



中國高速傳動設備集團有限公司*
China High Speed Transmission Equipment Group Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 658)



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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

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

* *Gearing ratio = total liabilities/total assets*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China High Speed Transmission Equipment Group Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the research, design, development, manufacture and sales of a broad range of mechanical transmission equipment that is used in wind power and a wide range of industrial applications and trade of goods. During the six months ended 30 June 2023 (the “Period under Review”), the Group recorded sales revenue of approximately RMB11,257,595,000 (30 June 2022: RMB9,685,586,000), representing an increase of 16.2% as compared with the corresponding period of 2022, and the gross profit margin was approximately 15.6% (30 June 2022: 14.0%). During the Period under Review, profit attributable to owners of the Company was approximately RMB209,167,000 (30 June 2022: loss attributable to owners of the Company of RMB78,708,000), and basic earnings per share was RMB0.128 (30 June 2022: basic loss per share of RMB0.048), which was mainly attributable to the fact that no income tax expenses incurred from disposal of the subsidiary’s equity interest during the Period under Review, while an income tax expenses of approximately RMB315,000,000 incurred arising from the disposal of 43% equity interest in Nanjing High Speed Gear Manufacturing Co., Ltd.* (南京高速齒輪製造有限公司) (“Nanjing High Speed”), a subsidiary of the Company, in the corresponding period last year.

Principal Business Review

1. Wind gear transmission equipment

Diversified, large and overseas market development

The Group is a leading supplier of wind gear transmission equipment in China, by leveraging on its strong research, design and development capabilities, our technology have reached an internationally advanced technical level. The wind gear transmission equipment products of the Group are widely applied in onshore and offshore wind power. The large-megawatt wind gear transmission equipment products such as 11MW and 12MW have been provided to domestic and overseas customers in bulk. During the Period under Review, the Group maintains a strong customer portfolio. Customers of our wind gear transmission equipment products include the major wind turbine manufacturers in the PRC, as well as the renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Suzlon and Doosan.

The wind gear transmission equipment is a major product that has been developed by the Group. During the Period under Review, sales revenue of wind gear transmission equipment business increased by 30.3% to approximately RMB7,082,478,000 as compared with the corresponding period of last year (30 June 2022: RMB5,435,953,000).

MANAGEMENT DISCUSSION AND ANALYSIS

2. Industrial gear transmission equipment

Enhanced market competitiveness through changes in production modes and sales strategies

The Group's industrial gear transmission equipment products are widely applied to customers in industries such as metallurgy, construction materials, rubber and plastic, petrochemical, aerospace, mining, ports and engineering machinery.

In recent years, the Group has always adhered to the strategy for green development of the industrial gear transmission equipment. With a focus on energy conservation, environmental protection and low carbon, as well as in-depth exploration in the transmission technology and extended driving technology, the Group has, under the iteration and upgrading of product technology in the field of heavy-duty transmission, developed standardized, modular and intelligent products which are internationally competitive and a electromechanical control integrated driving system with high efficiency, high reliability and low energy consumption. With "complete range, clear layers and precise subdivision" as our product positioning and market positioning, the Group was able to facilitate changes in sales strategies and production models, improve comprehensive competitiveness and further consolidate market advantages. At the same time, the Group vigorously developed new markets and expanded into new industries, particularly focusing on research and development and market expansion for products such as standard gear box and planetary gear box. These initiatives were carried out comprehensively. Meanwhile, the Group also strengthened its efforts to provide and sell the parts and components of relevant products as well as comprehensive system solutions to its customers, helping customers to enhance their current production efficiency and reduce energy consumption without increasing capital expenditure and satisfying the diverse and differentiated needs of customers, thereby maintaining the Group's position as a major supplier in the market of industrial gear transmission equipment products.

During the Period under Review, the industrial gear transmission equipment business generated sales revenue of approximately RMB1,036,920,000 (30 June 2022: RMB1,002,979,000) for the Group, representing an increase of 3.4% as compared with the corresponding period of last year.

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. The Group has obtained ISO/TS22163 Certificate for the Quality Management System of International Railway Industry and CRCC Certification for Railway Products for its rail transportation gear transmission equipment products, which has laid a solid foundation for further expansion in the international rail transportation market. Currently, the products have been successfully applied to rail transportation transmission equipment in many Chinese cities, such as Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and Taipei, and other countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia, Canada, France, Spain, Romania and Tanzania. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, the Company's rail transportation gear transmission equipment products are more environmental friendly, and the products are well received by users.

During the Period under Review, the rail transportation gear transmission equipment business generated sales revenue of approximately RMB118,180,000 (30 June 2022: RMB183,841,000) for the Group, representing a decrease of 35.7% as compared with the corresponding period of last year.

4. Trading business

Explore and expand trading business through resource integration

The trading business of the Group mainly comprises trading business of bulk commodities and trading business in steel industrial chain. The bulk commodity trading business mainly involves the procurement and wholesale of refined oil and electrolytic copper. The trading business in steel industrial chain mainly involves, among others, the procurement and wholesale of raw coal and coke, being upstream raw materials of steel, and the procurement and wholesale of steel. The Group's trading business in steel industrial chain make use of the core resources in the trade system of steel industrial chain as a cut-in point to develop the trading business system of the steel industrial chain. At present, the Group has completed the preliminary resources integration of the steel industry from upstream raw materials to special steel, which promotes the development of the trading business.

During the Period under Review, the trading business generated sales revenue of approximately RMB3,006,818,000 (30 June 2022: RMB3,044,189,000), representing a decrease of 1.2% as compared with the corresponding period of last year.

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

PATENTED PROJECTS

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 technical and quality awards, certificates and honorary titles at national, provincial and municipal level for over 100 times, such as national, provincial and municipal technology advancement awards, outstanding new products awards, Jiangsu Governor Quality Nomination 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 as well as the honorary title of "Jiangsu Boutique". As of 30 June 2023, a total of 820 patents were granted by the State and 412 patent applications have been submitted and pending for approval. The Group was the first producer to adopt ISO1328 and ISO06336 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 ISO9001:2015 quality management system certificate, ISO14001:2015 environmental management system certificate, ISO45001:2018 occupational health and safety management system certificate, ISO10012:2003 measurement management system certificate, ISO50001:2018 energy management system certificate and "Jiangsu Boutique" certificate. The Group has also obtained the GB/T23001-2017 national integration of informationization and industrialization management system certificate. Its testing laboratory has obtained the ISO/IEC 17025 national laboratory certificate. Several special processes of heat treatment have obtained the TPG special process certificate. Nanjing High Speed, a subsidiary of the Group, has also become an APQP4Wind Company Member. 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), DNV GL, 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 API Q1 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 and CRCC certification for railway products.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to adhere to its green development strategy in terms of its business in industrial gear transmission equipment segment. By adhering to the concept of energy conservation, environmental protection and low carbon, the Group has continued to promote and improve the “standardized, modularized and serialized” product system, explore in-depth research on new transmission technology, and lead the development direction of industrial gear transmission to “four highs and three lows” (i.e., high power, high speed, high load and high precision; low power consumption, low vibration and low noise). Besides, the Group has actively pursued the development of driving technology and has developed an “integrated, intelligent and digital” driving product system. Through close technical cooperation with domestic and overseas customers, and with the support by its R&D systems across the globe, the Group has been working on innovation and development of intelligent connected products that provide our customers with intelligent solutions for gear transmission products. With the help of the Jiangsu Industrial Gear Engineering Research Center and Jiangsu Industrial High-speed Precision Gear Transmission Engineering Research Center, the Group has been provided with continuous support to enhance its technological innovation capability and market competitiveness. Customers of the industrial gear business of the Group include internationally renowned companies such as Heidelberg Cement (a company listed on the Frankfurt Stock Exchange (stock code: HEI) and the 678th largest listed company in the world in the Forbes Global 2000 in 2020) and Primetals Technologies (a joint venture of Mitsubishi Heavy Industries and its partners).

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

MANAGEMENT DISCUSSION AND ANALYSIS

At the same time, China has implemented a number of policies in recent years to encourage industry development and innovation, enhancing the core competitiveness of the manufacturing industry. These policies have brought clear and extensive market prospects for the development of related industries, and created a good production and operation environment for the Group. In view of the huge market potential and the established market reputation of the Group in the industrial gear industry in the PRC, leveraging on the Group's core competitiveness, including its operational excellence and proven track record in manufacturing industrial gears, we will continue to provide high-quality products, efficient drive systems and intelligent solutions to its customers. At the same time, the Group will fully leverage its strengths to expand further into overseas markets by attracting new customers and enhancing customer loyalty, as well as exploring new business opportunities by venturing into new product categories and market segments. Furthermore, the Group has strengthened its efforts to provide and sell parts and components of relevant products as well as system solutions to its customers, helping them to enhance their current production efficiency and reduce energy consumption without increasing capital expenditure, and satisfying their diversified and differentiated needs, thereby maintaining the Group's position as a major supplier in the industrial gear transmission equipment product market.

The Group's rail transportation gear transmission equipment is widely used in the rail transportation fields such as high-speed rails, metro lines, urban train and tram. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry. The Group has obtained ISO/TS22163 Certificate for the Quality Management System of International Railway Industry and CRCC Certification for Railway Products for its rail transportation gear box products, which has laid a solid foundation for further expansion in the international rail transportation market. Currently, the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong, Taipei and other cities in the PRC and multiple countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia, Canada, France, Spain, Romania and Tanzania. The Group's rail transportation gear transmission equipment business has launched the IRIS system "Silver Medal" upgrade project in 2021 and officially obtained the IRIS "Silver Medal" certificate, which will greatly enhance the Group's influence in the rail transportation industry and ensure sustainable development of the Group's business of rail transportation gear transmission equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has been engaged in the commodity trading business and steel industry chain trading business since 2012. The commodity trading business mainly involves the procurement and wholesale of refined oil and electrolytic copper. The steel industry chain business mainly involves the procurement and sale of raw coal, upstream raw materials for steel, coke and bulk steel. The Chinese economy is currently shifting from high-speed growth to high-quality growth, and is in a critical period in respect of the transformation of its development mode, the optimization of economic structure and the shift of growth drivers, while commodities enjoy strong demand from China as they are essential materials for promoting economic development. To capture the huge market potential of the commodity trading industry in China and to diversify its income sources, the Group will continue to develop its trading business.

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

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 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Revenue

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

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

Gross profit margin and gross profit

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

Other income

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other gains – net

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

Selling and distribution expenses

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

Administrative expenses

During the Period under Review, the Group's administrative expenses were approximately RMB285,434,000 (30 June 2022: RMB263,769,000), representing an increase of 8.2% as compared with the corresponding period of last year. The increase in the administrative expenses was mainly due to the increase in staff costs, property tax and land use tax. Administrative expenses accounted for 2.5% (30 June 2022: 2.7%) of sales revenue for the Period under Review, representing a decrease of 0.2 percentage point over the corresponding period of last year.

Research and development costs

During the Period under Review, the Group's research and development costs amounted to approximately RMB459,359,000 (30 June 2022: RMB365,701,000), representing an increase of 25.6% as compared with the corresponding period of last year. Research and development costs accounted for 4.1% (30 June 2022: 3.8%) of sales revenue for the Period under Review, representing an increase of 0.3 percentage point over the corresponding period of last year.

Net impairment losses recognised on financial assets

During the Period under Review, the net impairment losses recognised on financial assets of the Group amounted to approximately RMB82,692,000 (30 June 2022: RMB67,770,000), mainly comprising impairment losses on trade receivables of RMB34,569,000 and impairment losses on other receivables of RMB48,123,000. The net impairment losses recognised on financial assets of the Group increased by RMB14,922,000 as compared with the corresponding period of last year, which was mainly due to the increase in impairment losses of other receivables.

Finance costs

During the Period under Review, the Group's finance costs were approximately RMB396,453,000 (30 June 2022: RMB263,578,000), representing an increase of 50.4% as compared with the corresponding period of last year, which was mainly due to an increase in bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the Group had total borrowings of approximately RMB9,499,976,000 (31 December 2022: RMB7,842,584,000), representing an increase of approximately RMB1,657,392,000 or 21.1% as compared with the beginning of the year, of which borrowings due within one year were RMB4,695,906,000 (31 December 2022: RMB4,657,412,000), accounting for approximately 49.4% (31 December 2022: 59.4%) of the total borrowings. The Group's borrowings during the Period under Review bear interest rates from 3.00% to 7.61% per annum.

Taking into account the capital generated internally, the banking credit available to the Group and the net current assets of approximately RMB8,469,172,000 as at 30 June 2023, the Directors believe that the Group will have sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

Gearing ratio

The Group's gearing ratio (defined as total liabilities as a percentage of total assets) increased from 67.3% as at 31 December 2022 to 68.0% as at 30 June 2023.

Capital structure

The Group's operations were financed mainly by shareholders' equity, banking and other credits available to the Group and internal resources. The Group will continue to adopt its treasury policy of placing its cash and cash equivalents as interest-bearing deposits.

The Group's cash and cash equivalents were mainly denominated in Renminbi and U.S. dollars. The Group's borrowings were primarily denominated in Renminbi.

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

PLEDGE OF ASSETS

Save as disclosed in note 24 to the condensed consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2023.

CONTINGENT LIABILITIES

Save as disclosed in note 22 to the condensed consolidated financial statements, as at 30 June 2023, the Directors were not aware of any other material contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2023, 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 RMB2,233,677,000 (31 December 2022: RMB3,117,804,000). Relevant details are set out in note 23 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 RMB113,833,000 (30 June 2022: RMB47,208,000), which was mainly due to the gains from export business denominated in U.S. dollars as a result of fluctuations in the exchange rate of Renminbi against U.S. dollars during the Period under Review.

The Group have formulated foreign exchange risk management measures and strategies and will actively manage the net amount of foreign currency assets and liabilities to reduce its exposures to exchange rate risks.

INTEREST RATE RISK

During the Period under Review, the loans of the Group were mainly bank loans. Therefore, the benchmark lending rate announced by the People's Bank of China would have a direct impact on the Group's cost of debt, and future changes in interest rates would also have certain impact on the Group's cost of debt. The Group will strive to reduce the finance costs by actively monitoring the changes in credit policies, taking pre-emptive actions, strengthening capital management and widening financing channels.

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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 SCHEME

The employees of the Group in Mainland China are members of the state-managed pension scheme operated by the local government in China. The Group is required to contribute a specific percentage of its employees' payroll costs to the pension scheme for the funding of the scheme. The sole responsibility of the Group in respect of this pension scheme is making specific contribution to this scheme. 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.

SIGNIFICANT INVESTMENT HELD DURING THE PERIOD UNDER REVIEW

As at 30 June 2023, 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 2023 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 contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Corporate Governance Code”), except for the deviation from code provision C.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Hu Jichun is the chairman of the Board and the chief executive officer of the Company. The Board considers that vesting the roles of both chairman of the Board and chief executive officer of the Company in Mr. Hu Jichun is beneficial to the business development and management of the Group, enabling the Company to formulate and implement decisions promptly and efficiently while the balance of functions and power will not be impaired. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company from time to time in light of the prevailing circumstances of the Company.

DIRECTORS

Mr. Gu Xiaobin, Ms. Jiang Jianhua, Dr. Chan Yau Ching, Bob and Mr. Nathan Yu Li were re-elected as Directors by shareholders at the 2022 annual general meeting of the Company held on 21 June 2023.

The composition of the Board as of the date of this report 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

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

CHANGES IN THE PARTICULARS OF DIRECTORS DURING THEIR TERM OF OFFICE

Information of the following Directors during the Period under Review are as follows:

Experience (including other directorships of listed companies)

Name of Director(s)	Details of the change
Ms. Zheng Qing	From June 2015 to December 2022, she served as the chief financial officer of the Nanjing region of Fullshare Holdings Limited (“Fullshare Holdings”, stock code: 607). Since January 2023, she was reassigned as the financial advisor of Fullshare Holdings.
Mr. Jiang Xihe	Since May 2023, he ceased to be an independent director of Anhui Hualing Kitchen Equipment Co., Ltd. (安徽華菱西廚裝備股份有限公司) (Stock code: 430582, a company listed on the New Third Board of the Shenzhen Stock Exchange).
Ms. Jiang Jianhua	Since March 2023, she ceased to be an independent director of Nanjing Baose Co., Ltd. (南京寶色股份公司) (Stock code: 300402), a company listed on the Shenzhen Stock Exchange. Since May 2023, she ceased to be an independent director of Changzhou Jinkang Precision Mechanism Co., Ltd. (常州金康精工機械股份有限公司) (Stock code: 831978, a company listed on the New Third Board of the Shenzhen Stock Exchange). Since June 2023, she served as an independent director of Jiangsu Topfly New Materials Co., Ltd. (江蘇翔騰新材料股份有限公司) (Stock code: 001373, a company listed on the Shenzhen Stock Exchange in June 2023).

Save as disclosed above, no other changes in the particulars of Directors have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' REMUNERATION

For the six months ended 30 June 2023, Directors' remuneration (including any fixed or discretionary bonuses and the payment prescribed in the service contract) was RMB9,055,000. Details of which are set out in the note 25(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 10 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 OPTION SCHEME

As at 30 June 2023, the Group did not adopt any share option 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 during the six months ended 30 June 2023.

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 2023 interim report and unaudited condensed consolidated financial statements for the six months ended 30 June 2023 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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The remuneration 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 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.

NOMINATION COMMITTEE

The Company has established the nomination committee with effect from 1 April 2012. During the Period under Review, the members of the nomination committee comprise 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.

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

As at 30 June 2023, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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%

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).
- (2) The Employee Partnership Enterprise is a limited liability partnership controlled by Shanghai Shiji Enterprise Management Consultancy Co., Ltd.* (上海驪吉企業管理諮詢有限公司) (“Shanghai Shiji”), the sole general partner of the Employee Partnership Enterprise. Mr. Hu Yueming is the sole director and sole shareholder of Shanghai 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, 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.

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

As at 30 June 2023, 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 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	1,191,943,693 (Long Position)	72.89 (Long Position)
Fullshare Holdings	Interest of controlled corporation	1,191,943,693 (Long Position)	72.89 (Long Position)

Note 1: Five Seasons, a company incorporated in the British Virgin Islands, is wholly owned by Fullshare Holdings. Accordingly, Fullshare Holdings is considered to have interests in 1,191,943,693 shares of the Company, representing approximately 72.89% of the issued shares of the Company.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2023, 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 62, which comprises the interim condensed consolidated statement of financial position as at 30 June 2023, and the 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 months 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 interim condensed consolidated financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 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 International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim condensed consolidated financial information 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 enquiries, 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 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 25 August 2023
Chan Sai Ho
Practising certificate number P07705

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

	Note	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	5	11,257,595	9,685,586
Cost of sales		(9,504,761)	(8,332,030)
Gross profit		1,752,834	1,353,556
Selling and distribution expenses		(235,463)	(192,527)
Administrative expenses		(285,434)	(263,769)
Research and development costs		(459,359)	(365,701)
Net impairment losses recognised on financial assets	17	(82,692)	(67,770)
Other income	6	103,646	126,408
Other gains – net	7	91,602	62,127
Operating profit		885,134	652,324
Finance income	9	55,897	52,566
Finance costs	9	(396,453)	(263,578)
Finance costs – net		(340,556)	(211,012)
Share of results of associates accounted for using the equity method		(1,888)	(2,598)
Profit before income tax		542,690	438,714
Income tax expenses	10	(30,329)	(324,878)
Profit for the period		512,361	113,836
Profit/(loss) for the period attributable to:			
– Owners of the Company		209,167	(78,708)
– Non-controlling interests		303,194	192,544
		512,361	113,836
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB)			
Basic and diluted earnings/(loss) per share	11	0.128	(0.048)

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 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit for the period	512,361	113,836
Other comprehensive (loss)/income for the period:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
– Changes in the fair value of debt investments at fair value through other comprehensive income	(890)	11,636
– Exchange differences on translation of foreign operations	(27,544)	9,145
– Income tax relating to these items	(336)	(1,400)
	(28,770)	19,381
<i>Items that will not be reclassified to profit or loss</i>		
– Changes in the fair value of equity instruments at fair value through other comprehensive income	(306,756)	(24,668)
– Income tax relating to these items	65,761	14,141
	(240,995)	(10,527)
Other comprehensive (loss)/income, net of tax	(269,765)	8,854
Total comprehensive income for the period	242,596	122,690
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	(60,710)	(79,287)
– Non-controlling interests	303,306	201,977
	242,596	122,690

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 2023

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	13	8,274,306	7,124,012
Right-of-use assets	13	723,901	676,284
Goodwill		26,414	26,414
Investments accounted for using the equity method		197,048	220,023
Financial assets at fair value through other comprehensive income ("FVOCI")	14	1,337,628	1,613,095
Financial assets at fair value through profit or loss ("FVPL")	15	399,500	387,600
Deposits for land leases		5,890	5,890
Deferred tax assets		885,803	728,894
		11,850,490	10,782,212
Current assets			
Inventories		8,503,222	6,928,601
Trade receivables	17	7,173,671	7,090,581
Other receivables	17	1,964,982	1,313,896
Prepayments		1,799,175	1,855,636
Financial assets at fair value through other comprehensive income	14	2,707,459	3,531,659
Financial assets at fair value through profit or loss	15	260,936	182,035
Other financial assets at amortised cost	16	–	641,421
Income tax prepaid		20,416	27,671
Pledged bank deposits	18	4,555,978	4,897,224
Cash and cash equivalents	18	4,399,027	4,383,517
		31,384,866	30,852,241

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

As at 30 June 2023

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Current liabilities			
Trade payables	19	4,187,390	4,148,629
Bills payable	19	5,670,407	5,916,252
Other payables	19	892,749	1,309,726
Contract liabilities		1,465,094	1,508,801
Borrowings	20	4,695,906	4,657,412
Deferred income		41,486	18,495
Income tax payable		160,041	259,438
Warranty provision		1,159,446	988,395
Written put option liability	21	4,643,175	4,514,175
		22,915,694	23,321,323
Net current assets			
		8,469,172	7,530,918
Total assets less current liabilities			
		20,319,662	18,313,130
Non-current liabilities			
Borrowings	20	4,804,070	3,185,172
Deferred income		459,995	303,077
Warranty provision		1,079,012	1,114,729
Deferred tax liabilities		139,419	115,582
		6,482,496	4,718,560
Net assets			
		13,837,166	13,594,570
Capital and reserves			
Share capital		119,218	119,218
Reserves		10,296,023	10,356,733
Equity attributable to owners of the Company			
		10,415,241	10,475,951
Non-controlling interests			
		3,421,925	3,118,619
Total equity			
		13,837,166	13,594,570

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 2023

	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 2022 (audited)	119,218	5,146,181	8,133,796	13,399,195	368,840	13,768,035	
(Loss)/profit for the period	-	-	(78,708)	(78,708)	192,544	113,836	
Other comprehensive (loss)/income for the period	-	(579)	-	(579)	9,433	8,854	
Total comprehensive (loss)/income for the period	-	(579)	(78,708)	(79,287)	201,977	122,690	
Transfer of fair value reserve upon privatization of a listed equity investment at FVOCI	-	41,147	(41,147)	-	-	-	
Partial disposal of interest in a subsidiary without loss of control	-	(2,729,010)	-	(2,729,010)	2,205,346	(523,664)	
At 30 June 2022 (unaudited)	119,218	2,457,739	8,013,941	10,590,898	2,776,163	13,367,061	
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 investments 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	

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 2023

	Note	Unaudited	
		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(237,487)	335,095
Income tax paid		(190,174)	(149,635)
Net cash (used in)/generated from operating activities		(427,661)	185,460
Cash flows from investing activities			
Placements of pledged bank deposits		(5,745,708)	(5,556,832)
Withdrawal of pledged bank deposits		6,086,954	3,870,507
Investment in structured bank deposits		(145,000)	(55,000)
Redemption of structured bank deposits		61,375	226,889
Purchases of property, plant and equipment		(1,573,621)	(1,113,959)
Purchases of right-of-use assets		(55,825)	(20,806)
Proceeds from disposal of property, plant and equipment		2,833	11,801
Purchase of financial assets at fair value through other comprehensive income		–	(30,000)
Proceeds from sale of financial assets at fair value through other comprehensive income		18,710	46,256
Dividends received from financial assets at fair value through other comprehensive income	6	240	32
Interests received		69,146	58,158
Interest income received from deferred payment of consideration for partial disposal of a subsidiary		–	115,491
Net cash outflow on acquisition of a subsidiary		–	(6,840)
Proceeds from disposal of an associate		11,500	–
Receipt of government grants		197,486	97,362
Loans to third parties		(10,000)	(165,000)
Repayments from third parties and former subsidiaries		76,378	45,000
Net cash used in investing activities		(1,005,532)	(2,476,941)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from bank borrowings	4,419,326	5,018,750
Repayment of bank borrowings	(2,762,412)	(2,867,587)
Interest paid	(249,852)	(171,356)
Loans from third parties	–	120,000
Repayment of loans from third parties	–	(250,000)
Consideration received for partial disposal of a subsidiary without loss of control	–	3,300,000
Income tax paid on partial disposal of a subsidiary without loss of control	–	(838,804)
Net cash generated from financing activities	1,407,062	4,311,003
Net (decrease)/increase in cash and cash equivalents	(26,131)	2,019,522
Cash and cash equivalents at the beginning of the period	4,383,517	3,284,166
Exchange gains on cash and cash equivalents	41,641	38,010
Cash and cash equivalents at the end of the period	4,399,027	5,341,698

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 (“BVI”), the intermediate 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, and the ultimate holding company of the Company is Magnolia Wealth International Limited, a limited liability company incorporated in the BVI.

As at 30 June 2023, total shares of the Company were 1,635,291 thousands (31 December 2022: 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 25 August 2023.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

This interim condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the Group’s 2022 annual consolidated financial statements, except for the adoption of new and amendments to IFRS, as set out in Note 3.

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

For the six months ended 30 June 2023

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.

This interim condensed consolidated financial information for the six months ended 30 June 2023 contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's 2022 annual consolidated financial statements. This interim condensed consolidated financial information and notes thereon do not include all of the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

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

3 CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has applied the following new and amendments to IFRSs (the "Amendments") issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

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

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

For the six months ended 30 June 2023

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023 and 31 December 2022 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)

For the six months ended 30 June 2023

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 2023 and 31 December 2022:

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
At 30 June 2023 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at FVPL	–	–	660,436	660,436
Financial assets at FVOCI	48,097	–	3,996,990	4,045,087
	48,097	–	4,657,426	4,705,523
At 31 December 2022 (audited)				
Financial assets				
Financial assets at FVPL	–	–	569,635	569,635
Financial assets at FVOCI	64,062	–	5,080,692	5,144,754
	64,062	–	5,650,327	5,714,389

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, net asset value and 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. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

There were no transfers among levels during six months ended 30 June 2023 and 2022. The Group also did not change any valuation techniques in determining the level 3 fair values.

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 2023 and 31 December 2022.

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

For the six months ended 30 June 2023

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 2023 and 2022:

	Financial assets at FVPL			Financial assets at FVOCI		Financial assets
	Unlisted equity investments	Trade receivables	Structured bank deposits	Unlisted equity investments	Bills receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	373,160	176,407	225,811	1,950,061	3,262,355	5,987,794
Acquisitions	-	201,821	55,000	-	4,239,958	4,496,779
Disposals	-	(372,401)	(226,889)	-	(4,642,056)	(5,241,346)
Gains recognised in profit or loss	11,898	961	1,737	-	-	14,596
Gains/(losses) recognised in other comprehensive income	-	-	-	(52,583)	11,636	(40,947)
At 30 June 2022 (unaudited)	385,058	6,788	55,659	1,897,478	2,871,893	5,216,876
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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

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; risk-adjusted discounted 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; risk-adjusted discounted 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 receivable				
		Net asset value approach	N/A	N/A

(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 income (net of tax) for the six months ended 30 June 2023 would have increased/decreased by approximately RMB23,548 thousands (six months ended 30 June 2022: RMB680 thousands) as a result of the changes in fair value of the financial assets.

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

For the six months ended 30 June 2023

5 OPERATING SEGMENT INFORMATION

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

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

- (a) wind and industrial gear transmission equipment segment: design, develop, manufacture and distribution of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications;
- (b) rail transportation gear transmission equipment segment: manufacture and distribution of gear transmission equipment used in rail transportation fields;
- (c) trading business segment: focuses on bulk commodity and steel industry chain;
- (d) the "others" segment comprises principally services on lighting projects, municipal landscape projects and engineering procurement construction projects.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit before tax from operations is measured consistently with the Group's profit before income tax except that interest income, finance costs, dividend income, fair value gains/losses from the Group's financial instruments, gains/losses on disposal of an associate, loss on early redemption of other financial assets at amortised cost, foreign exchange gains/losses, share of results of associates as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude interest-bearing bank and other borrowings, written put option liability, income tax payable, deferred tax liabilities, financial guarantee liability and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

5 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 2023					
(unaudited)					
Segment revenue					
Total segment revenue	8,119,398	118,180	3,006,818	13,199	11,257,595
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	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
Finance costs – net					(340,556)
Dividend income					240
Interest income from other financial assets at amortised cost					5,254
Loss on disposal of an associate					(8,087)
Loss on early redemption of other financial assets at amortised cost					(34,075)
Foreign exchange gains, net					113,833
Fair value gains on financial assets at FVPL					8,915
Share of results of associates					(1,888)
Corporate and other unallocated expenses					(51,060)
Profit before income tax					542,690

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

For the six months ended 30 June 2023

5 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 30 June 2023 (unaudited)					
Segment assets	22,969,841	451,394	4,341,628	1,347,634	29,110,497
Corporate and other unallocated assets					14,124,859
Total assets					43,235,356
Segment liabilities	14,169,333	119,345	211,585	351,022	14,851,285
Corporate and other unallocated liabilities					14,546,905
Total liabilities					29,398,190

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

5 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 2022					
(unaudited)					
Segment revenue					
Total segment revenue	6,443,659	183,841	3,044,189	18,624	9,690,313
Inter-segment revenue	(4,727)	-	-	-	(4,727)
Revenue from external customers	6,438,932	183,841	3,044,189	18,624	9,685,586
Timing of revenue recognition					
At a point in time	6,438,932	183,841	3,044,189	18,624	9,685,586
Segment results	546,137	30,452	40,610	(9,715)	607,484
Finance costs – net					(211,012)
Dividend income					32
Interest income from other financial assets at amortised cost					16,117
Interest income from deferred payment of consideration for partial disposal of a subsidiary					21,373
Foreign exchange gains, net					47,208
Fair value gains on financial assets at FVPL					14,596
Share of results of associates and joint ventures					(2,598)
Corporate and other unallocated expenses					(54,486)
Profit before income tax					438,714

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

For the six months ended 30 June 2023

5 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	68,078	(1,237)	–	–	66,841
Net impairment losses recognised on financial assets	12,661	11,918	183	544	25,306
Impairment losses on property, plant and equipment	49	–	–	–	49
Impairment losses on prepayments	4,198	–	–	–	4,198
Depreciation of property, plant and equipment and right-of-use assets	201,784	2,036	22	344	204,186
Capital expenditure	1,105,549	12,983	29	–	1,118,561
As at 31 December 2022 (audited)					
Segment assets	21,938,046	480,179	3,470,051	1,264,434	27,152,710
Corporate and other unallocated assets					14,481,743
Total assets					41,634,453
Segment liabilities	14,477,988	163,057	290,962	281,503	15,213,510
Corporate and other unallocated liabilities					12,826,373
Total liabilities					28,039,883

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

5 OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

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

6 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Dividend income from financial assets at FVOCI (Note 14)	240	32
Interest income from other financial assets at amortised cost (Note 16)	5,254	16,117
Interest income from deferred payment of consideration for partial disposal of a subsidiary	–	21,373
Government grants		
– Deferred income recognised	17,577	7,743
– Other government subsidies	22,186	38,479
Sale of scraps and materials	38,734	26,970
Gross fixed rental income	2,042	3,113
Others	17,613	12,581
	103,646	126,408

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

For the six months ended 30 June 2023

7 OTHER GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
(Losses)/gains on disposal of property, plant and equipment, net (Note 13)	(664)	372
Loss on disposal of an associate	(8,087)	–
Loss on early redemption of other financial assets at amortised cost (Note 16)	(34,075)	–
Foreign exchange gains, net	113,833	47,208
Net fair value gains on financial assets at FVPL (Note 15(ii))	8,915	14,596
Reversal of impairment/(impairment) losses on property, plant and equipment	11,680	(49)
	91,602	62,127

8 EXPENSES BY NATURE

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

9 FINANCE INCOME AND COSTS

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

10 INCOME TAX EXPENSES

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

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

For the six months ended 30 June 2023

10 INCOME TAX EXPENSES (CONTINUED)

(a) PRC corporate income tax

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

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

Name of company	Year ended during which approval was obtained	Year ending during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd. ("Nanjing High Speed")	31 December 2020	31 December 2022 (Note)
Nanjing High Speed & Accurate Gear (Group) Co., Ltd. ("Nanjing High Accurate")	31 December 2020	31 December 2022 (Note)
Nanjing High Accurate Rail Transportation Equipment Co., Ltd. ("Rail Transportation")	31 December 2020	31 December 2022 (Note)
NGC (Baotou) Transmission Equipment Co., Ltd.	31 December 2021	31 December 2023
Jiangsu Green Lighting Engineering Co., Ltd.	31 December 2021	31 December 2023

Note:

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

(b) Hong Kong Profits Tax

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

(c) Other corporate income tax

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

11 EARNINGS/(LOSS) PER SHARE

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

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

No adjustment is made to the diluted earnings/(loss) per share for the six months ended 30 June 2023 and 2022 as there was no potential dilutive shares in issue.

12 DIVIDENDS

The directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

During the six months ended 30 June 2023, the Group acquired property, plant and equipment and right-of-use assets with a cost of RMB1,374,789 thousands (six months ended 30 June 2022: RMB1,097,755 thousands) and RMB55,825 thousands (six months ended 30 June 2022: RMB20,806 thousands), respectively.

Property, plant and equipment with a net book value of RMB3,497 thousands (six months ended 30 June 2022: RMB11,837 thousands) were disposed by the Group during the six months ended 30 June 2023, resulting in net losses on disposal of RMB664 thousands (six months ended 30 June 2022: net gains of RMB372 thousands).

At 30 June 2023, the Group is in the process of obtaining property certificates for the buildings and land use rights certificates in respect of land use rights located in the PRC with carrying amounts of RMB489,326 thousands and RMB133,157 thousands (31 December 2022: RMB499,517 thousands and RMB134,798 thousands), respectively.

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

For the six months ended 30 June 2023

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 2023 RMB'000	Audited 31 December 2022 RMB'000
Non-current assets		
Listed equity investments (Note (a))	48,097	64,062
Unlisted equity investments (Note (b))	1,289,531	1,549,033
	1,337,628	1,613,095
Current asset		
Debt investments – bills receivable (Note (c))	2,707,459	3,531,659
	4,045,087	5,144,754

Notes:

(a) Listed equity investments

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Riyue Heavy Industry Co., Ltd.	15,822	16,914
China PengFei Group Limited	–	17,808
Sanyi Renewable Energy Co., Ltd.	32,275	29,340
	48,097	64,062

During the six months ended 30 June 2023, the Group has sold all of the entire shares hold in China PengFei Group Limited. The shares sold had a fair value of RMB18,710 thousands and the Group realised a loss of RMB8,288 thousands. The Group realised a loss of RMB8,288 thousands which was included in other comprehensive income and transferred to retained earnings during this period.

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

For the six months ended 30 June 2023

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

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

Notes: (Continued)

(b) Unlisted equity investments

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Zhejiang Zheshang Chanrong Equity Investment Fund L.P. (Note)	1,276,354	1,541,019
Others	13,177	8,014
	1,289,531	1,549,033

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 2023, the investment in Zhejiang Zheshang Chanrong had a fair value of RMB1,276,354 thousands (31 December 2022: RMB1,541,019 thousands) and a fair value loss of RMB264,665 thousands (six months ended 30 June 2022: RMB52,796 thousands) was recognised in other comprehensive income for the six months ended 30 June 2023.

(c) Debt investments – bills receivable

Bills receivable 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 2023, fair value loss of RMB890 thousands (six months ended 30 June 2022: fair value gain of RMB11,636 thousands) for bills receivable measured at FVOCI are recognised in other comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

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 2023 and 2022, the following (losses)/gains were recognised in profit or loss and other comprehensive income.

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Losses recognised in other comprehensive income	(307,646)	(13,032)
Dividend from equity investments held at FVOCI recognised in profit or loss in other income (Note 6)	240	32

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
	2023	2022
	RMB'000	RMB'000
Non-current asset		
Unlisted equity investments (Note (a))	399,500	387,600
Current assets		
Structured bank deposits (Note (b))	135,438	51,374
Trade receivables measured at FVPL (Note (c))	116,141	121,304
Unlisted equity investments	9,357	9,357
	260,936	182,035
	660,436	569,635

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

For the six months ended 30 June 2023

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

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

Notes:

(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 2023, the investment in Ningbo Nangao Jingchuan, Ningbo Gaona Jingte and Ningbo Gaotai Jingli had a fair value of RMB141,000 thousands, RMB141,000 thousands and RMB117,500 thousands (31 December 2022: RMB136,800 thousands, RMB136,800 thousands and RMB114,000 thousands) respectively, and an aggregate fair value gain of RMB11,900 thousands (six months ended 30 June 2022: RMB11,900 thousands) was recognised in profit or loss during the six months ended 30 June 2023.

(b) Structured bank deposits

As at 30 June 2023, structured bank deposits of RMB135,438 thousands (31 December 2022: RMB51,374 thousands) represented financial instruments placed by the Group to two (31 December 2022: one) banks in the PRC for a term within one year. The contract guarantees principal and proceeds are related to the performance of exchange rate, interest rate or stock index on the market.

(c) Trade receivables measured at FVPL

In 2021 and 2022, the Group entered into several agreements with two banks to sell all of its eligible trade receivables under certain customers and all right, title, interest and benefit the Group has in each such eligible trade receivables on a non-recourse basis without the need for any further action or documentation on the part of the Group or the banks, at a discount calculated based on the base rate and number of days for early payment as specified in the agreements.

As at 30 June 2023, such trade receivables held solely for selling purpose amounting to RMB116,141 thousands (31 December 2022: RMB121,304 thousands) were classified as financial assets at FVPL. For the six months ended 30 June 2023, fair value losses of RMB3,424 thousands (six months ended 30 June 2022: RMB961 thousands) for trade receivables measured at FVPL are recognised in other gains – net.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

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

(ii) Amounts recognised in profit or loss

For the six months ended 30 June 2023 and 2022, the following gains/(losses) were recognised in profit or loss:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Fair value gains on equity investments at FVPL recognised in other gains – net (Note 7)	11,900	11,898
Fair value (losses)/gains on debt investments at FVPL recognised in other gains – net (Note 7)	(2,985)	2,698
	8,915	14,596

16 OTHER FINANCIAL ASSETS AT AMORTISED COST

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Insurance investment (Note)	–	641,421
Represented		
– Current asset	–	641,421
– Non-current asset	–	–
	–	641,421

Note:

The balance as at 31 December 2022 represented advances made to an insurance company in the PRC with a principal of RMB500,000 thousands and 5-year maturity in June 2023, which carried fixed interest rate at 6.5% per annum. Interest and the principal amount are repayable at the maturity date.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

16 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

In February 2023, the Group submitted the early redemption request to the insurance company to redeem all the entire insurance investments and the request has been accepted. An early redemption loss of RMB34,075 thousands is recognised in other losses, as the difference between the cash value of RMB612,600 thousands (after deduction of early encashment charge and management fee) and book value of RMB646,675 thousands at the redemption date. As at 30 June 2023, the net proceeds of RMB612,600 thousands is yet to be received and is recognised in other receivables. Based on the opinion of the external legal counsel, the Group considers that it is highly probable that the amount will be fully recovered.

17 TRADE AND OTHER RECEIVABLES

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

The Group generally allows a credit period within 90 days to its trade customers for trading business. Apart from that, the Group generally allows a credit period within 180 days to its customers for sales of gear transmission equipment. The Group seeks to maintain strict control over its outstanding receivables and has set up a credit control department to actively monitor the status of its outstanding receivables and take proper actions in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

For the six months ended 30 June 2023

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Less than 90 days	5,646,591	5,905,783
90 to 180 days	543,935	415,828
181 to 365 days	621,829	412,200
1 to 2 years	255,329	265,114
Over 2 years	105,987	91,656
	7,173,671	7,090,581

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

Impairment of financial assets under expected credit loss model

For the six months ended 30 June 2023 and 2022, the following impairment losses were recognised in profit or loss:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Impairment losses recognised on trade receivables	34,569	33,258
Impairment losses recognised on other receivables	48,123	34,512
	82,692	67,770

18 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Cash at banks and on hand	8,955,005	9,280,741
Less: Pledged bank deposits	(4,555,978)	(4,897,224)
Cash and cash equivalents	4,399,027	4,383,517

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 deposits are deposited in credit-worthy banks with no recent history of default.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

19 TRADE, BILLS AND OTHER PAYABLES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Trade payables		
– Amounts due to third parties	4,187,372	4,148,611
– Amounts due to an associate	18	18
	4,187,390	4,148,629
Bills payable	5,670,407	5,916,252
	9,857,797	10,064,881
Other payables		
– Accruals	143,654	135,996
– Other tax payables	40,263	44,539
– Purchase of property, plant and equipment	322,594	522,501
– Payroll and welfare payables	123,085	229,189
– Financial guarantee liabilities (Note 22)	3,045	3,417
– Amounts due to third parties	245,108	359,084
– Amount due to an associate	15,000	15,000
	892,749	1,309,726
	10,750,546	11,374,607

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

19 TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

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

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

20 BORROWINGS

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

Note:

The secured borrowings were secured by pledge of assets, details of which are set out in Note 24. In addition, as at 30 June 2023 and 31 December 2022, the secured non-current bank loans were secured by the Group's 100% equity interests in NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd.

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

For the six months ended 30 June 2023

21 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 2023 (audited)	4,514,175
Unwinding of discount (Note 9)	129,000
At 30 June 2023 (unaudited)	4,643,175

22 CONTINGENT LIABILITIES

Financial guarantees

As at 30 June 2023, the Group issued financial guarantees to banks in respect of bank loans of RMB32,022 thousands (31 December 2022: RMB40,020 thousands) granted to an associate. This amount represented the balance that the Group could be required to be paid if the guarantees were called upon in its entirety. At the end of the reporting period, an amount of RMB3,045 thousands (31 December 2022: RMB3,417 thousands) has been recognised in the interim condensed consolidated statement of financial position as liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2023

23 CAPITAL COMMITMENTS

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

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

24 ASSETS PLEDGED AS SECURITIES

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

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Bills receivable	861,671	1,034,234
Trade receivables	398,826	398,826
Property, plant and equipment	1,534,877	1,281,047
Land use rights	346,480	269,570
Pledged bank deposits	4,555,978	4,897,224
	7,697,832	7,880,901

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

For the six months ended 30 June 2023

25 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 17 and 19 to this interim condensed consolidated financial information.

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

	Unaudited	
	Six-months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Fees	553	513
Salaries and other emoluments	8,502	8,819
	9,055	9,332