well as exploring new business opportunities by venturing into new product categories and market segments. Furthermore, the Group has 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/TS22163 Certificate for the Quality Management System of International Railway Industry and CRCC Certification for Railway Products 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 multiple countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia, Canada, France, Spain, Romania and Tanzania. The Group's rail transportation gear transmission equipment business has launched the IRIS system "Silver Medal" upgrade project in 2021 and officially obtained the IRIS "Silver Medal" certificate, which will greatly enhance the Group's influence in the rail transportation industry and ensure sustainable development of the Group's business of rail transportation gear transmission equipment.

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 wholesale of refined oil and electrolytic copper. The steel industry chain business mainly involves the procurement and sale of raw coal, upstream raw materials for steel, coke and bulk steel. The Chinese economy is currently shifting from high-speed growth to high-quality growth, and is in a critical period in respect of the transformation of its development mode, the optimization of economic structure and the shift of growth drivers, while commodities enjoy strong demand from China as they are essential materials for promoting economic development. To capture the huge market potential of the commodity trading industry in China and to diversify its income sources, the Group will continue to develop its trading business.

In the second half of 2023, the Group will adhere to its four core competitive strengths of "innovative thinking, zero defects, professional services, and customer orientation", continue to develop its gear transmission equipment business and provide customers with improved products and more comprehensive services. Meanwhile, the Group will stay updated on product market trends, improve product quality and economies of scale and steadily expand its market share, thereby enabling the Group to reach new record highs in profitability and enhancing value of the Company. With the advancement of the carbon peaking and carbon neutral targets, "green" has become the "new coordinate" for the quality development of Chinese enterprises. Against this backdrop, as a leading supplier in the gear transmission equipment sector, the Group will continue to drive development and "green" development of industry chain through innovation, leading the technological development trend of the industry and building a new "green" engine to support the country in achieving the "dual carbon" targets.

FINANCIAL PERFORMANCE

Revenue

Sales revenue of the Group for the Period under Review increased by 16.2% to approximately RMB11,257,595,000, which was mainly due to the increase in sales of wind gear transmission equipment.

	Revenue		
	Six months ended 30 June		Change
	2023	2022	
	<i>RMB'000</i>	<i>RMB'000</i>	
Wind gear transmission equipment	7,082,478	5,435,953	30.3%
Industrial gear transmission equipment	1,036,920	1,002,979	3.4%
Rail transportation gear transmission equipment	118,180	183,841	-35.7%
Trading business	3,006,818	3,044,189	-1.2%
Other products	13,199	18,624	-29.1%
Total	<u>11,257,595</u>	<u>9,685,586</u>	<u>16.2%</u>

Gross profit margin and gross profit

During the Period under Review, the Group's consolidated gross profit margin was approximately 15.6% (30 June 2022: 14.0%), representing an increase of 1.6 percentage points as compared with the corresponding period of last year. Consolidated gross profit for the Period under Review was approximately RMB1,752,834,000 (30 June 2022: RMB1,353,556,000), representing an increase of 29.5% as compared with the corresponding period of last year. The increase in consolidated gross profit was mainly due to the increase in sales revenue.

Other income

During the Period under Review, the Group's other income was approximately RMB103,646,000 (30 June 2022: RMB126,408,000), representing a decrease of 18% as compared with the corresponding period last year. Other income mainly comprised of government grants and income from sales of scraps and materials.

Other gains – net

During the Period under Review, the Group's other net gains were approximately RMB91,602,000 (30 June 2022: RMB62,127,000) and mainly included foreign exchange gains, net of loss on early redemption of other financial assets at amortised cost.

Selling and distribution expenses

During the Period under Review, the Group's selling and distribution expenses were approximately RMB235,463,000 (30 June 2022: RMB192,527,000), representing an increase of 22.3% as compared with the corresponding period of last year. The increase in selling and distribution expenses was mainly due to the increase in product packaging expenses and transportation expenses. Selling and distribution expenses accounted for 2.1% (30 June 2022: 2.0%) of sales revenue for the Period under Review, representing an increase of 0.1 percentage point over the corresponding period of last year.

Administrative expenses

During the Period under Review, the Group's administrative expenses were approximately RMB285,434,000 (30 June 2022: RMB263,769,000), representing an increase of 8.2% as compared with the corresponding period of last year. The increase in the administrative expenses was mainly due to the increase in staff costs, property tax and land use tax. Administrative expenses accounted for 2.5% (30 June 2022: 2.7%) of sales revenue for the Period under Review, representing a decrease of 0.2 percentage point 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 RMB459,359,000 (30 June 2022: RMB365,701,000), representing an increase of 25.6% as compared with the corresponding period of last year. Research and development costs accounted for 4.1% (30 June 2022: 3.8%) of sales revenue for the Period under Review, representing an increase of 0.3 percentage point 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 RMB82,692,000 (30 June 2022: RMB67,770,000), mainly comprising impairment losses on trade receivables of RMB34,569,000 and impairment losses on other receivables of RMB48,123,000. The net impairment losses recognised on financial assets of the Group increased by RMB14,922,000 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 RMB396,453,000 (30 June 2022: RMB263,578,000), representing an increase of 50.4% as compared with the corresponding period of last year, which was mainly due to an increase in bank borrowings.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2023, the equity attributable to owners of the Company amounted to approximately RMB10,415,241,000 (31 December 2022: RMB10,475,951,000). The Group had total assets of approximately RMB43,235,356,000 (31 December 2022: RMB41,634,453,000), representing an increase of 3.8% as compared with the beginning of the year. Total current assets were approximately RMB31,384,866,000 (31 December 2022: RMB30,852,241,000), representing an increase of 1.7% as compared with the beginning of the year. Total non-current assets were approximately RMB11,850,490,000 (31 December 2022: RMB10,782,212,000), representing an increase of 9.9% as compared with the beginning of the year.

As at 30 June 2023, total liabilities of the Group were approximately RMB29,398,190,000 (31 December 2022: RMB28,039,883,000), representing an increase of approximately RMB1,358,307,000 or 4.8% as compared with the beginning of the year. Total current liabilities were approximately RMB22,915,694,000 (31 December 2022: RMB23,321,323,000), representing a decrease of 1.7% as compared with the beginning of the year. Total non-current liabilities were approximately RMB6,482,496,000 (31 December 2022: RMB4,718,560,000), representing an increase of 37.4% as compared with the beginning of the year, which was mainly due to an increase in bank borrowings.

As at 30 June 2023, the net current assets of the Group were approximately RMB8,469,172,000 (31 December 2022: RMB7,530,918,000), representing an increase of approximately RMB938,254,000 or 12.5% as compared with the beginning of the year.

As at 30 June 2023, total cash and bank balances of the Group were approximately RMB9,090,443,000 (31 December 2022: RMB9,332,115,000), representing a decrease of approximately RMB241,672,000 or 2.6% as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB4,555,978,000 (31 December 2022: RMB4,897,224,000) and the structured bank deposits included in the financial assets at fair value through profit or loss amounting to RMB135,438,000 (31 December 2022: RMB51,374,000).

As at 30 June 2023, the Group had total borrowings of approximately RMB9,499,976,000 (31 December 2022: RMB7,842,584,000), representing an increase of approximately RMB1,657,392,000 or 21.1% as compared with the beginning of the year, of which borrowings due within one year were RMB4,695,906,000 (31 December 2022: RMB4,657,412,000), accounting for approximately 49.4% (31 December 2022: 59.4%) of the total borrowings. The Group's borrowings during the Period under Review bear interest rates from 3.00% 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 RMB8,469,172,000 as at 30 June 2023, 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 67.3% as at 31 December 2022 to 68.0% as at 30 June 2023.

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 borrowings were primarily denominated in Renminbi.

As at 30 June 2023, the Group's borrowings with fixed interest rates accounted for 51.5% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in notes 16 to the interim condensed consolidated financial information, the Group has made no further pledge of assets as at 30 June 2023.

INTERIM DIVIDEND

The Board did not recommend to declare any interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: 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 mainly denominated 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.

During the Period under Review, the net gains of foreign exchange (included in “other gains – net”) recorded by the Group was approximately RMB113,833,000 (30 June 2022: RMB47,208,000), which was mainly due to the gains from export business denominated in U.S. dollars as a result of fluctuations in the exchange rate of Renminbi against U.S. dollars during the Period under Review.

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.

INTEREST RATE RISK

During the Period under Review, the loans of the Group were mainly bank loans. Therefore, the benchmark lending rate announced by the People’s Bank of China would have a direct impact on the Group’s cost of debt, and future changes in interest rates would 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 widening financing channels.

EMPLOYEES AND REMUNERATION

As of 30 June 2023, the Group employed approximately 7,761 employees (30 June 2022: 6,299). During the Period under Review, labor cost of the Group approximated to RMB891,332,000 (30 June 2022: RMB811,203,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

The remuneration committee of the Company is responsible for making recommendations to the Board on the Company’s remuneration policy and structure of the Board members and senior management, the remuneration packages of executive Directors and senior management and the remuneration of non-executive Directors.

The Group’s criteria in relation to the determination of Directors’ remuneration takes into consideration factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions of other positions in the Group and desirability of performance-based remuneration.

The salary levels of employees are generally determined by reference to the employees’ positions, responsibilities and performance as well as the Group’s financial performance. In addition to salaries, the Group provides housing allowances to some of its employees. The Group also offers incentive programmes to encourage its employees to take initiatives and rewards employees who have made valuable contributions or achieved technical breakthroughs.

The Group’s employees are rewarded for their creativity achievements in technologies and technical skills, management of information, product quality and corporate management.

SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE PERIOD UNDER REVIEW

During the Period under Review, the Group did not conduct significant acquisition or disposal of any subsidiaries and associates.

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 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 Period under Review. The Company will continue to ensure the compliance with the Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Group occurred since 30 June 2023 and up to the date of this announcement.

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

Hong Kong, 25 August 2023

As at the date of this announcement, the executive Directors are Mr. Hu Jichun, Mr. Hu Yueming, Mr. Chen Yongdao, 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.