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## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

### FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2024 <i>RMB'000</i> (Unaudited)	Six months ended 30 June 2023 <i>RMB'000</i> (Unaudited)	Change
Revenue from contracts with customers	10,159,694	11,257,595	-9.8%
Gross profit	1,354,468	1,752,834	-22.7%
(Loss)/profit for the period attributable to owners of the Company	(528,733)	209,167	N/A
Basic and diluted (loss)/earnings per share ( <i>RMB</i> )	(0.323)	0.128	N/A
	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)	Change
Total assets	44,108,949	41,700,395	5.8%
Total liabilities	30,677,058	27,788,171	10.4%
Net assets	13,431,891	13,912,224	-3.5%
Net assets per share ( <i>RMB</i> )	8.2	8.5	-3.5%
Gearing ratio* (%)	69.5	66.6	2.9 percentage points

\* *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 2024 (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 2024

	Note	Unaudited	
		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Revenue from contracts with customers	3	10,159,694	11,257,595
Cost of sales		(8,805,226)	(9,504,761)
<b>Gross profit</b>		<b>1,354,468</b>	<b>1,752,834</b>
Selling and distribution expenses		(224,312)	(235,463)
Administrative expenses		(287,906)	(285,434)
Research and development costs		(410,115)	(459,359)
Net impairment losses recognised on financial assets		(809,454)	(82,692)
Other income	4	164,461	103,646
Other gains – net	5	20,807	91,602
<b>Operating (loss)/profit</b>		<b>(192,051)</b>	<b>885,134</b>
Finance income	7	62,895	55,897
Finance costs	7	(401,135)	(396,453)
<b>Finance costs – net</b>		<b>(338,240)</b>	<b>(340,556)</b>
Share of results of associates		(473)	(1,888)
<b>(Loss)/profit before income tax</b>		<b>(530,764)</b>	<b>542,690</b>
Income tax credit/(expenses)	8	183,633	(30,329)
<b>(Loss)/profit for the period</b>		<b>(347,131)</b>	<b>512,361</b>
<b>(Loss)/profit for the period attributable to:</b>			
– Owners of the Company		(528,733)	209,167
– Non-controlling interests		181,602	303,194
		<b>(347,131)</b>	<b>512,361</b>
<b>(Loss)/earnings per share (expressed in RMB)</b>			
Basic and diluted (loss)/earnings per share	9	(0.323)	0.128

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(Loss)/profit for the period</b>	<u>(347,131)</u>	<u>512,361</u>
<b>Other comprehensive (loss)/income for the period:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Changes in fair value of debt instruments at fair value through other comprehensive income	(1,031)	(890)
– Exchange differences on translation of foreign operations	33,320	(27,544)
– Income tax relating to these items	124	(336)
	<u>32,413</u>	<u>(28,770)</u>
<i>Items that will not be reclassified to profit or loss:</i>		
– Changes in fair value of equity instruments at fair value through other comprehensive income	(219,377)	(306,756)
– Income tax relating to these items	53,762	65,761
	<u>(165,615)</u>	<u>(240,995)</u>
<b>Other comprehensive loss, net of tax</b>	<u>(133,202)</u>	<u>(269,765)</u>
<b>Total comprehensive (loss)/income for the period</b>	<u><u>(480,333)</u></u>	<u><u>242,596</u></u>
<b>Total comprehensive (loss)/income attributable to:</b>		
– Owners of the Company	(660,791)	(60,710)
– Non-controlling interests	180,458	303,306
	<u><u>(480,333)</u></u>	<u><u>242,596</u></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

	<i>Note</i>	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>9,887,531</b>	8,988,566
Right-of-use assets		<b>756,133</b>	719,049
Goodwill		<b>26,414</b>	26,414
Investments in associates		<b>195,824</b>	196,297
Financial assets at fair value through other comprehensive income (“FVOCI”)		<b>1,071,050</b>	1,290,427
Financial assets at fair value through profit or loss (“FVPL”)		<b>423,300</b>	411,400
Deposits for land leases		–	5,890
Deferred tax assets		<b>1,232,873</b>	905,494
		<b>13,593,125</b>	12,543,537
<b>Current assets</b>			
Inventories		<b>7,483,886</b>	6,544,851
Trade receivables	<i>11</i>	<b>8,771,793</b>	8,489,248
Other receivables	<i>11</i>	<b>1,465,418</b>	1,436,709
Prepayments		<b>2,394,565</b>	1,596,936
Financial assets at FVOCI		<b>1,697,864</b>	1,804,904
Financial assets at FVPL		<b>6,688</b>	53,046
Income tax recoverable		<b>24,530</b>	40,875
Pledged bank deposits		<b>3,522,489</b>	3,562,398
Cash and cash equivalents		<b>5,148,591</b>	5,627,891
		<b>30,515,824</b>	29,156,858

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>4,047,483</b>	3,396,014
Bills payables	<i>12</i>	<b>4,157,616</b>	3,950,352
Other payables	<i>12</i>	<b>1,070,316</b>	1,393,772
Contract liabilities		<b>1,919,755</b>	1,729,685
Borrowings	<i>13</i>	<b>6,813,334</b>	5,036,621
Deferred income		<b>65,109</b>	42,925
Income tax payable		<b>93,867</b>	137,640
Warranty provision		<b>966,055</b>	1,144,479
Written put option liability		<b>4,901,175</b>	4,772,175
		<b>24,034,710</b>	21,603,663
<b>Net current assets</b>		<b>6,481,114</b>	7,553,195
<b>Total assets less current liabilities</b>		<b>20,074,239</b>	20,096,732
<b>Non-current liabilities</b>			
Borrowings	<i>13</i>	<b>4,581,640</b>	4,457,964
Deferred income		<b>682,512</b>	475,164
Warranty provision		<b>1,244,587</b>	1,124,470
Deferred tax liabilities		<b>133,609</b>	126,910
		<b>6,642,348</b>	6,184,508
<b>Net assets</b>		<b>13,431,891</b>	13,912,224
<b>Capital and reserves</b>			
Share capital		<b>119,218</b>	119,218
Reserves		<b>9,493,301</b>	10,154,092
Equity attributable to owners of the Company		<b>9,612,519</b>	10,273,310
Non-controlling interests		<b>3,819,372</b>	3,638,914
<b>Total equity</b>		<b>13,431,891</b>	13,912,224

# 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 2024 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 2023 annual consolidated financial statements, except for the adoption of amendments to International Financial Reporting Standards (“IFRS”), 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.

The significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

This interim condensed consolidated financial information contains interim 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 2023 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 IFRSs, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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. NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP

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 2024 applicable for the preparation of the Group’s interim condensed consolidated financial information:

Amendments to IFRS 16	Lease Liability in a Sale Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the new 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 this interim condensed consolidated financial information.

A number of new and amendments to IFRSs are published that are not mandatory to be adopted for annual period beginning on 1 January 2024 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/loss before tax from operations is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, dividend income, fair value gains/losses from the Group's financial instruments, loss on disposal of an associate, loss on early redemption of other financial assets at amortised cost, foreign exchange gains, net, 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 recoverable, structured bank deposits, pledged bank deposits, cash and cash equivalents, investments in associates, equity investments at FVPL/FVOCI, 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 liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(a) **Segment information**

	Wind and industrial gear transmission equipment <i>RMB'000</i>	Rail transportation gear transmission equipment <i>RMB'000</i>	Trading business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the six months ended 30 June 2024</b>					
<b>(unaudited)</b>					
<b>Segment revenue</b>					
Revenue from external customers	<u>6,648,198</u>	<u>135,792</u>	<u>3,373,243</u>	<u>2,461</u>	<u>10,159,694</u>
Timing of revenue recognition					
At a point in time	<u>6,648,198</u>	<u>135,792</u>	<u>3,373,243</u>	<u>2,461</u>	<u>10,159,694</u>
<b>Segment results</b>	<b>562,157</b>	<b>25,038</b>	<b>(542,938)</b>	<b>(336)</b>	<b>43,921</b>
Reconciliation:					
Finance costs – net					(338,240)
Dividend income					3,624
Foreign exchange gains, net					1,143
Net fair value gains on financial assets at FVPL					8,851
Share of results of associates					(473)
Corporate and other unallocated expenses					<u>(249,590)</u>
<b>Loss before income tax</b>					<u><b>(530,764)</b></u>
<b>Other segment information</b>					
Write-down of inventories	11,607	124	-	-	11,731
Net impairment losses (reversed)/ recognised on financial assets	(122)	(457)	560,927	37	560,385
Reversal of impairment losses on property, plant and equipment	(2,670)	-	-	-	(2,670)
Depreciation of property, plant and equipment and right-of-use assets	354,151	4,174	12	86	358,423
Capital expenditure	1,299,948	4,475	-	2	1,304,425



	Wind and industrial gear transmission equipment <i>RMB'000</i>	Rail transportation gear transmission equipment <i>RMB'000</i>	Trading business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 30 June 2024 (unaudited)</b>					
Segment assets	24,010,888	438,531	5,184,690	1,235,598	30,869,707
Corporate and other unallocated assets					13,239,242
<b>Total assets</b>					<b>44,108,949</b>
Segment liabilities	12,844,805	120,824	534,817	518,374	14,018,820
Corporate and other unallocated liabilities					16,658,238
<b>Total liabilities</b>					<b>30,677,058</b>
<b>For the six months ended 30 June 2023 (unaudited)</b>					
<b>Segment revenue</b>					
Revenue from external customers	8,119,398	118,180	3,006,818	13,199	11,257,595
Timing of revenue recognition					
At a point in time	8,119,398	118,180	3,006,818	13,199	11,257,595
<b>Segment results</b>	827,113	19,936	7,472	(4,407)	850,114
Reconciliation:					
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
Net fair value gains on financial assets at FVPL					8,915
Share of results of associates					(1,888)
Corporate and other unallocated expenses					(51,060)
<b>Profit before income tax</b>					<b>542,690</b>

	Wind and industrial gear transmission equipment <i>RMB'000</i>	Rail transportation gear transmission equipment <i>RMB'000</i>	Trading business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Other segment information</b>					
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
<b>As at 31 December 2023 (audited)</b>					
<b>Segment assets</b>	21,534,601	522,040	4,673,793	1,328,032	28,058,466
Corporate and other unallocated assets					13,641,929
<b>Total assets</b>					<u>41,700,395</u>
<b>Segment liabilities</b>	12,308,451	134,050	172,883	479,453	13,094,837
Corporate and other unallocated liabilities					14,693,334
<b>Total liabilities</b>					<u>27,788,171</u>

**(b) Geographical information**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue from external customers</b>		
PRC	<b>9,173,733</b>	10,121,714
USA	<b>578,531</b>	768,303
Europe	<b>100,133</b>	55,568
Other countries	<b>307,297</b>	312,010
	<u><b>10,159,694</b></u>	<u>11,257,595</u>

#### 4. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend income from financial assets at FVOCI and FVPL	3,624	240
Interest income from other financial assets at amortised cost	–	5,254
Government grants		
– Deferred income recognised	32,335	17,577
– Other government subsidies	57,984	22,186
Sale of scraps and materials	52,090	38,734
Gross fixed rental income	2,923	2,042
Others	15,505	17,613
	<u>164,461</u>	<u>103,646</u>

#### 5. OTHER GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Gains/(losses) on disposal of property, plant and equipment, net	8,143	(664)
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	1,143	113,833
Net fair value gains on financial assets at FVPL	8,851	8,915
Reversal of impairment losses on property, plant and equipment	2,670	11,680
	<u>20,807</u>	<u>91,602</u>

#### 6. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	8,006,992	8,838,300
Employee benefits expenses	918,920	891,332
Depreciation of property, plant and equipment	351,199	240,161
Depreciation of right-of-use assets	8,589	8,856
Write-down of inventories	11,731	17,079
Other expenses	430,128	489,289
	<u>9,727,559</u>	<u>10,485,017</u>
Total cost of sales, selling and distribution expenses, administrative expenses and research and development costs	<u>9,727,559</u>	<u>10,485,017</u>

## 7. FINANCE INCOME AND COSTS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Finance income</b>		
– Interest income from bank deposits	<u>62,895</u>	<u>55,897</u>
<b>Finance costs</b>		
– Interest expenses on bank and other borrowings	(273,802)	(268,528)
– Less: Interest capitalised	1,667	1,075
– Written put option liability: unwinding of discount	<u>(129,000)</u>	<u>(129,000)</u>
	<u>(401,135)</u>	<u>(396,453)</u>
Finance costs – net	<u>(338,240)</u>	<u>(340,556)</u>

## 8. INCOME TAX (CREDIT)/EXPENSES

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax – charge for the period		
– PRC	50,208	134,992
– Hong Kong	22,397	5,645
– USA	5,501	3,948
– Others	6,546	–
Over-provision in respect of prior years	<u>(1,494)</u>	<u>(46,553)</u>
	<u>83,158</u>	<u>98,032</u>
Deferred tax	<u>(266,791)</u>	<u>(67,703)</u>
Income tax (credit)/expenses	<u>(183,633)</u>	<u>30,329</u>

**(a) PRC corporate income tax**

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2023: 25%) on the taxable profits of the Group's PRC subsidiaries for the six months ended 30 June 2024.

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

<b>Name of company</b>	<b>Year ended during which approval was obtained</b>	<b>Year ending during which approval will expire/expired</b>
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2023	31 December 2025
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2023	31 December 2025
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2023	31 December 2025
NGC (Baotou) Transmission Equipment Co., Ltd. ("NGC (Baotou)")	31 December 2021	31 December 2023 (Note)

*Note:*

The approval of preferential tax rate of NGC (Baotou) was issued in December 2021. 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, NGC (Baotou) is 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 successful renewals could be obtained by the end of 2024.

**(b) Hong Kong Profits Tax**

Hong Kong Profits Tax for the six months ended 30 June 2024 and 30 June 2023 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 2023: 8.5% to 21%) on the estimated assessable profits arising from the jurisdictions at 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 by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Net (loss)/profit attributable to owners of the Company	(528,733)	209,167
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>(0.323)</u>	<u>0.128</u>

No adjustment is made to the diluted (loss)/earnings per share for the six months ended 30 June 2024 and 2023 as there were 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 2024 (six months ended 30 June 2023: Nil).

## 11. TRADE AND OTHER RECEIVABLES

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Note</i>	<b>RMB'000</b>	RMB'000
Trade receivables			
– Amounts due from third parties	(i)	9,981,843	9,139,274
Less: Loss allowances		<u>(1,210,050)</u>	<u>(650,026)</u>
		<u>8,771,793</u>	<u>8,489,248</u>
Other receivables			
– Value-added tax recoverable		569,826	392,900
– Loans to third parties		317,838	317,838
– Redemption receivable from an insurance company	(ii)	612,600	612,600
– Amounts due from associates		45,951	45,951
– Amounts due from former subsidiaries		515,917	515,854
– Amounts due from other third parties		<u>422,167</u>	<u>322,951</u>
		2,484,299	2,208,094
Less: Loss allowances		<u>(1,018,881)</u>	<u>(771,385)</u>
		<u>1,465,418</u>	<u>1,436,709</u>
		<u>10,237,211</u>	<u>9,925,957</u>

Note:

- (i) The Group generally allows a credit period within 180 days (31 December 2023: 90 days) to its trade customers for trading business. Apart from that, the Group generally allows a credit period within 180 days (31 December 2023: 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.
- (ii) The balance represented redemption receivable on the insurance products purchased from an insurance company. In February 2023, the Group submitted an early redemption request to the insurance company to redeem all the entire insurance investments and the request has been accepted. At the redemption date, the cash value of the insurance investments was RMB612,600 thousands. In November 2023, the Group initiated a legal proceeding against the insurance company at Nanjing Intermediate People's Court to enforce the insurance company's repayment obligation as the amount due is not yet received by the Group. As at the date of this announcement, the case is still on going, currently under the second trial of the jurisdiction issue. Based on the opinion of the legal counsel representing the Group in this case, it is expected that it is highly probable that the Group will succeed in the legal proceeding. The board of directors does not expect this legal proceeding would have any material adverse impact on the business operations and the financial position of the Group.

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

The ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Less than 90 days	<b>6,321,550</b>	6,858,350
90 to 180 days	<b>1,389,605</b>	884,920
181 to 365 days	<b>645,150</b>	345,451
1 to 2 years	<b>271,098</b>	270,275
Over 2 years	<b>144,390</b>	130,252
	<b><u>8,771,793</u></b>	<u>8,489,248</u>

#### **Impairment of financial assets under expected credit loss model**

For the six months ended 30 June 2024 and 2023, the following impairment losses were recognised in profit or loss:

	<b>Unaudited Six months ended 30 June 2024 RMB'000</b>	2023 RMB'000
Impairment losses recognised on trade receivables	<b>561,762</b>	34,569
Impairment losses recognised on other receivables	<b>247,692</b>	48,123
	<b><u>809,454</u></b>	<u>82,692</u>

The impairment losses on trade and other receivables recognised during the six months ended 30 June 2024 were relatively large as (i) the receivables from trading business were adversely affected by unfavourable market factors, such as liquidity constraints in industrial chain, and (ii) the financial conditions of certain borrowers exhibited a trend/signs of deterioration, which resulted in default in repayments in these trade and loan receivables as at the end of the reporting period.

## 12. TRADE, BILLS AND OTHER PAYABLES

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Trade payables		
– Amounts due to third parties	4,047,465	3,395,996
– Amounts due to an associate	18	18
	<u>4,047,483</u>	<u>3,396,014</u>
Bills payables	<u>4,157,616</u>	<u>3,950,352</u>
	<u>8,205,099</u>	<u>7,346,366</u>
Other payables		
– Accruals	250,790	262,169
– Other tax payables	32,160	44,295
– Purchase of property, plant and equipment	459,885	550,474
– Payroll and welfare payables	116,023	245,886
– Financial guarantee liabilities (Note 14)	2,300	2,672
– Amount due to an associate	15,000	15,000
– Amounts due to third parties	194,158	273,276
	<u>1,070,316</u>	<u>1,393,772</u>
	<u><u>9,275,415</u></u>	<u><u>8,740,138</u></u>

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

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
0 to 30 days	3,858,175	3,295,868
31 to 60 days	320,660	675,370
61 to 180 days	222,361	2,864,605
181 to 365 days	3,526,162	422,813
Over 365 days	277,741	87,710
	<u>8,205,099</u>	<u>7,346,366</u>



### 13. BORROWINGS

	Unaudited 30 June 2024		Audited 31 December 2023	
	Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000
<b>Current</b>				
Bank loans – Unsecured	2.70 – 4.65	5,677,986	3.00 – 4.65	4,501,000
Bank loans – Secured	3.18 – 4.61	735,348	3.18 – 4.75	135,621
Loans from other financial institution – Secured	7.61	400,000	7.61	400,000
		<u>6,813,334</u>		<u>5,036,621</u>
<b>Non-current</b>				
Bank loans – Unsecured	2.92 – 3.29	1,396,598	3.08 – 4.53	1,052,032
Bank loans – Secured	4.07 – 4.61	3,185,042	3.18 – 4.75	3,405,932
		<u>4,581,640</u>		<u>4,457,964</u>
		<u>11,394,974</u>		<u>9,494,585</u>

*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 2024 and 31 December 2023, 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 guarantee

As at 30 June 2024, the Group issued a financial guarantee to a bank in respect of a bank loan of RMB16,022 thousands (31 December 2023: RMB24,024 thousands) granted to an associate. This amount represented the balance that the Group could be required to pay if the guarantee was called upon in its entirety. At the end of the reporting period, an amount of RMB2,300 thousands (31 December 2023: RMB2,672 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:

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	Audited 31 December 2023 <i>RMB'000</i>
<b>Contracted, but not provided for:</b>		
Property, plant and equipment	<b>995,576</b>	1,853,478

## 16. ASSETS PLEDGED AS SECURITIES

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

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	Audited 31 December 2023 <i>RMB'000</i>
Bills receivables	225,299	294,458
Trade receivables	398,794	398,794
Property, plant and equipment	2,670,284	2,495,485
Land use rights	338,263	342,352
Pledged bank deposits	3,522,489	3,562,398
	<b>7,155,129</b>	7,093,487

## 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 2024 (the “**Period under Review**”), the Group recorded sales revenue of approximately RMB10,159,694,000 (30 June 2023: RMB11,257,595,000), representing a decrease of 9.8% as compared with the corresponding period of 2023, and the gross profit margin was approximately 13.3% (30 June 2023: 15.6%). During the Period under Review, loss attributable to owners of the Company was approximately RMB528,733,000 (30 June 2023: profit attributable to owners of the Company of RMB209,167,000). The basic loss per share was RMB0.323 (30 June 2023: basic earnings per share of RMB0.128), which was mainly attributable to the decrease in profit generated from the gear transmission equipment businesses for the Period under Review as compared to the same period last year and the increase in the provision for impairment losses on receivables other than those from the gear transmission equipment businesses for the Period under Review as compared to the same period last year.

#### Principal Business Review

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

###### *Diversified, large and overseas market development*

As a leading enterprise of wind power gear transmission equipment in China, leveraging on its outstanding research, design and development capabilities, our product technology has reached an internationally advanced level, making the Group a leader in the offshore large-megawatt wind power gear transmission equipment product and technology. The wind gear transmission equipment products of the Group are widely applied in both onshore and offshore wind power, and new breakthroughs have been made in the offshore wind power business, with large megawatt offshore wind power gear transmission equipment products of 13.6MW-18MW being delivered to customers in bulk. The Group is fully aware that in the face of the increasingly fierce competition in the industry, adhering to a long-term perspective is a wise and stable strategic choice, and only through continuous innovation and research and development can we remain competitive in the future. To this end, relying on the StanGear™ and WinGear™ product platforms and core technology platforms, we have rapidly iterated and optimized product design and have pursued closely core technologies such as computational analysis technology, intelligent manufacturing technology, material heat control technology, and experiment and testing technology, laying a solid technical foundation to cope with the development trend of large-scale, integrated and lightweight wind turbines. At the same time, keeping up with the new trend of market development, the Group has actively developed onshore and offshore large-megawatt wind power gear transmission equipment with integrated transmission chain, deeply integrated digital technology, built GearSight IoT cloud platform for gearbox health monitoring and diagnosis, and created a remote diagnosis center, realizing efficient management of the entire life cycle of wind power gear transmission equipment products.

Up to now, the Group has maintained a strong customer portfolio. The customers of our wind gear transmission equipment products include major wind turbine manufacturers in the People's Republic of China (the "PRC"), as well as internationally renowned wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Suzlon, Nordex, Adani, etc. Global market layout will facilitate diversification of operational risks. The Group also seeks to have closer communication, cooperation and development with existing and potential overseas customers through its subsidiaries in the United States (the "U.S."), Canada, Germany, Singapore and India.

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 22.5% to approximately RMB5,489,427,000 as compared with the corresponding period of last year (30 June 2023: RMB7,082,478,000).

## **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. 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 RMB1,158,771,000 (30 June 2023: RMB1,036,920,000) for the Group, representing an increase of 11.8% 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, such as the CRRC Group and the Alstom Group. The Group has obtained ISO/TS22163 Certificate for the Quality Management System of International Railway Industry, CRCC Certification for Railway Products for its rail transportation gear transmission equipment products and Silver Certificate for "IRIS" System, 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, India, Brazil, France, Canada, Australia and Egypt. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, the Group'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 RMB135,792,000 (30 June 2023: RMB118,180,000) for the Group, representing an increase of 14.9% as compared with the corresponding period of last year.

### **4. Trading business**

*Explore 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 steel. During the Period under Review, the trading business of the Group focused on the bulk commodity trading business.

During the Period under Review, the trading business generated sales revenue of approximately RMB3,373,243,000 (30 June 2023: RMB3,006,818,000), representing an increase of 12.2% 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 RMB985,961,000 (30 June 2023: RMB1,135,881,000), representing a decrease of 13.2% as compared with the corresponding period of last year. Overseas sales accounted for approximately 9.7% (30 June 2023: 10.1%) of the total sales of the Group, representing a decline of 0.4 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**

In the first half of 2024, facing the intricate global situation with weak recovery of the world economy, complexity and grimness of the external environment is obviously increasing. Facing the pressures and challenges, the PRC Government heightened the implementation of macro policies, under which favourable effect has been successively demonstrated with the gradual implementation of such policies, driving steady progress in the development trend of the economy of China and exhibiting great resilience and development potential. According to statistics released by the National Bureau of Statistics, the gross domestic product (GDP) of China for the first half of 2024 was RMB61.7 trillion, representing a year-on-year increase of 5.0% at constant price. The development of China's economy is clearly defined, and the fundamentals of economic stability and long-term improvement remain unchanged.

Along with the accelerated global transformation of energies, the role of clean energy has continued to be the highlighted part in the system of energy consumption. Active development of clean energy and promoting green and low-carbon transformation of the economy and society become an international consensus. Wind power, as an important form of clean energy power generation, has attracted more and more attention and emphasis. The installed capacity of wind power, both onshore and offshore, has shown a continuous expansion trend, and has gradually become the mainstream direction of future energy development. As a leading supplier of wind gear transmission equipment, the Group will continue promoting intelligent manufacturing and digital development, enhancing lean manufacturing capability and high-quality management level of the enterprise, relying on innovative and green development as its basis, adhering to zero-defect quality standards, maintaining high investments in research and development, upgrading service quality and striving to provide diversified wind gear transmission products and comprehensive service network for the global market.

In recent years, under the background of dual carbon, domestic policies continued to intensify, while promoting the rapid development of the wind power industry, it has greatly intensified the competition in the industry. With the emergence of many wind turbine companies and the continuous expansion of production capacity in the industry, the price of wind turbines continued to decline. Against this background, some wind turbine enterprises have chosen to independently research and develop wind turbine gearboxes instead of outsourcing, which directly reduced the proportion of the sales volume of the free market in the industry. In addition, the prices of wind turbine products remained low, and in turn have caused the prices of wind turbine gearboxes in the free market to continue to decline. This inevitably drove down the price of the Group's wind power gear transmission equipment. The competitive landscape of wind turbine parts and components, especially the ongoing price competition and intensified industry involution in the wind turbine manufacturing industry at this stage, have brought challenges to the development of the Group's wind gear transmission equipment business.



The Group's industrial gear transmission equipment business adheres to the orientation of green development, unswervingly follows the path of energy-saving, environmental protection and low-carbon development, collaboratively promotes and improves the "standardization, modularization and serialization" product system, and leads the industrial gear transmission technology towards the excellent state of "four high, three low" (high power, high speed, high load-bearing, high precision; low power consumption, low vibration, low noise). At the same time, the Group has also carefully built an "integrated, intelligent and digital" drive product system with drive technology as its core. Together with customers at home and abroad, relying on the global strong R&D system, the Group continues to explore and make breakthroughs, and has developed a series of intelligent interconnected products, providing customers with intelligent and customized solutions, leading the industry towards a more efficient and intelligent future. The Group owns the Jiangsu Industrial Gear Engineering Research Center (江蘇省工業齒輪工程技術研究中心) and the Jiangsu Industrial High-speed Precision Gear Transmission Device Engineering Research Center (江蘇省工業高速精密齒輪傳動裝置工程研究中心). Through continuous technological innovation and market insights, continuous vitality is injected into the Group, thereby solidifying the market competitive capabilities of industrial gear transmission equipment products. The Group continues to deepen its cooperative relationships with customers, enrich customer choices, meet diversified needs of customer and help customers improve operational efficiency to ensure that the Group maintains its leading position in the market of industrial gear transmission equipment products. In addition, the Group will also give full play to its own resource endowment advantages to further expand overseas markets, focusing on attracting new customers and strengthening customer loyalty. It will also actively explore new product categories, develop new market channels and capture each potential business opportunity with keen business insights, for injecting new vitality and growth points continuously into the Group's development.

The Group's rail transit gear transmission equipment occupies an important position in various rail transit market segments such as high-speed railway, subway, urban express line and trams, and has established solid and long-term cooperative partnerships with many top domestic and foreign enterprises in the industry. Adhering to the "concept and process of zero defects", the Group is committed to providing safe, reliable and quiet rail transit gear transmission equipment products for global customers and providing a full range of rail transit gear transmission equipment solutions. During the Period under Review, the Group won an order for 1,040 sets of subway gearboxes in Queensland, Australia, and its comprehensive strength was further recognized. At present, the Company has more than 60,000 sets of subway gear transmission equipment operating successfully in many countries and regions such as China, North America, South America, Europe, Southeast Asia and South Africa. The products have been well received by users. The Group's position in the field of rail transit transmission equipment is becoming more and more stable. With increasing enhancement of brand reputation, continuous vitality will be injected into the high-quality development of the Group's rail transit gear transmission equipment business.

In the second half of 2024, the Group will continue to adhere to the strategic thinking of “innovative thinking, zero-defect quality, professional services and customer proximity”, enrich the product matrix, and improve product quality and service level, creating a new area for the Group’s high quality and intelligent development. Meanwhile, the Group will continue to keep abreast of the market pulse, fully tap the market potential, and strive to achieve another leap in profitability while improving product quality and economies of scale. The “green” concept is reshaping the development trajectory of enterprises and becoming a new benchmark for high-quality development. As a leading supplier in the field of gear transmission equipment, the Group will continue to be oriented in green development, and driven by technological innovation, leading green and low-carbon transformation of the economy, and contributing important efforts to global green and sustainable development.

## FINANCIAL PERFORMANCE

### Revenue

Sales revenue of the Group for the Period under Review decreased by 9.8% to approximately RMB10,159,694,000, which was mainly due to the decrease in sales of wind gear transmission equipment.

	Revenue		
	Six months ended 30 June		
	2024	2023	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Wind gear transmission equipment	<b>5,489,427</b>	7,082,478	-22.5%
Industrial gear transmission equipment	<b>1,158,771</b>	1,036,920	11.8%
Rail transportation gear transmission equipment	<b>135,792</b>	118,180	14.9%
Trading business	<b>3,373,243</b>	3,006,818	12.2%
Other products	<b>2,461</b>	13,199	-81.4%
<b>Total</b>	<b><u>10,159,694</u></b>	<b><u>11,257,595</u></b>	<b><u>-9.8%</u></b>



## **Gross profit margin and gross profit**

During the Period under Review, the Group's consolidated gross profit margin was approximately 13.3% (30 June 2023: 15.6%), representing a decrease of 2.3 percentage points as compared with the corresponding period of last year. Consolidated gross profit for the Period under Review was approximately RMB1,354,468,000 (30 June 2023: RMB1,752,834,000), representing a decrease of 22.7% as compared with the corresponding period of last year. During the Period under Review, the decrease in consolidated gross profit was mainly due to decrease in sales revenue and gross profit margin, and the decrease in gross profit margin was mainly due to the decreased sales price and the increased costs of wind gear transmission equipment.

## **Other income**

During the Period under Review, the Group's other income was approximately RMB164,461,000 (30 June 2023: RMB103,646,000), representing an increase of 58.7% as compared with the corresponding period last year. Other income mainly comprised of income from sales of scraps and materials and government grants. The increase in other income was mainly due to the increase in government grants of approximately RMB50,556,000.

## **Other gains – net**

During the Period under Review, the Group's other net gains were approximately RMB20,807,000 (30 June 2023: RMB91,602,000) and mainly included gains from disposal of properties, plants and equipment 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 RMB224,312,000 (30 June 2023: RMB235,463,000), representing a decrease of 4.7% 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 2.2% (30 June 2023: 2.1%) 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 RMB287,906,000 (30 June 2023: RMB285,434,000), representing an increase of 0.9% as compared with the corresponding period of last year. The increase in the administrative expenses was mainly due to the increase in property tax. Administrative expenses accounted for 2.8% (30 June 2023: 2.5%) of sales revenue for the Period under Review, representing an increase of 0.3 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 RMB410,115,000 (30 June 2023: RMB459,359,000), representing a decrease of 10.7% as compared with the corresponding period of last year. Research and development costs accounted for 4.0% (30 June 2023: 4.1%) of sales revenue for the Period under Review, representing a decrease of 0.1 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 RMB809,454,000 (30 June 2023: RMB82,692,000), mainly including impairment losses on trade receivables of RMB561,762,000 and impairment losses on other receivables of RMB247,692,000. The increase in impairment losses were mainly due to (i) the receivables from trading business were adversely affected by unfavourable market factors, such as liquidity constraints in industrial chain, and (ii) the financial conditions of certain borrowers exhibited a trend/signs of deterioration, which resulted in default in repayments in these trade and loan receivables as at the end of the Period under Review.

## **Finance costs**

During the Period under Review, the Group's finance costs were approximately RMB401,135,000 (30 June 2023: RMB396,453,000), representing an increase of 1.2% 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 2024, the equity attributable to owners of the Company amounted to approximately RMB9,612,519,000 (31 December 2023: RMB10,273,310,000). The Group had total assets of approximately RMB44,108,949,000 (31 December 2023: RMB41,700,395,000), representing an increase of approximately RMB2,408,554,000 or 5.8% as compared with the beginning of the year. Total current assets were approximately RMB30,515,824,000 (31 December 2023: RMB29,156,858,000), representing an increase of 4.7% as compared with the beginning of the year. Total non-current assets were approximately RMB13,593,125,000 (31 December 2023: RMB12,543,537,000), representing an increase of 8.4% as compared with the beginning of the year.

As at 30 June 2024, total liabilities of the Group were approximately RMB30,677,058,000 (31 December 2023: RMB27,788,171,000), representing an increase of approximately RMB2,888,887,000 or 10.4% as compared with the beginning of the year. Total current liabilities were approximately RMB24,034,710,000 (31 December 2023: RMB21,603,663,000), representing an increase of 11.3% as compared with the beginning of the year. Total non-current liabilities were approximately RMB6,642,348,000 (31 December 2023: RMB6,184,508,000), representing an increase of 7.4% as compared with the beginning of the year.

As at 30 June 2024, the net current assets of the Group were approximately RMB6,481,114,000 (31 December 2023: RMB7,553,195,000), representing a decrease of approximately RMB1,072,081,000 or 14.2% as compared with the beginning of the year.

As at 30 June 2024, total cash and bank balances of the Group were approximately RMB8,671,080,000 (31 December 2023: RMB9,190,289,000), representing a decrease of approximately RMB519,209,000 or 5.6% as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB3,522,489,000 (31 December 2023: RMB3,562,398,000).

As at 30 June 2024, the Group had total borrowings of approximately RMB11,394,974,000 (31 December 2023: RMB9,494,585,000), representing an increase of approximately RMB1,900,389,000 or 20.0% as compared with the beginning of the year, of which borrowings due within one year were RMB6,813,334,000 (31 December 2023: RMB5,036,621,000), accounting for approximately 59.8% (31 December 2023: 53.0%) of the total borrowings. The Group's borrowings during the Period under Review bear interest rates from 2.70% 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 RMB6,481,114,000 as at 30 June 2024, 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 66.6% as at 31 December 2023 to 69.5% as at 30 June 2024.

### **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 2024, the Group's borrowings with fixed interest rates accounted for approximately 44.0% of total borrowings.

### **PLEDGE OF ASSETS**

Save as disclosed in note 16 to the interim condensed consolidated financial information, the Group has made no further pledge of assets as at 30 June 2024.

### **INTERIM DIVIDEND**

The Board did not recommend to declare any interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: 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 RMB1,143,000 (30 June 2023: RMB113,833,000), 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 at 30 June 2024, the Group employed approximately 7,897 employees (30 June 2023: 7,761). During the Period under Review, labor cost of the Group approximated to RMB918,920,000 (30 June 2023: RMB891,332,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

## **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 C1 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 C3 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 (including sale of treasury shares). As at 30 June 2024, the Company did not hold any of treasury shares.

## **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

No important events affecting the Group occurred since 30 June 2024 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, 28 August 2024

*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.*