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ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2023 <i>RMB'000</i>	Year ended 31 December 2022 <i>RMB'000</i>	Change
Revenue from contracts with customers	24,077,148	21,079,654	14.2%
Gross Profit	3,394,785	3,263,232	4.0%
Profit for the year attributable to owners of the Company	95,517	101,599	-6.0%
Basic and diluted earnings per share (RMB)	0.058	0.062	-6.5%
	As at 31 December 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	Change
Total assets	41,700,395	41,634,453	0.2%
Total liabilities	27,788,171	28,039,883	-0.9%
Net assets	13,912,224	13,594,570	2.3%
Net assets per share (RMB)	8.5	8.3	2.4%
Gearing ratio* (%)	66.6	67.3	-0.7 percentage point

* Gearing ratio = total liabilities/total assets

* For identification purpose only

The board (the “**Board**”) of directors (the “**Director(s)**”) of China High Speed Transmission Equipment Group Co., Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”) together with comparative figures for the year ended 31 December 2022 as follows. The consolidated annual results have been reviewed by the Company’s audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Note	RMB’000	RMB’000
Revenue from contracts with customers	3	24,077,148	21,079,654
Cost of sales		(20,682,363)	(17,816,422)
Gross profit		3,394,785	3,263,232
Selling and distribution expenses		(532,167)	(479,184)
Administrative expenses		(561,429)	(557,794)
Research and development costs		(904,473)	(744,816)
Net impairment losses recognised on financial assets		(295,106)	(212,812)
Other income	4	211,712	210,242
Other gains – net	5	57,499	120,851
Operating profit		1,370,821	1,599,719
Finance income	7	123,086	116,534
Finance costs	7	(763,559)	(588,814)
Finance costs – net		(640,473)	(472,280)
Share of results of associates		(2,639)	(83,849)
Profit before income tax		727,709	1,043,590
Income tax expenses	8	(112,473)	(399,379)
Profit for the year		615,236	644,211
Profit attributable to:			
– Owners of the Company		95,517	101,599
– Non-controlling interests		519,719	542,612
		615,236	644,211
Earnings per share (expressed in RMB)			
Basic and diluted earnings per share	9	0.058	0.062

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit for the year	<u>615,236</u>	<u>644,211</u>
Other comprehensive (loss)/income for the year:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
– Changes in fair value of debt investments at fair value through other comprehensive income	9,013	10,810
– Exchange differences on translation of foreign operations	(27,618)	(18,380)
– Income tax relating to these items	<u>(1,517)</u>	<u>(779)</u>
	<u>(20,122)</u>	<u>(8,349)</u>
<i>Items that will not be reclassified to profit or loss</i>		
– Changes in fair value of equity investments at fair value through other comprehensive income	(353,956)	(387,597)
– Income tax relating to these items	<u>76,496</u>	<u>101,934</u>
	<u>(277,460)</u>	<u>(285,663)</u>
Other comprehensive loss for the year, net of tax	<u>(297,582)</u>	<u>(294,012)</u>
Total comprehensive income for the year	<u><u>317,654</u></u>	<u><u>350,199</u></u>
Total comprehensive (loss)/income for the year attributable to:		
– Owners of the Company	(202,641)	(194,234)
– Non-controlling interests	<u>520,295</u>	<u>544,433</u>
	<u><u>317,654</u></u>	<u><u>350,199</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	As at 31 December	
	2023	2022
Note	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	8,988,566	7,124,012
Right-of-use assets	719,049	676,284
Goodwill	26,414	26,414
Investments in associates	196,297	220,023
Financial assets at fair value through other comprehensive income	1,290,427	1,613,095
Financial assets at fair value through profit or loss	411,400	387,600
Deposits for land leases	5,890	5,890
Deferred tax assets	905,494	728,894
	<u>12,543,537</u>	<u>10,782,212</u>
Current assets		
Inventories	6,544,851	6,928,601
Trade receivables	<i>11</i> 8,489,248	7,090,581
Other receivables	<i>11</i> 1,436,709	1,313,896
Prepayments	1,596,936	1,855,636
Financial assets at fair value through other comprehensive income	1,804,904	3,531,659
Financial assets at fair value through profit or loss	53,046	182,035
Other financial assets at amortised cost	–	641,421
Income tax recoverable	40,875	27,671
Pledged bank deposits	3,562,398	4,897,224
Cash and cash equivalents	5,627,891	4,383,517
	<u>29,156,858</u>	<u>30,852,241</u>

		As at 31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Current liabilities			
Trade payables	<i>12</i>	3,396,014	4,148,629
Bills payables	<i>12</i>	3,950,352	5,916,252
Other payables	<i>12</i>	1,393,772	1,309,726
Contract liabilities		1,729,685	1,508,801
Borrowings	<i>13</i>	5,036,621	4,657,412
Deferred income		42,925	18,495
Income tax payable		137,640	259,438
Warranty provision		1,144,479	988,395
Written put option liability		4,772,175	4,514,175
		<u>21,603,663</u>	<u>23,321,323</u>
Net current assets		<u>7,553,195</u>	<u>7,530,918</u>
Total assets less current liabilities		<u>20,096,732</u>	<u>18,313,130</u>
Non-current liabilities			
Borrowings	<i>13</i>	4,457,964	3,185,172
Deferred income		475,164	303,077
Warranty provision		1,124,470	1,114,729
Deferred tax liabilities		126,910	115,582
		<u>6,184,508</u>	<u>4,718,560</u>
Net assets		<u><u>13,912,224</u></u>	<u><u>13,594,570</u></u>
Capital and reserves			
Share capital		119,218	119,218
Reserves		<u>10,154,092</u>	<u>10,356,733</u>
Equity attributable to owners of the Company		10,273,310	10,475,951
Non-controlling interests		<u>3,638,914</u>	<u>3,118,619</u>
Total equity		<u><u>13,912,224</u></u>	<u><u>13,594,570</u></u>

NOTES

1. GENERAL

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 with effect from 4 July 2007.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the disclosure requirements of Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities which are carried at fair value.

(a) New and amendments to IFRSs adopted by the Group

In the current year, 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 1 January 2023 for the preparation of the Group’s consolidated financial statements:

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies
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
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance contracts

The application of the Amendments has had no material impact on the Group’s financial positions and performance for the current and prior years but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements.

(b) Amendments to IFRSs in issue but not yet effective

Certain amendments to IFRSs listed below have been issued but are not effective for the year ended 31 December 2023 and have not been early adopted by the Group. The amendments are either currently not relevant to the Group or had no material impact on the Group’s consolidated financial statements in the foreseeable future.

- Amendments to IAS 1, ‘Classification of liabilities as current or non-current’, effective for the annual period beginning on or after 1 January 2024
- Amendments to IAS 1, ‘Non-current liabilities with covenants’, effective for the annual period beginning on or after 1 January 2024
- Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’, effective for the annual period beginning on or after 1 January 2024
- Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’, effective for the annual period beginning on or after 1 January 2024

- Amendments to IAS 21, ‘Lack of exchangeability’, effective for the annual period beginning on or after 1 January 2025
- Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’, the effective date is to be determined

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

- 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;
- rail transportation gear transmission equipment segment: manufacture and distribution of gear transmission equipment used in rail transportation fields;
- trading business segment: focuses on bulk commodity and steel industry chain;
- the “others” segment comprises principally services on lighting project, municipal landscape projects and engineering procurement construction projects.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax from operations is measured consistently with the Group’s profit/loss before tax except that interest income, finance costs, dividend income, fair value gains/losses from the Group’s financial instruments, loss on disposal of an associate, gain on disposal of a subsidiary, loss on early redemption of other financial assets of 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, tax recoverable, structured bank deposits, pledged bank deposits, cash and cash equivalents, investments in associates, 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, tax payables, deferred tax liabilities, financial guarantee liability and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(a) Segment information

	Wind and industrial gear transmission equipment <i>RMB'000</i>	Rail transportation gear transmission equipment <i>RMB'000</i>	Trading business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2023					
Segment revenue					
Revenue from external customers	16,769,369	270,152	7,021,918	15,709	24,077,148
Timing of revenue recognition					
At a point in time	16,769,369	270,152	7,021,918	15,709	24,077,148
Segment results	1,554,480	38,022	52,003	(15,519)	1,628,986
<i>Reconciliation:</i>					
Finance costs – net (<i>Note 7</i>)					(640,473)
Dividend income (<i>Note 4</i>)					1,105
Interest income from other financial assets at amortised cost (<i>Note 4</i>)					5,254
Gain on disposal of a subsidiary (<i>Note 5</i>)					2,449
Loss on disposal of an associate (<i>Note 5</i>)					(8,087)
Loss on early redemption of other financial assets at amortised cost (<i>Note 5</i>)					(34,075)
Foreign exchange gains, net (<i>Note 5</i>)					77,800
Net fair value gains on financial assets at FVPL (<i>Note 5</i>)					25,123
Share of results of associates					(2,639)
Corporate and other unallocated expenses					(327,734)
Profit before income tax					727,709
Other segment information					
Write-down of inventories	62,311	287	–	–	62,598
Net impairment losses (reversed)/recognised on financial assets	(17,934)	(242)	6,445	(215)	(11,946)
Impairment losses on property, plant and equipment	4,931	–	–	–	4,931
Impairment losses on prepayments	2,323	–	–	–	2,323
Depreciation of property, plant and equipment and right-of-use assets	540,533	6,022	48	232	546,835
Capital expenditure	2,516,985	7,859	–	–	2,524,844
As at 31 December 2023					
Segment assets	21,534,601	522,040	4,673,793	1,328,032	28,058,466
Corporate and other unallocated assets					13,641,929
Total assets					41,700,395
Segment liabilities	12,308,451	134,050	172,883	479,453	13,094,837
Corporate and other unallocated liabilities					14,693,334
Total liabilities					27,788,171

	Wind and industrial gear transmission equipment <i>RMB'000</i>	Rail transportation gear transmission equipment <i>RMB'000</i>	Trading business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2022					
Segment revenue					
Revenue from external customers	<u>15,320,850</u>	<u>378,880</u>	<u>5,346,027</u>	<u>33,897</u>	<u>21,079,654</u>
Timing of revenue recognition					
At a point in time	<u>15,320,850</u>	<u>378,880</u>	<u>5,346,027</u>	<u>33,897</u>	<u>21,079,654</u>
Segment results	<u>1,411,301</u>	<u>49,770</u>	<u>101,175</u>	<u>(28,476)</u>	<u>1,533,770</u>
<i>Reconciliation:</i>					
Finance costs – net (<i>Note 7</i>)					(472,280)
Dividend income (<i>Note 4</i>)					3,005
Interest income from other financial assets at amortised cost (<i>Note 4</i>)					32,500
Interest income from deferred payment of consideration for partial disposal of a subsidiary (<i>Note 4</i>)					21,373
Foreign exchange gains, net (<i>Note 5</i>)					112,656
Net fair value gains on financial assets at FVPL (<i>Note 5</i>)					25,403
Share of results of associates					(83,849)
Corporate and other unallocated expenses					(128,988)
Profit before income tax					<u>1,043,590</u>
Other segment information					
Write-down/(reversal of write-down) of inventories	217,789	(157)	–	–	217,632
Net impairment losses recognised on financial assets	99,711	8,790	2,244	16,166	126,911
Impairment losses on property, plant and equipment	18,331	–	–	–	18,331
Impairment losses on prepayments	237	–	–	–	237
Depreciation of property, plant and equipment and right-of-use assets	418,929	4,699	45	351	424,024
Capital expenditure	<u>2,994,855</u>	<u>21,657</u>	<u>38</u>	<u>1</u>	<u>3,016,551</u>
As at 31 December 2022					
Segment assets	21,938,046	480,179	3,470,051	1,264,434	27,152,710
Corporate and other unallocated assets					14,481,743
Total assets					<u>41,634,453</u>
Segment liabilities	14,477,988	163,057	290,962	281,503	15,213,510
Corporate and other unallocated liabilities					12,826,373
Total liabilities					<u>28,039,883</u>

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
PRC	21,828,992	19,289,455
USA	1,398,369	1,158,478
Europe	183,282	112,253
Other countries	666,505	519,468
	<u>24,077,148</u>	<u>21,079,654</u>

(ii) Non-current assets

Non-current assets by the locations of the assets and excludes financial assets at FVOCI, financial assets at FVPL and deferred tax assets are detailed below:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
PRC	9,564,860	7,742,775
USA	185,377	158,367
Europe	6,712	7,948
Other countries	179,267	143,533
	<u>9,936,216</u>	<u>8,052,623</u>

(c) Information about major customers

Revenue from customers of the corresponding year individually amounted to over 10% of the total sales of the Group is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Customer A (Note)	<u>2,775,039</u>	<u>2,598,435</u>

Note: Revenue from sale of wind and industrial gear transmission equipment.

4. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Dividend income from financial assets at FVOCI and FVPL	1,105	3,005
Interest income from other financial assets at amortised cost	5,254	32,500
Interest income from deferred payment of consideration for partial disposal of a subsidiary (<i>Note</i>)	–	21,373
Government grants		
– Deferred income recognised	39,500	17,218
– Other government subsidies	54,219	49,406
Sale of scraps and materials	89,293	63,713
Gross fixed rental income	3,468	4,663
Others	18,873	18,364
	<u>211,712</u>	<u>210,242</u>

Note:

The amount represented extension interest received from deferred payment of consideration for the Group's disposal of 43% equity interest in Nanjing High Speed Gear Manufacturing Co., Ltd. (南京高速齒輪製造有限公司) (“Nanjing High Speed”) during the year ended 31 December 2022.

5. OTHER GAINS - NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
(Losses)/gains on disposal of property, plant and equipment, net	(780)	1,123
Gain on disposal of a subsidiary	2,449	–
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	77,800	112,656
Net fair value gains on financial assets at FVPL	25,123	25,403
Impairment losses on property, plant and equipment	(4,931)	(18,331)
	<u>57,499</u>	<u>120,851</u>

6. EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of inventories sold	18,976,570	16,217,534
Employee benefit expenses	1,984,982	1,722,118
Depreciation of property, plant and equipment	522,883	400,490
Depreciation of right-of-use assets	17,993	17,232
Auditor's remuneration		
– Audit services	3,638	3,902
– Non-audit services	1,494	2,887
Write-down of inventories	62,598	217,632
Other expenses	1,110,274	1,016,421
	<u>22,680,432</u>	<u>19,598,216</u>
Total cost of sales, selling and distribution expenses, administrative expenses and research and development costs	<u>22,680,432</u>	<u>19,598,216</u>

7. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income		
– Interest income from bank deposits	123,086	85,031
– Interest income from loans to third parties	–	31,503
	<u>123,086</u>	<u>116,534</u>
Finance costs		
– Interest expenses on bank and other borrowings	(509,536)	(390,527)
– Less: Interest capitalised	3,977	15,888
– Written put option liability: unwinding of discount	(258,000)	(214,175)
	<u>(763,559)</u>	<u>(588,814)</u>
Finance costs – net	<u>(640,473)</u>	<u>(472,280)</u>

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Current income tax – charge for the year		
– PRC	226,796	643,257
– Hong Kong	1,796	–
– USA	20,303	–
– Others	620	36
Over-provision in respect of prior years	(46,749)	(7,387)
	<u>202,766</u>	<u>635,906</u>
Deferred tax	(90,293)	(236,527)
Income tax expenses	<u>112,473</u>	<u>399,379</u>

A reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Profit before income tax	<u>727,709</u>	<u>1,043,590</u>
Tax calculated at statutory tax rate of 25%	181,927	260,897
Tax effect of:		
– Lower tax rate enacted by local authority or different tax rates of subsidiaries in other jurisdictions	(91,635)	(107,138)
– Share of results of associates	660	20,415
– Non-taxable income	(6,308)	(15,452)
– Non-deductible expenses	13,734	8,330
– Utilisation of previously unrecognised tax losses	(34,056)	(72,188)
– Tax losses for which no deferred tax assets was recognised	66,583	53,208
– Temporary differences for which no deferred income tax assets was recognised	116,900	4,952
– Additional deductions on research and development expenses	(90,147)	(55,027)
– Post acquisition profit of a partially disposed subsidiary	–	315,140
– Over-provision in respect of prior years	(46,749)	(7,387)
– Others	1,564	(6,371)
	<u>112,473</u>	<u>399,379</u>

(a) PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2022: 25%) on the taxable profits of the Group's PRC subsidiaries for the year ended 31 December 2023. The decrease in PRC corporate income tax as compared with that for the year ended 31 December 2022 is 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	31 December 2023	31 December 2025
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2023	31 December 2025
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2023	31 December 2025
NGC (Baotou) Transmission Equipment Co., Ltd.	31 December 2021	31 December 2023
Jiangsu Green Lighting Engineering Co., Ltd.	31 December 2021	31 December 2023

(b) Hong Kong Profits Tax

Hong Kong Profits Tax for the year ended 31 December 2023 has been provided under the two-tiered profits tax rates regime, the first HK\$2 million of the estimated assessable profits of the qualifying group entity is calculated at 8.25%, and the estimated assessable profits above HK\$2 million is calculated at 16.5%. No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong for the year ended 31 December 2022.

(c) Other corporate income tax

Other corporate income tax has been provided at the applicable rate of 8.5% to 25% (2022: 8.5% to 21%) on the estimated assessable profits arising from the jurisdictions at which the entities are operated.

9. EARNINGS PER SHARE

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

	Year ended 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net profit attributable to owners of the Company	<u>95,517</u>	<u>101,599</u>
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<u>1,635,291</u>	<u>1,635,291</u>
Basic earnings per share (RMB)	<u>0.058</u>	<u>0.062</u>

No adjustment is made to the diluted earnings per share for the year ended 31 December 2023 and 2022 as there were no potential dilutive share in issue.

10. DIVIDENDS

The directors did not recommend to declare any final dividend in respect of the year ended 31 December 2023 (2022: Nil).

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables		
– Amounts due from third parties	9,139,274	7,761,041
Less: Loss allowances	(650,026)	(670,460)
	<u>8,489,248</u>	<u>7,090,581</u>
Other receivables		
– Value-added tax recoverable	392,900	221,855
– Loans to third parties	317,838	632,208
– Amounts due from associates	45,951	45,951
– Amounts due from former subsidiaries	515,854	513,755
– Amounts due from third parties	935,551	367,504
	<u>2,208,094</u>	<u>1,781,273</u>
Less: Loss allowances	(771,385)	(467,377)
	<u>1,436,709</u>	<u>1,313,896</u>
	<u><u>9,925,957</u></u>	<u><u>8,404,477</u></u>

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

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

(i) Fair values of trade and other receivables

Due to the short-term nature of the trade and other receivables, their carrying amount are considered to be the same as their fair value.

(ii) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

The ageing analysis of trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowances, is as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 90 days	6,858,350	5,905,783
90 to 180 days	884,920	415,828
181 to 365 days	345,451	412,200
1 to 2 years	270,275	265,114
Over 2 years	130,252	91,656
	<u>8,489,248</u>	<u>7,090,581</u>

12. TRADE, BILLS AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– Amounts due to third parties	3,395,996	4,148,611
– Amount due to an associate	18	18
	<u>3,396,014</u>	<u>4,148,629</u>
Bills payables	<u>3,950,352</u>	<u>5,916,252</u>
	<u>7,346,366</u>	<u>10,064,881</u>
Other payables		
– Accruals	262,169	135,996
– Other tax payables	44,295	44,539
– Purchase of property, plant and equipment	550,474	522,501
– Payroll and welfare payables	245,886	229,189
– Financial guarantee liabilities	2,672	3,417
– Amount due to an associate	15,000	15,000
– Amounts due to third parties	273,276	359,084
	<u>1,393,772</u>	<u>1,309,726</u>
	<u>8,740,138</u>	<u>11,374,607</u>

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
0 to 30 days	3,295,868	4,522,861
31 to 60 days	675,370	948,427
61 to 180 days	2,864,605	2,678,443
181 to 365 days	422,813	1,834,680
Over 365 days	87,710	80,470
	<u>7,346,366</u>	<u>10,064,881</u>

Trade payables are non-interest-bearing and are normally settled on credit terms of 90 to 180 days.

Amount due to an associate is unsecured, interest-free and repayable on demand.

13. BORROWINGS

	As at 31 December			
	2023		2022	
	Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000
Current				
Bank loans – Unsecured	3.00 – 4.65	4,501,000	3.50 – 4.79	4,257,412
Bank loans – Secured	3.18 – 4.75	135,621	N/A	–
Loans from other financial institution – Secured	7.61	400,000	7.61	400,000
		<u>5,036,621</u>		<u>4,657,412</u>
Non-current				
Bank loans – Unsecured	3.08 – 4.53	1,052,032	4.53 – 4.55	849,756
Bank loans – Secured	3.18 – 4.75	3,405,932	3.10 – 5.03	2,335,416
		<u>4,457,964</u>		<u>3,185,172</u>
		<u>9,494,585</u>		<u>7,842,584</u>

Bank and other borrowings are repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within one year	5,036,621	4,657,412
Between one and two years	1,785,867	882,578
Between two and five years	1,479,027	1,250,025
Over five years	1,193,070	1,052,569
	<u>9,494,585</u>	<u>7,842,584</u>

The exposure of the Group's fixed-rate borrowings are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Fixed-rate borrowings	4,432,000	4,762,412

All the Group's borrowings were denominated in RMB as at 31 December 2023. As at 31 December 2022, the Group's borrowing denominated in currencies other than RMB was USD2,500 thousands, which was equivalent to RMB17,412 thousands.

The secured borrowings were secured by pledge of assets, details of which are set out in Note 16. In addition, as at 31 December 2023 and 2022, the secured non-current bank loans were secured by the Group's 100% equity interests in NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd.

14. CONTINGENT LIABILITIES

Financial guarantees

As at 31 December 2023, the Group issued a financial guarantee to a bank in respect of bank loans of RMB24,024 thousands (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 RMB2,672 thousands (2022: RMB3,417 thousands) has been recognised in the consolidated statement of financial position as liabilities.

15. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	1,853,478	3,117,804

16. ASSETS PLEDGED AS SECURITIES

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Bills receivables	294,458	1,034,234
Trade receivables	398,794	398,826
Property, plant and equipment	2,495,485	1,281,047
Land use rights	342,352	269,570
Pledged bank deposits	3,562,398	4,897,224
	7,093,487	7,880,901

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the research, design, development, manufacture and sales of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications and trade of goods. During the year, the Group recorded sales revenue of approximately RMB24,077,148,000 (2022: RMB21,079,654,000), representing an increase of 14.2% as compared with 2022, and the gross profit margin was approximately 14.1% (2022: 15.5%). Profit attributable to owners of the Company was approximately RMB95,517,000 (2022: RMB101,599,000), representing a decrease of 6.0% as compared with 2022. Basic earnings per share was RMB0.058 (2022: RMB0.062), representing a decrease of 6.5% as compared with 2022.

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, and by leveraging its strong research, design and development capabilities, our technology has 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, 12MW and 13.6MW, have been provided to domestic and overseas customers in bulk. During the year, the Group maintained a strong customer portfolio. Customers of our wind gear transmission equipment products include major wind turbine manufacturers in the PRC, as well as 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 year, sales revenue of wind gear transmission equipment business increased by 12.2% to approximately RMB14,890,141,000 as compared with last year (2022: RMB13,274,367,000).

2. Industrial gear transmission equipment

Enhanced market competitiveness through changes in production modes and sales strategies

The Group's industrial gear transmission equipment products are widely used by 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 industrial gear transmission equipment. With a focus on energy conservation, environmental protection and low carbon emission, 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 an electromechanical control integrated driving system with high efficiency, high reliability and low energy consumption. With “complete range, clear layers and precise subdivision” as our product positioning and market positioning, the Group was able to facilitate changes in sales strategies and production models, improve comprehensive competitiveness and further consolidate market advantages. Meanwhile, the Group also strengthened its efforts to provide and sell the parts and components of relevant products as well as comprehensive system solutions to its customers, helping customers to enhance their current production efficiency and reduce energy consumption without increasing capital expenditure and satisfying the diverse and differentiated needs of customers, thereby maintaining the Group's position as a major supplier in the market of industrial gear transmission equipment products.

During the year, the industrial gear transmission equipment business generated sales revenue of approximately RMB1,879,228,000 (2022: RMB2,046,483,000) for the Group, representing a decrease of 8.2% as compared with last year.

3. Rail transportation gear transmission equipment

Featured by environmental-friendly nature through design technology, sealing technology and effective control

The Group's rail transportation gear transmission equipment products are widely used in various rail transportation fields, such as high-speed rails, metro lines, urban trains and trams. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry, such as the CRRC Group and the Alstom Group. The Group has obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry, CRCC Certification for Railway Products for its rail transportation gear transmission equipment products and Silver Certificate for "IRIS" System, which has laid a solid foundation for further expansion in the international rail transportation market. Currently, the products have been successfully applied to rail transportation transmission equipment in many Chinese cities, such as Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and Taipei, and have also been successfully applied to rail transportation transmission equipment in various countries and regions such as Singapore, India, Brazil, France, Canada, Australia and Egypt. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, the Company's rail transportation gear transmission equipment products are more environmental-friendly, and the products are well received by users.

During the year, the rail transportation gear transmission equipment business generated sales revenue of approximately RMB270,152,000 (2022: RMB378,880,000) for the Group, representing a decrease of 28.7% as compared with last year.

4. Trading business

Explore trading business through resource integration

The trading business of the Group mainly comprises trading business of bulk commodities and trading business in the steel industrial chain. The bulk commodity trading business mainly involves the procurement and wholesale of refined oil and electrolytic copper. The trading business in the steel industrial chain mainly involves, among others, the procurement and wholesale of raw coal and coke, being the upstream raw materials of steel, and the procurement and wholesale of steel.

During the year, the trading business generated sales revenue of approximately RMB7,021,918,000 (2022: RMB5,346,027,000) for the Group, representing an increase of 31.3% as compared with last year.

LOCAL AND EXPORT SALES

During the year, the Group maintained its position as the leading supplier of the mechanical transmission equipment in the PRC. During the year, the overseas sales amounted to approximately RMB2,248,156,000 (2022: RMB1,790,199,000), representing an increase of 25.6% as compared with last year. Overseas sales accounted for 9.3% (2022: 8.5%) of the total sales of the Group, representing an increase of 0.8 percentage points as compared with 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.

FINANCIAL PERFORMANCE

REVENUE

During the year, sales revenue of the Group increased by 14.2% from approximately RMB21,079,654,000 in 2022 to approximately RMB24,077,148,000, this was mainly due to the increase in sales of wind gear transmission equipment and trading business.

	Revenue		
	Year ended 31 December		Change
	2023	2022	
	RMB'000	RMB'000	
Wind gear transmission equipment	14,890,141	13,274,367	12.2%
Industrial gear transmission equipment	1,879,228	2,046,483	-8.2%
Rail transportation gear transmission equipment	270,152	378,880	-28.7%
Trading business	7,021,918	5,346,027	31.3%
Other products	15,709	33,897	-53.7%
Total	24,077,148	21,079,654	14.2%

During the year, sales revenue from wind gear transmission equipment was approximately RMB14,890,141,000 (2022: RMB13,274,367,000), representing an increase of 12.2% as compared with last year; sales revenue from industrial gear transmission equipment was approximately RMB1,879,228,000 (2022: RMB2,046,483,000), representing a decrease of 8.2% as compared with last year; sales revenue from rail transportation gear transmission equipment was approximately RMB270,152,000 (2022: RMB378,880,000), representing a decrease of 28.7% as compared with last year; and sales revenue from trading business was approximately RMB7,021,918,000 (2022: RMB5,346,027,000), representing an increase of 31.3% as compared with last year.

GROSS PROFIT MARGIN AND GROSS PROFIT

During the year, the Group's consolidated gross profit margin was approximately 14.1% (2022: 15.5%), representing a decrease of 1.4 percentage points as compared with last year. Consolidated gross profit for the year was approximately RMB3,394,785,000 (2022: RMB3,263,232,000), representing an increase of 4.0% as compared with last year. During the year, the increase in consolidated gross profit was mainly due to increase in sales revenue, the decrease in gross profit margin was mainly due to the decreased sales price and the increased costs of wind gear transmission equipment.

OTHER INCOME

During the year, the Group's other income was approximately RMB211,712,000 (2022: RMB210,242,000), representing an increase of 0.7% as compared with last year. Other income mainly comprised of income from sales of scraps and materials and government grants.

OTHER GAINS – NET

During the year, the Group's other net gains were approximately RMB57,499,000 (2022: RMB120,851,000), which mainly included foreign exchange gains, fair value gains on financial assets at FVPL, net of loss on early redemption of other financial assets at amortised cost.

SELLING AND DISTRIBUTION EXPENSES

During the year, the Group's selling and distribution expenses were approximately RMB532,167,000 (2022: RMB479,184,000), representing an increase of 11.1% as compared with last year. Selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses, staff costs and business expenses. The increase in selling and distribution expenses was mainly due to the increase in product packaging expenses and transportation expenses. During the year, selling and distribution expenses represented 2.2% of sales revenue (2022: 2.3%), representing a decrease of 0.1 percentage points as compared with last year.

ADMINISTRATIVE EXPENSES

During the year, the Group's administrative expenses were approximately RMB561,429,000 (2022: RMB557,794,000), representing an increase of 0.7% as compared with last year. The increase in the administrative expenses was mainly due to the increase in staff costs, property tax and land use tax. During the year, administrative expenses accounted for 2.3% of sales revenue (2022: 2.6%), representing a decrease of 0.3 percentage points as compared with last year.

RESEARCH AND DEVELOPMENT COSTS

During the year, the Group's research and development costs were approximately RMB904,473,000 (2022: RMB744,816,000), representing an increase of 21.4% as compared with last year. During the year, research and development costs accounted for 3.8% of sales revenue (2022: 3.5%), representing an increase of 0.3 percentage points as compared with last year.

NET IMPAIRMENT LOSSES RECOGNISED ON FINANCIAL ASSETS

During the year, the net impairment losses recognised on financial assets of the Group were approximately RMB295,106,000 (2022: RMB212,812,000), representing an increase of approximately RMB82,294,000 as compared with last year. The increase in impairment losses were mainly due to bad debt provision individually provided for other receivables of specific debtors based on evaluation of credit risk.

FINANCE COSTS

During the year, the Group's finance costs were approximately RMB763,559,000 (2022: RMB588,814,000), representing an increase of 29.7% as compared with last year, which was mainly due to an increase in bank borrowings.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2023, the equity attributable to owners of the Company amounted to approximately RMB10,273,310,000 (31 December 2022: RMB10,475,951,000), representing a decrease of 1.9% as compared with the beginning of the year. The Group had total assets of approximately RMB41,700,395,000 (31 December 2022: RMB41,634,453,000), representing an increase of 0.2% as compared with the beginning of the year. Total current assets were approximately RMB29,156,858,000 (31 December 2022: RMB30,852,241,000), representing a decrease of 5.5% as compared with the beginning of the year. Total non-current assets were approximately RMB12,543,537,000 (31 December 2022: RMB10,782,212,000), representing an increase of 16.3% as compared with the beginning of the year, mainly due to an increase in property, plant and equipment.

As at 31 December 2023, total liabilities of the Group were approximately RMB27,788,171,000 (31 December 2022: RMB28,039,883,000), representing a decrease of approximately RMB251,712,000 or 0.9% as compared with the beginning of the year. Total current liabilities were approximately RMB21,603,663,000 (31 December 2022: RMB23,321,323,000), representing a decrease of 7.4% as compared with the beginning of the year, mainly due to a decrease in bills payables. Total non-current liabilities were approximately RMB6,184,508,000 (31 December 2022: RMB4,718,560,000), representing an increase of 31.1% as compared with the beginning of the year, mainly due to an increase in bank borrowings.

As at 31 December 2023, the net current assets of the Group were approximately RMB7,553,195,000 (31 December 2022: RMB7,530,918,000), representing an increase of approximately RMB22,277,000 or 0.3% as compared with the beginning of the year.

As at 31 December 2023, total cash and bank balances of the Group were approximately RMB9,190,289,000 (31 December 2022: RMB9,332,115,000), representing a decrease of approximately RMB141,826,000 or 1.5% as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB3,562,398,000 (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 nil (31 December 2022: RMB51,374,000).

As at 31 December 2023, the Group had total borrowings of approximately RMB9,494,585,000 (31 December 2022: RMB7,842,584,000), representing an increase of RMB1,652,001,000 or 21.1% as compared with the beginning of the year, of which, borrowings with 1-year term amounted to RMB5,036,621,000 (31 December 2022: RMB4,657,412,000), accounting for approximately 53.0% of the total borrowings (31 December 2022: 59.4%). The interest rates of the Group's borrowings during the year ranged from 3.00% to 7.61% per annum.

Taking into account the capital generated internally within the Group, the banking credit available to the Group, and the net current assets of approximately RMB7,553,195,000 as at 31 December 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) decreased from 67.3% as at 31 December 2022 to 66.6% as at 31 December 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 31 December 2023, the Group's borrowings with fixed interest rate accounted for 46.7% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in above note 16, the Group has made no further pledge of assets as at 31 December 2023.

PROSPECTS

In 2023, the global economy had experienced undercurrents with many external uncertainties and intensifying financial risks. Despite the pressures and challenges, the PRC government adopted a series of proactive macroeconomic control policies to promote the overall recovery of China's economic performance, maintaining a high growth rate. According to statistics by the National Bureau of Statistics, the gross domestic product (GDP) of China for the year of 2023 was RMB126,060 billion, increasing by 5.2% year-on-year. The growth rate accelerated 2.2 percentage points as compared with 2022. As residents' income increased, domestic demand gradually strengthened and new drivers grown and developed, the quality of China's economic development continued to improve with positive fundamentals in long term.

Under the introduction of the carbon peaking and carbon neutral targets, the transformation and upgrading of China's energy consumption structure have been accelerating. The energy industry has entered a stage of high-quality development, and the development of green and low-carbon energy has become the mainstream. As a renewable and clean energy, wind power has become an important part of energy development planning. The wind power industry operates on land and sea and has entered a market-driven era. Following the concepts of innovation and zero-defect quality, the Group continues to increase investment in research and development to provide the global market with a full range of wind power gear transmission products covering different megawatt levels and to provide a complete service network.

Over the years, under the strong guidance of policies, China's wind power industry has achieved high-quality development. Currently, it has achieved localization and started affordable and rapid development. Since the wind power industry entered the era of parity, the pressure for rapid cost reduction has been transmitted to the subdivided links of the industry chain. The competition of wind power manufacturing field has become more intense. The bidding prices of wind turbine products have continued to decline. As a result, the profit margins of wind turbine products have been continuously compressed. Since wind power gear transmission equipment is one of the necessary components of wind turbines, the price of wind turbine products continued to remain low, which inevitably reduced the prices of the Group's wind power gear transmission equipment. Considering the competitive landscape of wind turbine parts, the current price competition and intensified industry involution in the wind turbine manufacturing industry, there were severe challenges to the development of the Group's wind power gear transmission equipment business. In addition, in recent years, the development trend of large-scale wind turbines has accelerated the iteration of wind power gearbox models, which has put forward higher requirements for the Group's R&D and innovation capabilities. Meanwhile, in order to satisfy the production requirement of large-megawatt wind gearboxes, the Group will be required to increase investment in upgrading and transforming ancillary equipment and test platforms. With the increasing complexity of the operating environment of wind gearboxes and customers having more stringent requirements on the quality and performance of products, the Group is put under potential pressure on the costs of after-sale maintenance.

The Group continues to adhere to its green development strategy in terms of its business in industrial gear transmission equipment segment. By adhering to a high-quality development with green ecology, the Group has continued to promote and improve the “standardized, modularized and serialized” product system, conduct in-depth research on new transmission technology, and lead the development direction of industrial gear transmission equipment products to “four highs and three lows” (i.e., high power, high speed, high load and high precision; low power consumption, low vibration and low noise). Besides, the Group has also been actively developing driving technology and has developed an “integrated, intelligent and digital” driving product system. Through a close technical cooperation with domestic and overseas customers, relying on the support of the Company’s global research and development system, the innovation and development of intelligent inter-connected products, we further promotion of our international layout, we provide customers intelligent solutions for gear transmission products. Under the current development trend of green economy, while taking into account high quality and intelligent development, it is of far-reaching significance to develop and innovate products that are more environmentally friendly, which also drives the need of the Group to continuously increase investment in R&D, accelerate the development of new products, and strive to build high-end equipment for the manufacturing of products to enhance brand awareness and influence, so as to maintain the Group's position as a major supplier in the industrial gear transmission equipment market.

The Group's rail transportation gear transmission equipment is widely used in various 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, such as the CRRC Group and the Alstom Group. The Group has obtained ISO/TS 22163 Certificate for the Quality Management System and Railway Product CRCC Certificate of International Railway Industry for its rail transportation gear box products, which has laid a solid foundation for further expansion in the international rail transportation market. Adhering to "the concept and operation of zero defects", the Group is committed to providing global customers with safe, reliable and quiet rail transit gear transmission equipment products as well as a full range of rail transit gear transmission solutions. During the Reporting Period, Nanjing High Accurate Rail Transportation Equipment Co., Ltd.* (南京高精轨道交通設備有限公司), a subsidiary of the Company, was granted an order of 1,320 units of rail gearbox from Cairo Project, Egypt. It has passed the customer's first inspection successfully. The Company currently has more than 50,000 units of rail gear transmission equipment in rail transportation across several countries and regions including China, North America, South America, Europe, Southeast Asia and South Africa, which are well-recognized by customers. The Group's rail transportation gear transmission equipment business has completed the IRIS system "Silver Medal" upgrade project and officially obtained the IRIS "Silver Medal" certificate in 2022; during the Reporting Period, the Group has continued to pass the review for the certificate of the system and has again obtained the Silver Medal certificate, which greatly enhanced the Group's brand integrity and influence in the rail transportation industry, promoting the robust development of the Group's rail transportation gear transmission equipment business.

The Group has been engaged in the commodity trading business and steel industry chain trading business. The commodity trading business mainly involves the procurement and sale of bulk refined oil products and copper cathode; the steel industry chain trading business mainly involves the procurement and sale of raw coal, the upstream raw materials for steel, coke and bulk steel. With the development of the trading business of the Group, there is a necessity to strengthen risk prevention against market uncertainties.

In 2024, the Group will adhere to the four core competitive strengths of "innovative thinking, zero defects, professional services, and customer orientation", and to provide customers with better product and more comprehensive services. Meanwhile, the Group will continue to keep abreast of product market trends, improve product quality and economies of scale while enhancing market penetration, consolidating our market share, promoting the Group's profitability to a new level and fully realizing the appreciation of the corporate value. Furthermore, with the introduction of the carbon peaking and carbon neutral targets, "green" has become the inevitable trend and beautiful background for the quality development of Chinese and global enterprises. Against this backdrop, the Group, as a leading supplier in the transmission equipment sector, will also proactively realize the concept of green development, continue to drive green development of its business and industry chain through innovation with measures to promote the research and development of green and low-carbon products, leading the technological development trend of the industry and facilitating the green development of China to a next level to help achieve the "dual carbon" targets in an early manner.

OTHER SUPPLEMENTARY INFORMATION

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

FOREIGN EXCHANGE RISK

The Group's operations are mainly conducted in the PRC. With the exception of export sales and imported equipment which are mainly denominated in U.S. dollars and Euro, the Group's domestic revenue and expenses are denominated in Renminbi. Therefore, the Board is of the view that the Group's operating cash flow and liquidity during the year 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 year, the net gains of foreign exchange (included in "Other gains – net") recorded by the Group was approximately RMB77,800,000 (2022: RMB112,656,000), 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 year.

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

EMPLOYEES AND REMUNERATION

As at 31 December 2023, the Group employed approximately 8,030 employees (31 December 2022: 7,580). Staff cost of the Group for the year approximated to RMB1,984,982,000 (2022: RMB1,722,118,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE YEAR

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

IMPORTANT EVENTS AFTER THE END OF THE REPORTING YEAR

There are no important events occurred subsequent to 31 December 2023.

SCOPE OF WORK OF BAKER TILLY

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed with the Company's auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly**"), which is consistent with the figures set out in the Group's consolidated financial statements for the year ended 31 December 2023. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly on this announcement.

CORPORATE GOVERNANCE

During the year, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules, except for the deviation from code provision C.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 to the Listing Rules as its internal code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the executive directors of the Company are Mr. Hu Jichun, Mr. Hu Yueming, Mr. Chen Yongdao, Mr. Zhou Zhijin, Ms. Zheng Qing, Mr. Gu Xiaobin and Mr. Fang Jian; and the independent non-executive directors of the Company are Mr. Jiang Xihe, Ms. Jiang Jianhua, Dr. Chan Yau Ching, Bob and Mr. Nathan Yu Li.