

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



**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)**

## **INSIDE INFORMATION**

### **(1) UPDATE ON THE INDEPENDENT INVESTIGATION; AND (2) REMOVAL OF EXECUTIVE DIRECTOR**

This announcement is made by China High Speed Transmission Equipment Group Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 24 November 2024 and 6 February 2025, respectively, in relation to the Agreements of the Relevant Subsidiaries and the update on the Independent Investigation, respectively (the “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

#### **UPDATE ON INDEPENDENT INVESTIGATION**

As disclosed in the Company’s announcement dated 6 February 2025, the Independent Investigator has been advancing the Independent Investigation as a matter of priority to ascertain the material facts and circumstances surrounding the Agreements and the Relevant Amounts.

With the full support of the IIC, the Company and its Board, the Independent Investigator has undertaken extensive investigative procedures, notably involving:

- (a) collating and reviewing extensive records and supporting documentation pertaining to the Agreements and the Relevant Amounts;
- (b) independent verification and forensic analysis of accounting ledgers obtained from the Relevant Subsidiaries, to ascertain information on the transactional arrangements and execution processes;
- (c) conducting on-site visits in the People’s Republic of China (the “**PRC**”) to facilitate the collation of relevant documents and records;
- (d) performing forensic electronic discovery procedures at both the Company and Relevant Subsidiaries level, including collecting electronic data from relevant personnel with targeted search terms; and
- (e) engaging in interviews and discussions with key management and personnel to corroborate findings from the available documentary records.

The Independent Investigator expects to continue progressing the Independent Investigation in accordance with the following indicative timeframe:

<b>Expected Timing</b>	<b>Action</b>
By mid-March 2025	The Independent Investigator to complete its electronic data collection and imaging.
By mid-April 2025	The Independent Investigator to complete its review of all documents provided, including its forensic review of the electronic data collected.
By end of April 2025	The Independent Investigator to complete interviews with all relevant individuals.
By mid-May 2025	The Independent Investigator to circulate the preliminary findings of the Independent Investigation.

The Company will continue to render all necessary assistance to the Independent Investigation and facilitate the Independent Investigator's review of the relevant matters.

## **INTERIM REMEDIAL MEASURES**

Pending the results of the Independent Investigation, the Company has proactively adopted, and the Board has resolved to implement, remedial measures to appropriately strengthen its internal controls and address any identified weaknesses. As at the date of this announcement, the Company has implemented the following interim measures in relation to the Relevant Subsidiaries:

- (a) **Enhanced oversight and control of commodities trading operations:** All commodities trading operations have been temporarily suspended as of November 2024 for a comprehensive review and rectification of identified stock issues. Increased oversight and stringent measures have been implemented, including rigorous contract, delivery, funds flow, invoicing and accounts receivable controls, along with tightened internal approval procedures to ensure all transactions are properly authorised.
- (b) **Streamlined cash flow controls and inventory management:** The Company has eliminated advance payments and credit terms, adopting a cash-against-documents or cash-against-delivery policy to improve cash flow management. Inventory holding periods have also been reduced, with invoicing processes synchronised to improve inventory turnover and to ensure accurate and timely financial reporting.
- (c) **Infrastructural and managerial changes:** Extensive changes have been made to optimise senior management roles, with a focus on ensuring operational efficiency and robust corporate governance. This includes the appointment of new directors and key senior personnel, and reorganisation of company personnel.
- (d) **Heightened management oversight and compliance:** Notwithstanding the preliminary stages of the Independent Investigation, there has been proactive and continued oversight and engagement by senior management in the investigations. The Company and its senior management have meanwhile emphasised to all employees the critical importance of adhering to established systems and controls, and regulatory compliance through a series of internal communications and training sessions.

The Company will continue to keep under review its systems and controls, as well as all matters concerning regulatory compliance, and will implement further enhancements as necessary to ensure all issues identified in the Independent Investigation are thoroughly addressed.

In the meantime, with the assistance of its legal advisors, the Company is actively exploring and pursuing all necessary and appropriate avenues to preserve and enforce its rights, and to safeguard the best interests of the Company and its shareholders. Accordingly, the Company has reported the matter to the authorities in the PRC and is providing full assistance in their investigations.

## **REMOVAL OF EXECUTIVE DIRECTOR**

A Board meeting was convened on 28 February 2025, during which the Board resolved to remove Mr. Fang Jian (“**Mr. Fang**”) as executive Director of the Company with immediate effect (the “**Removal**”), to be effected by notice in writing (the “**Notice**”) served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including Mr. Fang) then in office, in accordance with article 130.6 of the third amended and restated memorandum and articles of association of the Company (the “**Articles**”). The Notice was duly served upon Mr. Fang on 1 March 2025, in accordance with article 209 of the Articles.

The key reason for the Removal was that the Board had concerns around Mr. Fang’s fitness and properness to continue serving as an executive Director of the Company and that the Board accordingly considered it would be in the best interests of the Company to remove Mr. Fang.

To the best of the Directors’ knowledge, information and belief, the Removal will not affect the financial performance and business operations of the Group in any material respects.

The Company will make further announcement(s) on any material developments, including in relation to the progress of the Independent Investigation, as and when appropriate in accordance with the Listing Rules.

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 2 March 2025

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

\* *For identification purposes only*