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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Jichun (*Chairman and Chief Executive Officer*)

Mr. Hu Yueming

Mr. Chen Yongdao

Mr. Zhou Zhijin

Ms. Zheng Qing

Mr. Gu Xiaobin

Mr. Fang Jian

Independent non-executive Directors

Mr. Jiang Xihe

Ms. Jiang Jianhua

Dr. Chan Yau Ching, Bob

Mr. Nathan Yu Li

AUDIT COMMITTEE

Mr. Jiang Xihe (*Chairman*)

Dr. Chan Yau Ching, Bob

Mr. Nathan Yu Li

REMUNERATION COMMITTEE

Dr. Chan Yau Ching, Bob (*Chairman*)

Mr. Jiang Xihe

Mr. Chen Yongdao

NOMINATION COMMITTEE

Mr. Hu Jichun (*Chairman*)

Mr. Jiang Xihe

Mr. Nathan Yu Li

REGISTERED OFFICE

VISTRA (CAYMAN) LIMITED

P.O. Box 31119

Grand Pavilion, Hibiscus Way

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

AUDITOR

Baker Tilly Hong Kong Limited

LEGAL ADVISER

DeHeng Law Offices (Hong Kong) LLP

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1302, 13th Floor, COFCO Tower

No. 262 Gloucester Road

Causeway Bay

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited

190 Elgin Avenue, George Town

Grand Cayman KY1-9008

Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. Lui Wing Hong, Edward *CPA (Aust.) FCPA*

AUTHORISED REPRESENTATIVES

Mr. Hu Yueming
Mr. Lui Wing Hong, Edward

PRINCIPAL BANKERS

ICBC
Bank of Communications
Export-Import Bank of China
China Merchants Bank
Bank of Jiangsu
China Construction Bank
SPD Bank
Bank of Beijing
China Minsheng Bank
Bank of Ningbo
Huaxia Bank
Everbright Bank
Australia and New Zealand Bank

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")

STOCK CODE

00658

WEBSITE

www.chste.com

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (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 (RMB)	(0.323)	0.128	N/A
	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (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 (RMB)	8.2	8.5	-3.5%
Gearing ratio* (%)	69.5	66.6	2.9 percentage points

* *Gearing ratio = total liabilities/total assets*

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 NGCWinGear 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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/TS 22163 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 9.7% (30 June 2023: 10.1%) of the total sales of the Group, representing a decline of 0.4 percentage point 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.

RECOGNITION AND CERTIFICATION OF THE GROUP

The mechanical transmission equipment business of the Group has high entry barriers and requires specific technical know-how. The Group enhances corporate growth by introducing new products and new technology. Various products have made their debuts in the domestic market under the Group's on-going innovation of products and technology. Leveraging on its innovative technology and premium quality, the Group has obtained major technology and quality awards, certificates, honours and titles at national, provincial and municipal level for over 100 times over the years, such as national, provincial and municipal technology advancement awards, outstanding new products awards, Jiangsu Governor Quality Award, Nanjing Mayor Quality Award, certification for new products, certification for high and new tech products and certification of high and new tech enterprise, Jiangsu Quality and Credit Graded AAA enterprise, "Jiangsu Boutique", "Jiangsu Green Factory" and "Jiangsu 5 Stars Upper Cloud Enterprise".

As at 30 June 2024, the Group was granted a total of 937 national-authorized patents and have submitted 378 patent applications pending for approval. The Group was the first producer to adopt ISO 1328 and ISO 6336 international standards in the PRC. The Group was also nominated as an enterprise for the 863 State Plan and a Computer Integrated Manufacturing System (CIMS) Application Model Enterprise by the Ministry of Science and Technology of the PRC. The Group has obtained ISO 9001:2015 quality management system certificate, ISO 14001:2015 environmental management system certificate, ISO 45001:2018 occupational health and safety management system certificate, ISO 10012:2003 measurement management system certificate and ISO 50001:2018 energy management system certificate. In addition, the Group has also obtained the GB/T 23001-2017 integration of informationization and industrialization management system certificate. Its testing laboratory has obtained the ISO/IEC 17025:2017 CNAS laboratory certificate. Several special processes of heat treatment have obtained the TPG special process certificate and the GearSight of the Group was also certified by the CMMI Level 3 assessment in the global software domain. During the Reporting Period, the Group has passed the ISO 14064-1:2018 organization greenhouse gas emission verification certification issued by TÜV SÜD, an international third-party testing and certification body, and accredited by the China National Accreditation Service for Conformity Assessment (CNAS). Nanjing High Speed Gear Manufacturing Co., Ltd. (南京高速齒輪製造有限公司) ("Nanjing High Speed"), a subsidiary of the Group, has also become a APQP4Wind Company Member.

MANAGEMENT DISCUSSION AND ANALYSIS

Wind gear transmission equipment products of the Group have obtained certifications from China Classification Society (CCS), China General Certification Center (CGC), China Quality Certification Centre (CQC), Technische Überwachungsverein (TÜV), DNVGL, UL, European Union's CE and ETL; industrial gear transmission equipment products have been certified with the European Union's CE certificate, Mining Products Safety Approval and Certification Center (MA), ATEX, CUTR, GOST and APIQ1 Quality Management System of American Petroleum Institute; and rail transportation gear transmission equipment products have obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry, CRCC Certification for Railway Products and the IRIS "Silver" Certificate.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

INTERIM DIVIDEND

The board (the "Board") of directors (the "Directors") of the Company did not recommend to declare any interim dividend in respect of the six months ended 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

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
	RMB'000	RMB'000	
Wind gear transmission equipment	5,489,427	7,082,478	-22.5%
Industrial gear transmission equipment	1,158,771	1,036,920	11.8%
Rail transportation gear transmission equipment	135,792	118,180	14.9%
Trading business	3,373,243	3,006,818	12.2%
Other products	2,461	13,199	-81.4%
Total	10,159,694	11,257,595	-9.8%

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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 point 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 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 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 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 23 to the condensed consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2024.

CONTINGENT LIABILITIES

Save as disclosed in note 21 to the condensed consolidated financial statements, as at 30 June 2024, the Directors were not aware of any other material contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and machinery of approximately RMB995,576,000 (31 December 2023: RMB1,853,478,000). Relevant details are set out in note 22 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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 POLICY

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.

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 Company'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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

PENSION SCHEMES

The employees of the Group in the PRC are covered by certain defined-contribution pension plans provided by the PRC government. Contributions under these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans. The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Except for the U.S. employees, the non-PRC employees are covered by other defined-contribution pension plans provided by the government of their respective country of residence.

SIGNIFICANT INVESTMENT HELD DURING THE PERIOD UNDER REVIEW

As at 30 June 2024, the Group did not have any significant investments (including any investment in an investee company) accounting for more than 5% of the Group's total assets.

SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE PERIOD UNDER REVIEW

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

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

During the Period under Review, save as disclosed in the paragraph headed "Capital Commitments" under this section and that the Group intended to expand its existing business through purchase of property, plant and equipment, the Group did not enter into any agreement in respect of any proposed acquisitions and did not have any other future plans relating to material investment or capital asset.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Group occurred since 30 June 2024 and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

During the Period under Review, the Company has complied with the code provisions set out in the Corporate Governance Code (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**”), 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 “**Chief Executive Officer**”). The Board considers that vesting the roles of both chairman of the Board and chief executive officer of the Company in Mr. Hu Jichun is beneficial to the business development and management of the Group, enabling the Company to formulate and implement decisions promptly and efficiently while the balance of functions and power will not be impaired. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company from time to time in light of the prevailing circumstances of the Company.

DIRECTORS

Mr. Hu Jichun, Mr. Zhou Zhijin, Mr. Fang Jian and Mr. Jiang Xihe were re-elected as Directors by shareholders at the 2023 annual general meeting of the Company held on 20 June 2024.

The composition of the Board is as follows:

Executive Directors:

Mr. Hu Jichun (*Chairman and Chief Executive Officer*)

Mr. Hu Yueming

Mr. Chen Yongdao

Mr. Zhou Zhijin

Ms. Zheng Qing

Mr. Gu Xiaobin

Mr. Fang Jian

Independent Non-executive Directors:

Mr. Jiang Xihe

Ms. Jiang Jianhua

Dr. Chan Yau Ching, Bob

Mr. Nathan Yu Li

CORPORATE GOVERNANCE AND OTHER INFORMATION

Mr. Hu Yueming is the father of Mr. Hu Jichun. Apart from this, each of the Directors has no financial, business or family relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

During the Period under Review, in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed as least three independent non-executive Directors and at least one independent non-executive Director has accounting or financial management expertise. The Company has also complied with Rule 3.10A of the Listing Rules, as the number of independent non-executive Director represents at least one-third of the Board.

DIRECTORS' REMUNERATION

For the six months ended 30 June 2024, Directors' remuneration (including any fixed or discretionary bonuses and the payment prescribed in the service contract) was RMB9,067,000. Details of which are set out in the note 24(c) to the condensed consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the “**Model Code**”) 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 standards set out in the Model Code during the Period under Review. The Company will continue to ensure the compliance with the Model Code.

SHARE SCHEME

As at 30 June 2024, the Group did not have any share scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Group had not purchased, sold or redeemed any of the Company’s listed securities (including the sale of treasury shares) during the six months ended 30 June 2024. As at 30 June 2024, the Company did not hold any treasury shares.

AUDIT COMMITTEE

The Company established the audit committee as approved by the Board on 8 June 2007 in accordance with Rule 3.21 of the Listing Rules. The audit committee currently comprises three independent non-executive Directors, namely Mr. Jiang Xihe, Dr. Chan Yau Ching, Bob and Mr. Nathan Yu Li. Mr. Jiang Xihe is the chairman of the audit committee.

The audit committee has established written terms of reference (updated on 29 December 2015), which have been published on the websites of the Company and the Hong Kong Stock Exchange. The primary duties of the audit committee are to review and provide supervision on the financial reporting process, risk management and internal control systems of the Company as well as nominating and supervising the external auditor and offering advice and recommendations to the Board.

The Group’s 2024 interim report and unaudited condensed consolidated financial statements for the six months ended 30 June 2024 have been reviewed by the audit committee. The audit committee considered that the financial statements are in compliance with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REMUNERATION COMMITTEE

The Company established the remuneration committee as approved by the Board on 8 June 2007. The remuneration committee currently comprises Dr. Chan Yau Ching, Bob and Mr. Jiang Xihe, who are independent non-executive Directors, and Mr. Chen Yongdao, who is an executive Director. Dr. Chan Yau Ching, Bob is the chairman of the remuneration committee.

The remuneration committee has established written terms of reference (updated on 29 December 2022) which have been published on the websites of the Company and the Hong Kong Stock Exchange. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's remuneration policy (including benefits in kind, pension rights and compensation payments, compensation for loss or termination of their office or appointment) and structure of the members of the Board and senior management, the remuneration packages of individual executive Director and senior management, and the remuneration of non-executive Directors.

The remuneration committee has adopted the model that it will review the proposals made by the management on the remuneration of individual Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the remuneration committee.

NOMINATION COMMITTEE

The Company has established the nomination committee with effect from 1 April 2012. The nomination committee currently comprises Mr. Hu Jichun, the chairman of the Board and Chief Executive Officer, and Mr. Jiang Xihe and Mr. Nathan Yu Li, independent non-executive Directors. Mr. Hu Jichun is the chairman of the nomination committee.

The nomination committee has established written terms of reference which have been published on the websites of the Company and the Hong Kong Stock Exchange. The primary duties of the nomination committee are to study the candidates, selection criteria and procedures of the Board members and the Company's senior management and give recommendations, and review the structure, number and composition of the Board at least once a year to implement the Company's corporate strategies.

The Company adopted the board diversity policy on 1 September 2013 and strives to select the most appropriate candidates to be appointed as members of the Board. The selection of suitable candidates for directorship will be based on a range of diversity criteria including education background, professional experience, skills, knowledge and time commitments. Neither the Board nor the nomination committee has set any measurable objective implementing the board diversity policy, and the nomination committee considered an appropriate balance of diversity perspectives of the Board is maintained.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S AND ITS ASSOCIATED CORPORATIONS' ISSUED SHARES

As at 30 June 2024, save as disclosed below, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions in which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance), or which would be required, pursuant to Section 352 of the Securities and Futures Ordinance, to be recorded in the register referred to therein, or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

ASSOCIATED CORPORATION

Name of Director(s)	Name of associated corporation	Nature of interest	Approximate amount of registered capital in the associated corporation	Approximate percentage of shareholding in the associated corporation
Mr. Hu Yueming	Nanjing High Speed	Interest in controlled corporation (<i>Notes 1, 2</i>)	RMB150,000,000	6.98%
Mr. Zhou Zhijin	Nanjing High Speed	Interest in controlled corporation (<i>Notes 1, 3</i>)	RMB7,400,000	0.344%
Mr. Gu Xiaobin	Nanjing High Speed	Other (<i>Notes 1, 4</i>)	RMB7,400,000	0.344%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) Nanjing High Speed is owned as to approximately 6.98% by Jinhu Shifu Enterprise Management LLP* (金湖驪福企業管理合夥企業(有限合夥)) (“Employee Partnership Enterprise”, formerly known as Shanghai Shifu Enterprise Management LLP* (上海驪福企業管理合夥企業(有限合夥))).
- (2) The Employee Partnership Enterprise is a limited liability partnership controlled by Jinhu Shiji Enterprise Management Consultancy Co., Ltd.* (金湖驪吉企業管理諮詢有限公司) (“Jinhu Shiji”, formerly known as Shanghai Shiji Enterprise Management Consultancy Co., Ltd.* (上海驪吉企業管理諮詢有限公司)), the sole general partner of the Employee Partnership Enterprise. Mr. Hu Yueming is the sole director and sole shareholder of Jinhu Shiji. Hence, Mr. Hu Yueming is deemed to have the sole discretion to exercise 100% of the voting rights of the Employee Partnership Enterprise.
- (3) The Employee Partnership Enterprise is owned as to approximately 10.56% by Jinhu Jiding Information Consultancy Services LLP* (金湖吉鼎信息諮詢服務合夥企業(有限合夥)) (“Jinhu Jiding”, formerly known as Shouguang Jiding Information Consultancy Services LLP* (壽光吉鼎信息諮詢服務合夥企業(有限合夥))), as one of the limited partners of the Employee Partnership Enterprise. Mr. Zhou Zhijin is one of the limited partners of Jinhu Jiding and holds approximately 46.70% interest in Jinhu Jiding.
- (4) The Employee Partnership Enterprise is owned as to approximately 23.58% by Jinhu Dingchuang Information Consultancy Services LLP* (金湖鼎創信息諮詢服務合夥企業(有限合夥)) (“Jinhu Dingchuang”, formerly known as Shouguang Dingchuang Information Consultancy Services LLP* (壽光鼎創信息諮詢服務合夥企業(有限合夥))), as one of the limited partners of the Employee Partnership Enterprise. Mr. Gu Xiaobin is one of the limited partners of Jinhu Dingchuang and holds approximately 20.92% interest in Jinhu Dingchuang.

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be entered in the register to be kept under section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. None of the Directors and chief executives of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES

As at 30 June 2024, the following persons (other than the Directors or the chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance and so far as the Directors are aware, or which would be required, pursuant to Section 336 of the Securities and Futures Ordinance, to be entered in the register referred to therein:

Name	Nature of interest	Number of ordinary shares held	Approximate percentage to the issued shares of the Company (%)
Five Seasons XVI Limited (“Five Seasons”) (Note 1)	Beneficial owner	1,171,241,693 (Long Position)	71.62% (Long Position)
Fullshare Holdings Limited (“Fullshare Holdings”)	Interest of controlled corporation	1,171,241,693 (Long Position)	71.62% (Long Position)

Note 1: Five Seasons, a company incorporated in the British Virgin Islands, is wholly owned by Fullshare Holdings (stock code: 607.HK). Accordingly, Fullshare Holdings is considered to have interests in 1,171,241,693 shares of the Company, representing approximately 71.62% of the issued shares of the Company.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2024, there was no other person, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

INDEPENDENT REVIEW REPORT

Independent review report to the board of directors of China High Speed Transmission Equipment Group Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information of China High Speed Transmission Equipment Group Co., Ltd. (the “Company”) set out on pages 27 to 60, which comprises the interim condensed consolidated statement of financial position as at 30 June 2024, and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim condensed consolidated financial information to be in compliance with the relevant provisions thereof and International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with IAS 34.

Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT *(continued)*

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with IAS 34.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 August 2024
Chan Sai Ho
Practising certificate number P07705

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

	Note	Unaudited Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	5	10,159,694	11,257,595
Cost of sales		(8,805,226)	(9,504,761)
Gross profit		1,354,468	1,752,834
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	16	(809,454)	(82,692)
Other income	6	164,461	103,646
Other gains – net	7	20,807	91,602
Operating (loss)/profit		(192,051)	885,134
Finance income	9	62,895	55,897
Finance costs	9	(401,135)	(396,453)
Finance costs – net		(338,240)	(340,556)
Share of results of associates		(473)	(1,888)
(Loss)/profit before income tax		(530,764)	542,690
Income tax credit/(expenses)	10	183,633	(30,329)
(Loss)/profit for the period		(347,131)	512,361
(Loss)/profit for the period attributable to:			
– Owners of the Company		(528,733)	209,167
– Non-controlling interests		181,602	303,194
		(347,131)	512,361
(Loss)/earnings per share (expressed in RMB)			
Basic and diluted (loss)/earnings per share	11	(0.323)	0.128

The accompanying notes are an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
(Loss)/profit for the period	(347,131)	512,361
Other comprehensive (loss)/income for the period:		
<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)
	32,413	(28,770)
<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
	(165,615)	(240,995)
Other comprehensive loss, net of tax	(133,202)	(269,765)
Total comprehensive (loss)/income for the period	(480,333)	242,596
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	(660,791)	(60,710)
– Non-controlling interests	180,458	303,306
	(480,333)	242,596

The accompanying notes are an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	13	9,887,531	8,988,566
Right-of-use assets	13	756,133	719,049
Goodwill		26,414	26,414
Investments in associates		195,824	196,297
Financial assets at fair value through other comprehensive income ("FVOCI")	14	1,071,050	1,290,427
Financial assets at fair value through profit or loss ("FVPL")	15	423,300	411,400
Deposits for land leases		–	5,890
Deferred tax assets		1,232,873	905,494
		13,593,125	12,543,537
Current assets			
Inventories		7,483,886	6,544,851
Trade receivables	16	8,771,793	8,489,248
Other receivables	16	1,465,418	1,436,709
Prepayments		2,394,565	1,596,936
Financial assets at FVOCI	14	1,697,864	1,804,904
Financial assets at FVPL	15	6,688	53,046
Income tax recoverable		24,530	40,875
Pledged bank deposits	17	3,522,489	3,562,398
Cash and cash equivalents	17	5,148,591	5,627,891
		30,515,824	29,156,858

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2024

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Current liabilities			
Trade payables	18	4,047,483	3,396,014
Bills payables	18	4,157,616	3,950,352
Other payables	18	1,070,316	1,393,772
Contract liabilities		1,919,755	1,729,685
Borrowings	19	6,813,334	5,036,621
Deferred income		65,109	42,925
Income tax payable		93,867	137,640
Warranty provision		966,055	1,144,479
Written put option liability	20	4,901,175	4,772,175
		24,034,710	21,603,663
Net current assets		6,481,114	7,553,195
Total assets less current liabilities		20,074,239	20,096,732
Non-current liabilities			
Borrowings	19	4,581,640	4,457,964
Deferred income		682,512	475,164
Warranty provision		1,244,587	1,124,470
Deferred tax liabilities		133,609	126,910
		6,642,348	6,184,508
Net assets		13,431,891	13,912,224
Capital and reserves			
Share capital		119,218	119,218
Reserves		9,493,301	10,154,092
Equity attributable to owners of the Company		9,612,519	10,273,310
Non-controlling interests		3,819,372	3,638,914
Total equity		13,431,891	13,912,224

The accompanying notes are an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2023 (audited)	119,218	2,577,082	7,779,651	10,475,951	3,118,619	13,594,570	
Profit for the period	–	–	209,167	209,167	303,194	512,361	
Other comprehensive (loss)/income for the period	–	(269,877)	–	(269,877)	112	(269,765)	
Total comprehensive (loss)/income for the period	–	(269,877)	209,167	(60,710)	303,306	242,596	
Transfer of fair value reserve upon disposal of equity instruments at FVOCI	–	8,288	(8,288)	–	–	–	
At 30 June 2023 (unaudited)	119,218	2,315,493	7,980,530	10,415,241	3,421,925	13,837,166	
At 1 January 2024 (audited)	119,218	2,364,362	7,789,730	10,273,310	3,638,914	13,912,224	
(Loss)/profit for the period	–	–	(528,733)	(528,733)	181,602	(347,131)	
Other comprehensive loss for the period	–	(132,058)	–	(132,058)	(1,144)	(133,202)	
Total comprehensive (loss)/income for the period	–	(132,058)	(528,733)	(660,791)	180,458	(480,333)	
At 30 June 2024 (unaudited)	119,218	2,232,304	7,260,997	9,612,519	3,819,372	13,431,891	

The accompanying notes are an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Note	Unaudited	
		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations		(991,358)	(237,487)
Income tax paid		(110,583)	(190,174)
Net cash used in operating activities		(1,101,941)	(427,661)
Cash flows from investing activities			
Placements of pledged bank deposits		(3,962,138)	(5,745,708)
Withdrawal of pledged bank deposits		4,002,047	6,086,954
Investment in structured bank deposits		(20,000)	(145,000)
Redemption of structured bank deposits		20,047	61,375
Proceeds from disposal of financial assets at FVOCI		–	18,710
Dividends received from financial assets at FVOCI and FVPL	6	3,624	240
Purchase of property, plant and equipment		(1,347,729)	(1,573,621)
Proceeds from disposal of property, plant and equipment		23,780	2,833
Purchases of right-of-use assets		(45,618)	(55,825)
Refund of land lease deposits		5,890	–
Proceeds from disposal of an associate		–	11,500
Interests received		62,755	69,146
Receipt of government grants		261,867	197,486
Loans to third parties		–	(10,000)
Repayments from third parties and former subsidiaries		–	76,378
Net cash used in investing activities		(995,475)	(1,005,532)
Cash flows from financing activities			
Proceeds from bank borrowings		3,774,389	4,419,326
Repayment of bank borrowings		(1,874,000)	(2,762,412)
Interest paid		(284,420)	(249,852)
Net cash generated from financing activities		1,615,969	1,407,062
Net decrease in cash and cash equivalents		(481,447)	(26,131)
Cash and cash equivalents at the beginning of the period		5,627,891	4,383,517
Exchange gains on cash and cash equivalents		2,147	41,641
Cash and cash equivalents at the end of the period		5,148,591	4,399,027

The accompanying notes are an integral part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

China High Speed Transmission Equipment Group Co., Ltd. (the “Company”) is a limited liability company incorporated in the Cayman Islands as an exempted company on 22 March 2005 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) with effect from 4 July 2007. The registered office of the Company is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The head office and principal place of business is located at Room 1302, 13th Floor, COFCO Tower, No. 262 Gloucester Road, Causeway Bay, Hong Kong.

In the opinion of the directors, the immediate holding company is Five Seasons XVI Limited, a limited liability company incorporated in the British Virgin Islands, and the ultimate holding company is Fullshare Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Hong Kong Stock Exchange.

As at 30 June 2024, total shares of the Company were 1,635,291 thousands (31 December 2023: 1,635,291 thousands).

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that is used in wind power and a wide range of industrial appliances and trading of goods.

This interim condensed consolidated financial information was approved for issue by the Board of Directors on 28 August 2024.

2 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 (the “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 (“IFRSs”), as set out in Note 3.

2 BASIS OF PREPARATION (CONTINUED)

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.

3 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

3 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (CONTINUED)

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.

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2024 and 31 December 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market price at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables set out the Group's financial assets that were measured at fair value as at 30 June 2024 and 31 December 2023:

Recurring fair value measurements At 30 June 2024 (unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at FVPL	–	–	429,988	429,988
Financial assets at FVOCI	33,439	–	2,735,475	2,768,914
	33,439	–	3,165,463	3,198,902
At 31 December 2023 (audited)				
Financial assets				
Financial assets at FVPL	–	–	464,446	464,446
Financial assets at FVOCI	38,975	–	3,056,356	3,095,331
	38,975	–	3,520,802	3,559,777

The fair values of listed equity investments measured as financial assets at FVOCI were derived from quoted market prices in active markets. These investments are included in level 1 of the fair value hierarchy.

The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair values of financial instruments, including the discounted cash flow analysis, market comparison approach, etc. The fair values of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore have been classified by the Group as level 3 of the fair value hierarchy. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price-to-book multiples, share price changes multiples, rate of return, expected recovery date, etc.

There were no transfers among levels during the six months ended 30 June 2024 and 2023.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2024 and 31 December 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the six months ended 30 June 2024 and 2023:

	Financial assets at FVPL			Financial assets at FVOCI		Financial assets
	Unlisted equity investments RMB'000	Trade receivables RMB'000	Structured bank deposits RMB'000	Unlisted equity investments RMB'000	Bills receivables RMB'000	Total RMB'000
At 1 January 2023 (audited)	396,957	121,304	51,374	1,549,033	3,531,659	5,650,327
Acquisitions	-	260,888	145,000	50,000	7,377,039	7,832,927
Disposals	-	(262,627)	(61,375)	-	(8,200,349)	(8,524,351)
Gains/(losses) recognised in profit or loss	11,900	(3,424)	439	-	-	8,915
Losses recognised in other comprehensive income	-	-	-	(309,502)	(890)	(310,392)
At 30 June 2023 (unaudited)	408,857	116,141	135,438	1,289,531	2,707,459	4,657,426
At 1 January 2024 (audited)	421,184	43,262	-	1,251,452	1,804,904	3,520,802
Acquisitions	-	230,846	20,000	-	5,191,246	5,442,092
Disposals	-	(274,108)	(20,047)	-	(5,297,255)	(5,591,410)
Gains recognised in profit or loss	8,804	-	47	-	-	8,851
Losses recognised in other comprehensive income	-	-	-	(213,841)	(1,031)	(214,872)
At 30 June 2024 (unaudited)	429,988	-	-	1,037,611	1,697,864	3,165,463

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Valuation inputs and relationships to fair value

Financial instruments	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at FVPL				
- Unlisted equity investments	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Expected future cash flows; expected recovery date; discount rates that correspond to the expected risk level	The higher the future cash flows, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value, and vice versa
- Trade receivables				
- Structured bank deposits				
Financial assets at FVOCI				
- Unlisted equity investments	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Expected future cash flows; expected recovery date; discount rates that correspond to the expected risk level	The higher the future cash flows, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value, and vice versa
- Bills receivables				
		Market comparison approach	Price-to-book multiples; share price changes multiples; discount for lack of marketability	The higher the price-to-book multiples, the higher the fair value; the higher the share price changes multiples, the higher the fair value; the lower the discount rate, the higher the fair value, and vice versa

(iii) Sensitivity analysis

The sensitivity analysis has been determined based on the change of rate of return in isolation used in the expected future cash flows that reflect the expected risk level of the financial assets at the end of each of the reporting periods. If the respective rate of return of the respective financial assets had been 10% higher/lower, the total comprehensive loss (net of tax) for the six months ended 30 June 2024 would have decreased/increased by approximately RMB15,989 thousands (six months ended 30 June 2023: total comprehensive income (net of tax) increased/decreased by approximately RMB23,548 thousands) as a result of the changes in fair value of the financial assets.

5 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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

5 REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

(a) Segment information

	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
For the six months ended 30 June 2024					
(unaudited)					
Segment revenue					
Revenue from external customers	6,648,198	135,792	3,373,243	2,461	10,159,694
Timing of revenue recognition					
At a point in time	6,648,198	135,792	3,373,243	2,461	10,159,694
Segment results	562,157	25,038	(542,938)	(336)	43,921
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					(249,590)
Loss before income tax					(530,764)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

5 REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

(a) Segment information (Continued)

	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
Other segment information					
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
As at 30 June 2024 (unaudited)					
Segment assets	24,010,888	438,531	5,184,690	1,235,598	30,869,707
Corporate and other unallocated assets					13,239,242
Total assets					44,108,949
Segment liabilities	12,844,805	120,824	534,817	518,374	14,018,820
Corporate and other unallocated liabilities					16,658,238
Total liabilities					30,677,058

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

5 REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

(a) Segment information (Continued)

	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
For the six months ended 30 June 2023					
(unaudited)					
Segment revenue					
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
Segment results	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)
Profit before income tax					542,690

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

5 REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

(a) Segment information (Continued)

	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
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
As at 31 December 2023 (audited)					
Segment assets	21,534,601	522,040	4,673,793	1,328,032	28,058,466
Corporate and other unallocated assets					13,641,929
Total assets					41,700,395
Segment liabilities	12,308,451	134,050	172,883	479,453	13,094,837
Corporate and other unallocated liabilities					14,693,334
Total liabilities					27,788,171

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

5 REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

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

6 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
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
	164,461	103,646

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

7 OTHER GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Gains/(losses) on disposal of property, plant and equipment, net (Note 13)	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 (Note 15(ii))	8,851	8,915
Reversal of impairment losses on property, plant and equipment	2,670	11,680
	20,807	91,602

8 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
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
Total cost of sales, selling and distribution expenses, administrative expenses and research and development costs	9,727,559	10,485,017

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

9 FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Finance income		
– Interest income from bank deposits	62,895	55,897
Finance costs		
– 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 (Note 20)	(129,000)	(129,000)
	(401,135)	(396,453)
Finance costs – net	(338,240)	(340,556)

10 INCOME TAX (CREDIT)/EXPENSES

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
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	(1,494)	(46,553)
	83,158	98,032
Deferred tax	(266,791)	(67,703)
Income tax (credit)/expenses	(183,633)	30,329

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

10 INCOME TAX (CREDIT)/EXPENSES (CONTINUED)

(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:

Name of company	Year ended during which approval was obtained	Year ending during which approval will expire/expired
Nanjing High Speed Gear Manufacturing Co., Ltd. ("Nanjing High Speed")	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

11 (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.

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	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)	(0.323)	0.128

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.

12 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).

13 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group acquired property, plant and equipment and right-of-use assets with a cost of RMB1,258,807 thousands (six months ended 30 June 2023: RMB1,374,789 thousands) and RMB45,618 thousands (six months ended 30 June 2023: RMB55,825 thousands), respectively.

Property, plant and equipment with a net book value of RMB15,637 thousands (six months ended 30 June 2023: RMB3,497 thousands) were disposed by the Group during the six months ended 30 June 2024, resulting in net gains on disposal of RMB8,143 thousands (six months ended 30 June 2023: net losses on disposal of RMB664 thousands).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at FVOCI

Financial assets measured at FVOCI include the following:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Non-current assets		
Listed equity investments (Note (a))	33,439	38,975
Unlisted equity investments (Note (b))	1,037,611	1,251,452
	1,071,050	1,290,427
Current asset		
Debt investments – bills receivables (Note (c))	1,697,864	1,804,904
	2,768,914	3,095,331

Notes:

(a) Listed equity investments

Listed equity investments comprised the following individual investments:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Riyue Heavy Industry Co., Ltd.	8,557	10,306
Sany Renewable Energy Co., Ltd.	24,882	28,669
	33,439	38,975

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(i) Classification of financial assets at FVOCI (Continued)

(b) Unlisted equity investments

Unlisted equity investments comprise the following individual investments:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Zhejiang Zheshang Chanrong Equity Investment Fund L.P. (Note)	1,025,000	1,239,000
Others	12,611	12,452
	1,037,611	1,251,452

Note:

On 17 April 2017, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive") entered into a limited partnership agreement with thirty-four other partners in respect of the establishment of a permanent investment fund in the PRC named Zhejiang Zheshang Chanrong Equity Investment Fund L.P. ("Zhejiang Zheshang Chanrong") and the subscription of interest therein. Pursuant to the limited partnership agreement, the full registered capital contribution to the investment fund is RMB65,910,000 thousands, among which, RMB2,000,000 thousands was contributed by Nanjing Drive as a limited partner, which had been paid up by Nanjing Drive to the investment fund.

As at 30 June 2024, the investment in Zhejiang Zheshang Chanrong had a fair value of RMB1,025,000 thousands (31 December 2023: RMB1,239,000 thousands) and a fair value loss of RMB214,000 thousands (six months ended 30 June 2023: RMB264,665 thousands) was recognised in other comprehensive income for the six months ended 30 June 2024. The fair value of Zhejiang Zheshang Chanrong was revalued on 30 June 2024 and 31 December 2023 based on market comparison approach performed by an independent professional qualified valuer.

(c) Debt investments – bills receivables

Bills receivables that are held for collection of contractual cash flows and for selling the financial assets are measured at FVOCI.

For the six months ended 30 June 2024, fair value loss of RMB1,031 thousands (six months ended 30 June 2023: RMB890 thousands) for bills receivables measured at FVOCI are recognised in other comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(ii) Amounts recognised in profit or loss and other comprehensive income

For the six months ended 30 June 2024 and 2023, the following (losses)/gains were recognised in profit or loss and other comprehensive income.

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Losses recognised in other comprehensive income	(220,408)	(307,646)
Dividend from equity investments held at FVOCI recognised in profit or loss in other income	624	240

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at FVPL

Financial assets measured at FVPL include the following:

	Unaudited	Audited
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Non-current asset		
Unlisted equity investments (Note (a))	423,300	411,400
Current assets		
Trade receivables measured at FVPL	–	43,262
Unlisted equity investments	6,688	9,784
	6,688	53,046
	429,988	464,446

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(i) Classification of financial assets at FVPL (Continued)

Note:

(a) Unlisted equity investments

In December 2020, Nanjing Drive entered into three limited partnership agreements in respect of the establishment of three partnerships in the PRC, namely Ningbo Nangao Jingchuan Enterprise Management Partnership L.P. (“Ningbo Nangao Jingchuan”), Ningbo Gaona Jingte Enterprise Management Partnership L.P. (“Ningbo Gaona Jingte”) and Ningbo Gaotai Jingli Enterprise Management Partnership L.P. (“Ningbo Gaotai Jingli”), pursuant to which Nanjing Drive has contributed RMB120,000 thousands, RMB120,000 thousands and RMB100,000 thousands, respectively, as a limited partner.

As at 30 June 2024, the investment in Ningbo Nangao Jingchuan, Ningbo Gaona Jingte and Ningbo Gaotai Jingli had a fair value of RMB149,400 thousands, RMB149,400 thousands and RMB124,500 thousands (31 December 2023: RMB145,200 thousands, RMB145,200 thousands and RMB121,000 thousands) respectively, and an aggregate fair value gain of RMB11,900 thousands (six months ended 30 June 2023: RMB11,900 thousands) was recognised in profit or loss during the six months ended 30 June 2024.

(ii) Amounts recognised in profit or loss

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Fair value gains on equity investments at FVPL recognised in other gains – net (Note 7)	8,804	11,900
Fair value gains/(losses) on debt investments at FVPL recognised in other gains – net (Note 7)	47	(2,985)
Dividend from equity investments at FVPL recognised in other income	3,000	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

16 TRADE AND OTHER RECEIVABLES

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade receivables			
– Amounts due from third parties	(i)	9,981,843	9,139,274
Less: Loss allowances		(1,210,050)	(650,026)
		8,771,793	8,489,248
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		422,167	322,951
		2,484,299	2,208,094
Less: Loss allowances		(1,018,881)	(771,385)
		1,465,418	1,436,709
		10,237,211	9,925,957

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.

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note: (Continued)

- (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 report, 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:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

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

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.

17 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Unaudited	Audited
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Cash at banks and on hand	8,671,080	9,190,289
Less: Pledged bank deposits	(3,522,489)	(3,562,398)
Cash and cash equivalents	5,148,591	5,627,891

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Bank balances and pledged bank deposits are deposited in credit-worthy banks with no recent history of default.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

18 TRADE, BILLS AND OTHER PAYABLES

	Unaudited 30 June 2024 RMB'000	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
	4,047,483	3,396,014
Bills payables	4,157,616	3,950,352
	8,205,099	7,346,366
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 21)	2,300	2,672
– Amount due to an associate	15,000	15,000
– Amounts due to third parties	194,158	273,276
	1,070,316	1,393,772
	9,275,415	8,740,138

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

18 TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

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:

	Unaudited 30 June 2024 RMB'000	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
	8,205,099	7,346,366

19 BORROWINGS

	Unaudited 30 June 2024		Audited 31 December 2023	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
	%		%	
Current				
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
		6,813,334		5,036,621
Non-current				
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
		4,581,640		4,457,964
		11,394,974		9,494,585

19 BORROWINGS (CONTINUED)

Note:

The secured borrowings were secured by pledge of assets, details of which are set out in Note 23. 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.

20 WRITTEN PUT OPTION LIABILITY

On 30 March 2021, Nanjing Gear Enterprise Management Co., Ltd. (the "Vendor"), a wholly-owned subsidiary of the Group, and Nanjing High Speed entered into an equity transfer agreement (the "Equity Transfer Agreement") with Shanghai Wensheng Asset Management Co., Ltd., an independent third party, to dispose 43% of the equity interests of Nanjing High Speed at a consideration of RMB4,300,000 thousands (the "Disposal"). The Disposal has been completed on 4 March 2022.

As part of the Equity Transfer Agreement, the Vendor grants a put option to the transferee, at which the transferee could request the Vendor to repurchase all of the equity interest of Nanjing High Speed acquired by the transferee during the 3 years from the completion date of the Disposal under certain conditions, at the transferee's discretion, at an exercise price of RMB4,300,000 thousands plus 6% interest per annum.

The fair value of the written put option liability at grant date is measured at the present value of the exercise price of RMB4,300,000 thousands plus 6% interest per annum by applying a discount rate of 6%, and on the assumption that the put option will be redeemable in 3 years.

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

	RMB'000
At 1 January 2024 (audited)	4,772,175
Unwinding of discount	129,000
At 30 June 2024 (unaudited)	4,901,175

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(continued)*

21 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.

22 CAPITAL COMMITMENTS

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

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

23 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:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
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
	7,155,129	7,093,487

24 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this interim condensed consolidated financial information, the Group had no other significant transactions with related parties during the period.

(b) Outstanding balances with related parties:

The Group's trade and other balances with its associates as at the end of the reporting period are disclosed in Notes 16 and 18 to this interim condensed consolidated financial information.

(c) Compensation of key management personnel of the Group:

	Unaudited	
	Six-months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Fees	548	553
Salaries and other benefits	8,519	8,502
	9,067	9,055