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)

2024
ANNUAL REPORT

* For identification purpose only

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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 *(removed by the Board of Directors with effect from 1 March 2025)*

Independent Non-executive Directors

Mr. Jiang Xihe
Ms. Jiang Jianhua
Dr. Chan Yau Ching, Bob
Mr. Nathan Yu Li

AUDIT COMMITTEE

Mr. Jiang Xihe *(Chairman)*
Dr. Chan Yau Ching, Bob
Mr. Nathan Yu Li

REMUNERATION COMMITTEE

Dr. Chan Yau Ching, Bob *(Chairman)*
Mr. Jiang Xihe
Mr. Chen Yongdao

NOMINATION COMMITTEE

Mr. Hu Jichun *(Chairman)*
Mr. Jiang Xihe
Mr. Nathan Yu Li

REGISTERED OFFICE

VISTRA (CAYMAN) LIMITED
P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman KY1 – 1205
Cayman Islands

AUDITOR

Baker Tilly Hong Kong Limited

LEGAL ADVISER

DeHeng Law Offices (Hong Kong) LLP

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1302,13th Floor, COFCO Tower
No. 262 Gloucester Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue, George Town
Grand Cayman KY1-9008
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Hu Yueming
Mr. Lui Wing Hong, Edward

PRINCIPAL BANKERS

ICBC
Bank of Communications
Export-import Bank of China
China Merchants Bank
SPD Bank
Bank of Jiangsu
China Minsheng Bank
China Construction Bank
Bank of Beijing
Huaxia Bank
Bank of Ningbo
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

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000	Change
Revenue from contracts with customers	22,075,470	24,077,148	-8.3%
Gross Profit	3,288,147	3,394,785	-3.1%
(Loss)/profit for the year attributable to owners of the Company	(6,556,733)	95,517	N/A
Basic and diluted (loss)/earnings per share *(RMB)*	(4.010)	0.058	N/A

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000	Change
Total assets	37,709,287	41,700,395	-9.6%
Total liabilities	25,150,002	27,788,171	-9.5%
Net assets	12,559,285	13,912,224	-9.7%
Net assets per share *(RMB)*	7.7	8.5	-9.4%
Gearing ratio* *(%)*	66.7	66.6	0.1 percentage point

* Gearing ratio = total liabilities/total assets

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue from contracts with customers	**22,075,470**	24,077,148	21,079,654	20,210,526	15,368,511
(Loss)/profit for the year	**(5,931,528)**	615,236	644,211	1,396,860	851,056
(Loss)/profit for the year attributable to owners of the Company	**(6,556,733)**	95,517	101,599	1,315,245	840,906

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**37,709,287**	41,700,395	41,634,453	29,640,474	25,851,099
Total liabilities	**(25,150,002)**	(27,788,171)	(28,039,883)	(15,872,439)	(13,227,891)
	12,559,285	13,912,224	13,594,570	13,768,035	12,623,208
Attributable to:					
Owners of the Company	**8,400,086**	10,273,310	10,475,951	13,399,195	12,215,334
Non-controlling interests	**4,159,199**	3,638,914	3,118,619	368,840	407,874
	12,559,285	13,912,224	13,594,570	13,768,035	12,623,208

CHAIRMAN'S STATEMENT

I am pleased to present the 2024 annual report of China High Speed Transmission Equipment Group Co., Ltd. (the "**Company**" or "**China High Speed Transmission**"). For the year ended 31 December 2024 (the "**Year**" or the "**Reporting Period**"), the Company and its subsidiaries (collectively referred to as the "**Group**") recorded sales revenue of approximately RMB22,075,470,000, representing a decrease of approximately 8.3% from 2023. Loss attributable to owners of the Company was approximately RMB6,556,733,000 (2023: Profit attributable to owners of the Company of approximately RMB95,517,000). Leveraging on its continuous pursuit of technological innovation, China High Speed Transmission continues to lead the development of the domestic high-end equipment manufacturing industry, contributing to the transformation of China's energy structure and the realization of a green and sustainable society.

In 2024, despite a complex and challenging landscape marked by increasing external pressures and domestic difficulties, China's economy advanced steadily against headwinds, successfully achieving major expected goals and objectives. The economy demonstrated both qualitative improvements and reasonable quantitative growth, showcasing robust high-quality development. According to data released by the National Bureau of Statistics of China, on a preliminary basis, China's gross domestic product (GDP) in 2024 exceeded RMB130 trillion for the first time and reached RMB134,908.4 billion, representing an increase of 5% as compared with last year at constant prices, with its position maintained among the fastest-growing major economies globally.

With the acceleration of global energy transformation, wind power, as a key clean energy source, is ushering in unprecedented development opportunities. In recent years, China has launched a series of policies and measures to support the high-quality development of the wind power industry. In October 2024, six departments of Chinese government, including National Development and Reform Commission, issued the Guiding Opinions on Vigorously Implementing Renewable Energy Substitution Actions《關於大力實施可再生能源替代行動的指導意見》, proposing to comprehensively improve the supply capacity of renewable energy, accelerate the construction of large-scale wind power and photovoltaic bases, and promote the clustered development of offshore wind power. Benefiting from these policies, China's wind power industry is expected to sustain rapid growth. Data from the National Energy Administration of China shows that in 2024, China added 79.82 GW of newly installed wind power capacity, representing a year-on-year increase of 6%, including 75.79 GW of onshore wind power and 4.04 GW of offshore wind power.

As a leader in wind power transmission equipment, the Group made continuous breakthroughs in key core technologies by strengthening independent technological innovation and the development and application of new technologies and processes. Our products have obtained a number of certifications, including CCS, CGC, CQC, TUV, DNVGL, UL, CE, and ETL, meeting the international advanced level. The Group provides the global market with a full range of wind power transmission products ranging from 1.5 MW to 20+ MW, supported by a comprehensive service network. Our products are adaptable to various operating conditions, including low-temperature, high-temperature, low-wind-speed, high-altitude, desert, Gobi, arid wasteland, and offshore environments. Furthermore, the Group integrates mechanical and digital technologies, leveraging smart transmission technologies and products to support enterprises in their digital and intelligent transformation.

During the Reporting Period, the Group adhered to the customer-centric service concept throughout the whole life cycle of its products. With its outstanding innovative technologies and commitment to collaborative partnerships, the Group has won high recognition from customers, maintaining long-term and stable strategic cooperation with numerous renowned domestic and international wind turbine manufacturers, including Dongfang Electric Wind Power, Windey Energy Technology, Goldwind Science & Technology, SANY Renewable Energy, GE Vernova, Siemens Energy Wind Power, Suzlon and Nordex acciona. This demonstrates the Group's strong and diversified client portfolio. In respect of research and development innovation, the Group continued to enhance investment in research and development and technological innovation. During the Year, the Group launched the innovative "code scanning service", significantly enhancing the operation and maintenance efficiency of wind power gearboxes. In addition, during the Reporting Period, the Group newly launched onshore (8-15) MW front integrated transmission chain gearboxes, (6-20) MW fully integrated transmission chain gearboxes and 20MW offshore floating wind turbine gearboxes applying sliding bearing technology, injecting innovative momentum into the development of the industry. Looking forward, the Group will continue to accelerate its globalization strategy and innovate its development model by setting up operation and maintenance centers and service agencies in the Americas, Europe and the Asia-Pacific regions. While consolidating its presence in the Chinese market, the Group will also actively seize the opportunities in overseas markets and seek partnerships with potential clients to achieve sustainable global growth.

In respect of the industrial gear transmission equipment business segment, adhering to a green development strategy, the Group focuses on energy efficiency, environmental protection, and low-carbon solutions, continuously advancing the innovation and upgrading of transmission technology and drive technologies. It has independently developed a series of standardized, modular, and intelligent products with international competitiveness, as well as high-efficiency, high-reliability, and low-energy electro-mechanical control integrated drive systems. While reinforcing its competitive edge in the heavy industrial equipment market, the Group actively develops and expands the application of existing products in new markets and industries and enhances the added value and lifecycle of existing products through R&D innovation. Currently, the Group's industrial gear transmission equipment products are widely used in metallurgy, mining, petrochemicals, port cranes, construction machinery, rubber/plastic machinery, sugar extraction, and power generation. With their outstanding performance and reliable quality, these products have earned recognition from numerous internationally renowned clients. Furthermore, to better meet customers' diversified and differentiated requirements, the Group also provides and sells related product components as well as comprehensive system solutions. These offerings enable customers to achieve cost reduction and efficiency improvement, thereby reinforcing the Group's position as a leading supplier in the industrial gear transmission equipment market.

In the rail transportation gear transmission equipment business, the Group is committed to providing users with reliable, safe and quiet products. Through years of continuous improvement, the Group’s rail transportation gearbox products have obtained the ISO/TS22163:2017 (International Railway Industry Standard) certification, the CRCC Certification for Railway Products, and the IRIS Silver certification for three consecutive years since 2022. These certifications provide strong qualifications endorsement for the Group’s international business expansion. With excellent gearbox design technology, outstanding sealing technology, and effective production process control, the Group’s products demonstrate superior market competitiveness and have gained favor from renowned domestic and international manufacturers. The Group has established long-term and stable cooperative relationships with leading domestic and international enterprises such as CRRC and Alstom. To date, the Group’s rail transportation gearbox products have been successfully applied to various types of vehicle equipment worldwide, and the Group’s influence in the global rail transportation sector continues to grow.

Driven by the global wave of sustainable development, structural transformation of energy systems has become an inevitable pathway to achieving green growth. As a renewable energy source, wind power has emerged as a pillar industry in the energy transition due to its significant economic advantages. Under the guidance of the “Dual Carbon” goals, the sustained growth in global demand for clean energy will create vast market opportunities for the wind power sector. Although the current wind power industry’s profit margins have been compressed to a certain extent due to fierce market competition, and the trends of large-scale, digitalized, and intelligent wind turbines has also brought challenges to the development of wind power companies. The Group will continue to intensify technological innovation to maintain its competitive edge and drive innovative development of high-end equipment manufacturing business.

A thousand-mile journey begins with the first step. Going forward, the Group will continue to focus on the four core competitiveness of "innovative thinking, zero-defect quality, professional services and customer proximity", so as to actively seize industry development opportunities. We will concentrate on innovation and quality enhancement, continuously introducing new products to enrich our portfolio and provide customers with more quality and diversified choices. Furthermore, we will closely monitor market dynamics, actively explore new markets and new channels, strengthen internal management, and enhance profitability to achieve industry-leading growth. Guided by our mission of "transmitting the power of progress for human civilization", we will fully integrate sustainable development concepts into our core management strategies and progressively implement them into our global business and operational practice, contributing to the realization of "Dual Carbon" goals.

Finally, on behalf of all directors (the "**Directors**") of the board of Directors (the "**Board**") of the Company, I would like to express our sincerest gratitude to shareholders for their steadfast support, to every hardworking colleague for their dedication, and to all our trusted partners for their confidence in us. In the future, let us continue to forge ahead hand in hand.

Hu Jichun
Chairman

28 March 2025

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 widely used in wind power and industrial applications. During the Year, the Group recorded sales revenue of approximately RMB22,075,470,000 (2023: RMB24,077,148,000), representing a decrease of 8.3% as compared with 2023, and the gross profit margin was approximately 14.9% (2023: 14.1%). Loss attributable to owners of the Company was approximately RMB6,556,733,000 (2023: profit of RMB95,517,000). Basic loss per share amounted to RMB4.010 (2023: earnings of RMB0.058). Such decrease was mainly attributable to the provision of significant impairments of RMB6,681 million for the receivables and prepayments of trading business.

Principal Business Review

1. **Wind gear transmission equipment**

Diversified, large and overseas market development

As a leading enterprise of wind gear transmission equipment in China, leveraging on its outstanding research, design and development capabilities, our product technology has reached an internationally advanced level, making the Group a leader in the offshore large-megawatt wind gear transmission equipment product and technology. The wind gear transmission equipment products of the Group are widely applied in both onshore and offshore wind power, and continuous breakthroughs have been made in the offshore wind power business, with large megawatt offshore wind gear transmission equipment products of 13.6MW-20MW being delivered to customers in bulk. The Group is fully aware that in the face of the increasingly fierce competition in the industry, adhering to a long-term perspective is a wise and stable strategic choice, and only through continuous innovation and research and development can we remain competitive in the future. To this end, relying on the StanGear (sliding bearing) and NGCWinGear (rolling bearing) product platforms and core technology platforms, we have rapidly iterated and optimised product design and have pursued closely core technologies such as computational analysis technology, intelligent manufacturing technology, material heat control technology, and experiment and testing technology, laying a solid technical foundation to cope with the development trend of large-scale, integrated and lightweight wind turbines. At the same time, keeping up with the new trend of market development, the Group has actively developed onshore and offshore large-megawatt wind gear transmission equipment with integrated transmission chain, deeply integrated digital technology, built GearSight IoT cloud platform for gearbox health monitoring and diagnosis, and created a remote diagnosis center, realising efficient management of the entire life cycle of wind gear transmission equipment products.

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

The wind gear transmission equipment is a major product that has been developed by the Group. During the Year, sales revenue of wind gear transmission equipment business increased by 0.7% to approximately RMB14,992,739,000 as compared with last year (2023: RMB14,890,141,000).

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 standardised, 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 RMB2,273,442,000 (2023: RMB1,879,228,000) for the Group, representing an increase of 21.0% 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 the rail transportation fields such as high-speed rails, metro lines, urban trains and trams. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry, such as the CRRC and the Alstom. The Group has obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry and CRCC Certification for Railway Products for its rail transportation gear transmission equipment products, and has obtained "Silver" Certificate for IRIS System for three consecutive years, 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, as well as in numerous countries and regions worldwide, such as Singapore, India, Netherlands, France, Australia, Brazil, Argentina, Canada, Mexico, South Africa, Tunis and Egypt. With optimised gearbox design technology, excellent sealing technology and effective control of the production process, the Group's rail transportation gear transmission equipment products are more environmentally friendly, and the products are well received by users.

During the Year, the rail transportation gear transmission equipment business generated sales revenue of approximately RMB338,597,000 (2023: RMB270,152,000) for the Group, representing an increase of 25.3% as compared with last year.

LOCAL AND EXPORT SALES

During the Year, the Group maintained its position as the leading supplier of mechanical transmission equipment in the PRC. During the Year, the overseas sales amounted to approximately RMB2,120,501,000 (2023: RMB2,248,156,000), representing a decrease of 5.7% as compared with last year. Overseas sales accounted for 9.6% (2023: 9.3%) of the total sales of the Group, representing an increase of 0.3 percentage point as compared with last year. At present, the overseas customers of the Group are mainly based in the U.S. and other countries and regions such as Europe, India and Brazil.

RECOGNITION AND CERTIFICATION OF THE GROUP

The mechanical transmission equipment business of the Group has high entry barriers and requires specific technical know-how. The Group enhances corporate growth by introducing new products and new technology. Various products have made their debuts in the domestic market under the Group's on-going innovation of products and technology. Leveraging on its innovative technology and premium quality, the Group has obtained major technology and quality awards, certificates, honours and titles at national, provincial and municipal level for over 100 times over the years, such as national, provincial and municipal technology advancement awards, outstanding new products awards, Jiangsu Governor Quality Award, Nanjing Mayor Quality Award, certification for new products, certification for high and new tech products and certification of high and new tech enterprise, Jiangsu Quality and Credit Graded AAA enterprise, "Jiangsu Premium Brand Certification", etc. In recent years, the Group has demonstrated strong performance in corporate intelligent transformation, digital transformation, and green and sustainable development, achieving remarkable results. Our subsidiary, Nanjing High Speed Gear Manufacturing Co., Ltd. ("**Nanjing High Speed**"), has been included in the "2024 5G Factory Directory," recognized as a "Smart Manufacturing Workshop," awarded the title of "Jiangsu Five-Star Cloud Enterprise," and certified as a "Jiangsu Green Factory." In addition, other subsidiaries within the Group have been honored as the provincial "Star-Rated Cloud Enterprise," selected as "Smart Manufacturing Workshop," and certified as national or provincial "Green Factory."

As at 31 December 2024, the Group was granted a total of 996 national-authorised patents and have submitted 365 patent applications pending for approval. The Group was the first producer to adopt ISO 1328 and ISO 6336 international standards in the PRC. The Group was also nominated as an enterprise for the 863 State Plan and a Computer Integrated Manufacturing System (CIMS) Application Model Enterprise by the Ministry of Science and Technology of the PRC. The Group has obtained ISO 9001:2015 Quality Management System certificate, ISO 14001:2015 Environmental Management System certificate, ISO 45001:2018 Occupational Health and Safety Management System certificate, ISO 10012:2003 Measurement Management System certificate and ISO 50001:2018 Energy Management System certificate. In addition, the Group has also obtained the GB/T 23001-2017 integration of informationization and industrialization management system certificate. Its testing laboratory has obtained the ISO/IEC 17025:2017 CNAS Laboratory certificate. Several special processes of heat treatment have obtained the TPG special process certificate and the GearSight of the Group was also certified by the CMMI Level 3 assessment in the global software domain. During the Reporting Period, Nanjing High Speed was honored with the 2023 Jiangsu Enterprise Technology Innovation Award, which fully demonstrated the Group's achievements in driving high-quality development through technological innovation. Furthermore, Nanjing High Speed is a certified member company of APQP4Wind.

Wind gear transmission equipment products of the Group have obtained certifications from China Classification Society (CCS), China General Certification Center (CGC), China Quality Certification Centre (CQC), Technische ÜberwachungsVerein (TÜV), DNVGL, UL, European Union's CE and ETL; industrial gear transmission equipment products have been certified with the European Union's CE certificate, Mining Products Safety Approval and Certification Center (MA), ATEX, CUTR, GOST and APIQ1 Quality Management System of American Petroleum Institute; and rail transportation gear transmission equipment products have obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry, CRCC Certification for Railway Products, and the IRIS "Silver" Certificate for three consecutive years. During the Reporting Period, the organizational greenhouse gas emissions verification statements of three subsidiaries of the Group have been verified and affirmed to comply with the requirements of ISO 14064-1:2018, which were issued by TÜV SÜD Certification and Testing (China) Co., Ltd. — a greenhouse gas validation and verification body accredited by the China National Accreditation Service for Conformity Assessment (CNAS) under International Accreditation Forum (IAF) mandates. Additionally, the product carbon footprint verification statement of a particular type of wind power main gearbox manufactured by the subsidiary NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. has been verified and affirmed to comply with the requirements of ISO 14067:2018. In recognition of our outstanding performance in environmental, social, and governance (ESG) practices, the Group was awarded the "China Best ESG Employer" award in the 2024 list of China Best ESG Employers released by the globally renowned professional services organization Aon Group. This is the first time for the Group to be listed on the list, which signifies that its efforts in sustainable development have been widely recognized by the industry.

PROSPECTS

In 2024, the international environment was complex and intricate, with weak momentum in global economic growth, intensified geopolitical conflicts and growing trade protectionism. Domestically, there was insufficient effective demand, leading to headwinds to the transition between existing and new drivers, and more challenges in the production and operation of certain enterprises. Confronted with multiple challenges, China has implemented comprehensive measures to effectively boost public confidence, maintaining overall stable economic performance with steady progress and solid advancement in high-quality development. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) reached RMB134,908.4 billion in 2024 on a preliminary basis, representing an increase of 5% as compared with last year.

As global climate change and environmental issues become increasingly severe, actively developing clean energy and promoting a green, low-carbon transformation of the economy and society have become a universal consensus in the international community. Wind power, as a clean and renewable energy source, will play a crucial role in the energy transition. As a leading supplier of wind gear transmission equipment, the Group will continue to advance intelligent manufacturing and digital development, enhancing lean manufacturing capabilities and high-quality management standards of the enterprise. Rooted in innovation and green development, we adhere to zero-defect quality standards, continuously increase R&D investment, upgrade service quality, and are committed to providing diversified wind gear transmission equipment products and comprehensive solutions, along with a robust after-sales service system for the global market.

In recent years, the wind power industry, following the subsidy phase-out and installation rush, has faced unprecedented challenges. To cope with market changes, many wind power companies have plunged into price wars. The rapid advancement of larger wind turbines, coupled with intensified industry competition, has led to a rapid decline in costs and prices across the wind power industry chain. The "price war" triggered by excessive internal competition posed significant challenges to the healthy development of the industry. In this context, some wind turbine enterprises have opted to independently develop wind power gearboxes instead of outsourcing, which directly compressed the proportion of the free market in overall industry sales. In addition, the persistently low prices of wind turbine products have led to a continuous decline in the prices of wind power gearboxes in the free market, inevitably dragging down the prices of the Group's wind gear transmission equipment. In the face of the current price pressures, large-scale turbine units, with their higher power generation efficiency and lower cost of electricity, have become the mainstream choice in the market. The domestic wind turbine manufacturing industry has shifted from initial differentiated competition to a race for large-scale products. Given that wind gear transmission equipment is a critical component of wind turbines, the trend towards large-scale wind turbines necessitates correspondingly larger gearboxes, imposing higher performance requirements on gearboxes and intensifying the pressure for innovation on gearbox enterprises. In the industry under the dual pressures of cost reduction and the trend towards large-scale wind turbines, companies producing wind turbine components find themselves in a multi-dimensional competitive landscape, facing challenges in achieving high-quality and high-performance development in the wind power gearbox business.

Following the development trend of the industry, the Group's industrial gear transmission equipment business is guided by the concept of sustainable development, focusing on continuous innovation and investment in the fields of clean energy, low consumption, and high efficiency. Through green R&D and green manufacturing, we are committed to enhancing product competitiveness. The Group continues to refine its "standardisation, modularisation and serialisation" product system, leading industrial gear transmission technology towards the "four highs, three lows" (high power, high speed, high load-bearing, high precision; low power consumption, low vibration, low noise). Simultaneously, with drive technology at its core, the Group has built an "integrated, intelligent and digital" drive product system. Collaborating with domestic and international customers and leveraging a robust global R&D system, the Group continues to explore innovations and has developed a series of intelligent, interconnected products, providing global customers with intelligent and customised solutions for gear transmission products, thereby enhancing our comprehensive competitiveness. Seizing industry opportunities, the Group will continue to increase R&D investment, deepen technological accumulation and industrial expertise, improve production and service layouts, strengthen full lifecycle service capabilities, deepen customer cooperation, closely follow customer needs, and continuously introduce more advanced products and technologies to fully meet differentiated customer demands, consolidating our leading position in the market of industrial gear transmission equipment products and driving the technological progress and high-quality development of the industry.

The rail vehicle transmission products of the Group have been widely applied in the fields of subway, tram, intercity and high-speed rail vehicles and locomotives, and have established long-term cooperative relationships with several renowned domestic and international manufacturers. Adhering to the “concept and process of zero defects”, the Group is committed to providing safe, reliable and quiet gear products for global customers, along with comprehensive rail transit gear transmission equipment solutions. Over 60,000 sets of rail transit gearboxes manufactured and sold by the Group have been stably operating on various vehicle equipment around the world, and have been well received by users. The Group’s position in the rail transit transmission equipment field is increasingly solid, and with the continuous rise in brand reputation, it will inject sustained vitality into the high-quality development of our rail transit gear transmission equipment business.

In 2025, the Group will continue to focus on the four core competencies of “innovative thinking, zero-defect quality, professional services and customer proximity”, and will continue to increase investment in innovation, diversify its product matrix, and improve product quality and service level, with an aim to open up new horizons for the Group’s high-quality and intelligent development. At the same time, the Group will continue to keep abreast of the pulse of the global market, fully tap into the potential of domestic and foreign markets, and actively expand into new customers and new areas. As a practitioner of green intelligent manufacturing, the Group will continue to embrace the mission of “transmitting the power of progress for human civilisation”, fully integrate the concept of sustainable development into its core management strategies, and gradually implement it into global business and operational practices, driving the green and low-carbon development of the industry.

FINANCIAL PERFORMANCE

REVENUE

Sales revenue of the Group for the year decreased by 8.3% from approximately RMB24,077,148,000 in 2023 to approximately RMB22,075,470,000, which was mainly due to the decrease in trading business.

	Revenue Year ended 31 December		
	2024 RMB’000	2023 RMB’000	Change
Wind gear transmission equipment	**14,992,739**	14,890,141	0.7%
Industrial gear transmission equipment	**2,273,442**	1,879,228	21.0%
Rail transportation gear transmission equipment	**338,597**	270,152	25.3%
Trading business	**4,462,401**	7,021,918	-36.5%
Other products	**8,291**	15,709	-47.2%
Total	**22,075,470**	24,077,148	-8.3%

GROSS PROFIT MARGIN AND GROSS PROFIT

During the Year, the Group's consolidated gross profit margin was approximately 14.9% (2023: 14.1%), representing an increase of 0.8 percentage point as compared with last year. Consolidated gross profit for the year was approximately RMB3,288,147,000 (2023: RMB3,394,785,000), representing a decrease of 3.1% as compared with last year. During the Year, the decrease in consolidated gross profit was mainly due to the decrease in the gross profit of wind gear transmission equipment resulting from the decreased sales price and the increased costs. The increase in gross profit margin was mainly due to the decline in the proportion of trading business with low gross profit margin.

OTHER INCOME

During the Year, the Group's other income was approximately RMB325,998,000 (2023: RMB211,712,000), representing an increase of 54.0% as compared with last year, which mainly comprised of income from sales of scraps and materials and government grants. The increase in other income was mainly due to the increase in government grants of approximately RMB101,264,000.

OTHER (LOSSES)/GAINS – NET

During the Year, the Group's other net losses were approximately RMB3,398,432,000 (2023: other net gains of RMB57,499,000), which mainly included impairment losses on prepayments of RMB3,450,531,000 from trading business, details refer to Note 42 to the consolidated financial statements.

SELLING AND DISTRIBUTION EXPENSES

During the Year, the Group's selling and distribution expenses were approximately RMB541,984,000 (2023: RMB532,167,000), representing an increase of 1.8% 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 accounted for 2.5% of sales revenue (2023: 2.2%), representing an increase of 0.3 percentage point as compared with last year.

ADMINISTRATIVE EXPENSES

During the Year, the Group's administrative expenses were approximately RMB584,331,000 (2023: RMB561,429,000), representing an increase of 4.1% as compared with last year. The increase in administrative expenses was mainly due to the increase in property tax and land use tax. During the Year, administrative expenses accounted for 2.6% of sales revenue (2023: 2.3%), representing an increase of 0.3 percentage point as compared with last year.

RESEARCH AND DEVELOPMENT COSTS

During the Year, the Group's research and development costs were approximately RMB809,474,000 (2023: RMB904,473,000), representing a decrease of 10.5% as compared with last year. During the Year, research and development costs accounted for 3.7% of sales revenue (2023: 3.8%), representing a decrease of 0.1 percentage point 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 RMB3,421,042,000 (2023: RMB295,106,000), which comprised of impairment losses on trade receivables of RMB3,176,036,000 and impairment losses on other receivables of RMB245,006,000. The increase in impairment losses was mainly due to the impairment losses recognised in respect of trade receivables of trading business, details refer to Note 42 to the consolidated financial statements.

FINANCE COSTS

During the Year, the Group's finance costs were approximately RMB726,262,000 (2023: RMB763,559,000), representing a decrease of 4.9% as compared with last year, which was mainly due to the decrease both in borrowings and interest rate.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2024, the equity attributable to owners of the Company amounted to approximately RMB8,400,086,000 (31 December 2023: RMB10,273,310,000), representing a decrease of 18.2% as compared with the beginning of the year. The Group had total assets of approximately RMB37,709,287,000 (31 December 2023: RMB41,700,395,000), representing a decrease of 9.6% as compared with the beginning of the year. Total current assets were approximately RMB24,186,756,000 (31 December 2023: RMB29,156,858,000), representing a decrease of 17.0% as compared with the beginning of the year. Such decrease was mainly due to the significant impairment losses provided for trade receivable and prepayments of trading business. Total non-current assets were approximately RMB13,522,531,000 (31 December 2023: RMB12,543,537,000), representing an increase of 7.8% as compared with the beginning of the year.

As at 31 December 2024, total liabilities of the Group were approximately RMB25,150,002,000 (31 December 2023: RMB27,788,171,000), representing a decrease of approximately RMB2,638,169,000 or 9.5% as compared with the beginning of the year. Total current liabilities were approximately RMB18,152,973,000 (31 December 2023: RMB21,603,663,000), representing a decrease of 16.0% as compared with the beginning of the year. Such decrease was mainly due to derecognition of put option liability upon expiration. Total non-current liabilities were approximately RMB6,997,029,000 (31 December 2023: RMB6,184,508,000), representing an increase of 13.1% as compared with the beginning of the year. Such increase was mainly due to an increase in long-term bank borrowings.

As at 31 December 2024, the net current assets of the Group were approximately RMB6,033,783,000 (31 December 2023: RMB7,553,195,000), representing a decrease of approximately RMB1,519,412,000 or 20.1% as compared with the beginning of the year.

As at 31 December 2024, the total cash and bank balances of the Group were approximately RMB6,684,984,000 (31 December 2023: RMB9,190,289,000), representing a decrease of approximately RMB2,505,305,000 or 27.3% as compared with the beginning of the year. Total cash and bank balances included pledged bank deposits of RMB2,810,765,000 (31 December 2023: RMB3,562,398,000).

As at 31 December 2024, the Group had total borrowings of approximately RMB9,166,345,000 (31 December 2023: RMB9,494,585,000), representing a decrease of RMB328,240,000 or 3.5% as compared with the beginning of the year, of which borrowings with 1-year term amounted to RMB4,237,783,000 (31 December 2023: RMB5,036,621,000), accounting for approximately 46.2% of the total borrowings (31 December 2023: 53.0%). The interest rates of the Group's borrowings during the Year ranged from 2.75% to 4.63% per annum.

Taking into account the capital generated internally within the Group, the banking credit facilities available to the Group, and the net current assets of approximately RMB6,033,783,000 as at 31 December 2024, the Directors believe that the Group will have sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

GEARING RATIO

The Group's gearing ratio (defined as total liabilities as a percentage of total assets) increased from 66.6% as at 31 December 2023 to 66.7% as at 31 December 2024.

CAPITAL STRUCTURE

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

As at 31 December 2024, the Group's borrowings with fixed interest rate accounted for 42.2% of total borrowings.

PLEDGE OF ASSETS

Save as disclosed in Note 40 to the consolidated financial statements, the Group has made no further pledge of assets as at 31 December 2024.

CONTINGENT LIABILITIES

Save as disclosed in Note 38 to the consolidated financial statements, as at 31 December 2024, the Directors were not aware of any other material contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2024, the Group had capital commitments contracted for but not provided for in the consolidated financial statements in respect of the acquisition of property, plant and equipment of approximately RMB633,141,000 (31 December 2023: RMB1,853,478,000). Details of which are set out in Note 39 to the consolidated financial statements.

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 (losses)/gains – net") recorded by the Group were approximately RMB28,239,000 (2023: RMB77,800,000), 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 has 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 finance costs by actively monitoring the changes in credit policies, taking pre-emptive actions, strengthening capital management and widening financing channels.

SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE YEAR

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

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

During the Year, save as disclosed in the paragraph headed "Capital Commitments" under "Management Discussion and Analysis" 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.

MATERIAL EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this annual report and the legal proceedings by our subsidiaries in relation to a criminal case involving suspected embezzlement and misappropriation of our subsidiaries' funds and assets by individual(s) in position(s) of authority* (公司資金、資產涉嫌被職務侵佔、挪用), there are no other material events affecting the Company and its subsidiaries that occurred after the Reporting Period and up to the date of this annual report. For details of the legal proceedings by our subsidiaries, please refer to the Company's announcement dated 31 March 2025.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the Independent Auditor's Report on the consolidated financial statements of the Group for the year ended 31 December 2024.

Qualified Opinion

We have audited the consolidated financial statements of China High Speed Transmission Equipment Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 184, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Trade receivables arising from trading business and related impairment

As set out in Note 24 to the consolidated financial statements, as at 31 December 2024, the Group's trade receivables arising from trading business amounted to RMB3,188,981,000, which, as fully explained in Note 42 to the consolidated financial statements, were fully impaired. The relevant impairment has been included in "net impairment losses recognised on financial assets" line item in the consolidated income statement for the year ended 31 December 2024.

We were unable to perform effective confirmation procedures on the trade receivables arising from trading business of RMB3,188,981,000 nor have we been provided with sufficient audit evidence to support that these trade receivables were free from material misstatements. Any adjustment to the trade receivables arising from trading business may have a consequential effect on the Group's impairment of trade receivables and loss for the year ended 31 December 2024, the Group's net assets as at 31 December 2024 and the related disclosures thereof in the consolidated financial statements.

Prepayments arising from trading business and related impairment

As set out in Note 25 to the consolidated financial statements, as at 31 December 2024, the Group's prepayments for purchases of bulk commodities amounted to RMB3,450,531,000 which, as fully explained in Note 42 to the consolidated financial statements, were fully impaired. The relevant impairment of RMB3,450,531,000 has been included in "other (losses)/gains – net" line item in the consolidated income statement for the year ended 31 December 2024.

We have not been provided with sufficient documents and explanation to satisfy ourselves as to the nature, occurrence and accuracy of these recorded transactions. Any adjustment to these recorded prepayments for purchases of bulk commodities may have a consequential effect on the related impairment and the Group's loss for the year ended 31 December 2024, the Group's net assets as at 31 December 2024 and the related disclosures thereof in the consolidated financial statements.

Transactions under the Group's engineering, procurement and construction project (the "EPC Project")

As set out in Note 25(a) to the consolidated financial statements, the Group acted as the main contractor of an EPC project since prior years and subcontracted the project work to several subcontractors. As at 31 December 2024, advance receipts from the customer for the EPC project of RMB467,760,000 was recognised as contract liabilities, and the corresponding payments to subcontractors of RMB297,212,000 and RMB994,052,000 were recognised as prepayments and inventories respectively.

Up to the date of approval of these consolidated financial statements, the Group, as the main contractor of the EPC Project, is in the process of investigating the costs incurred for and progress of the EPC Project with several subcontractors. In view of the uncertainty of the EPC Project, no revenue or costs were recognised in profit or loss. Management was unable to provide sufficient information to substantiate the progress of the EPC Project and subcontracting costs incurred by subcontractors for the EPC Project up to 31 December 2024.

Consequently, we were unable to obtain sufficient appropriate audit evidence as to whether the revenue from the EPC Project, and the corresponding contract liabilities, the subcontracting costs incurred for the EPC Project and the corresponding prepayments and inventories recognised in the Group's consolidated financial statements, were free from material misstatements.

Any adjustment to the recorded transactions relating to the EPC Project may have a consequential effect on the related revenue and costs of sales and the Group's loss for the year ended 31 December 2024, the Group's net assets as at 31 December 2024 and the related disclosures thereof in the consolidated financial statements.

Financial assets at fair value through profit or loss

As at 30 June 2024, the Group's equity investments in three limited partnerships were recorded as financial assets at fair value through profit or loss in the Group's consolidated statement of financial position with carrying value of RMB423,300,000 in aggregate (the "**Investments**"). Gain on fair value changes of RMB11,900,000 arising from the Investments were recorded in the Group's consolidated income statement for the six months ended 30 June 2024. Management represented to us that they were unable to obtain access to certain financial information of the three limited partnerships. Therefore, as at 31 December 2024, the Investments continued to be recognised at RMB423,300,000 in the Group's consolidated statement of financial position. Due to insufficient information, we were unable to determine whether the Investments as at 31 December 2024 and the corresponding gain from fair value changes for the year ended 31 December 2024 were free from material misstatements.

Any adjustment to carrying value of these financial assets may have a consequential effect on the related gain/loss on fair value changes and the Group's loss for the year ended 31 December 2024, the Group's net assets as at 31 December 2024 and the related disclosures thereof in the consolidated financial statements.

Related party transactions

Note 43 to the consolidated financial statements discloses certain related party transactions of the Group for the year ended 31 December 2024. Due to lack of sufficient documents and explanations in relation to the trading business, we were not able to carry out audit procedures necessary to satisfy ourselves that the disclosure in Note 43 to the consolidated financial statements is complete.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The Company and the Audit Committee's View on the Qualified Opinion

Trade receivables arising from trading business and related impairment, prepayments arising from trading business and related impairment, and related party transactions

Management acknowledges the issues raised by the Auditor regarding the inability to recover the relevant trade receivables and prepayments and the lack of sufficient audit evidence for relevant transactions and balances and the disclosure of related party transactions, in light of the suspected embezzlement and misappropriation of the Group's funds and assets which is currently under criminal investigation and Independent Investigation of the Company's independent investigation committee (the "**Ongoing Investigations**"). Management believes that the findings from the Ongoing Investigations will be helpful for addressing the qualification. The management has assessed the maximum potential losses as of 31 December 2024, and regards it as prudent to record a full impairment loss of the relevant trade receivables and prepayments.

Management remains fully committed to assisting with and facilitating the Ongoing Investigations, and is actively taking steps with a view to pursuing appropriate legal actions against relevant companies and individuals to protect the interests of the Company. At the same time, all commodities trading operations have been temporarily suspended.

The Audit Committee concurs with the treatments on the receivables arising from trading business and related impairment, prepayments arising from trading business and related impairment, and related party transactions.

Transactions under the Group's EPC Project

The EPC Project has been undertaken by Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("**Nanjing Drive**") in Henan, China and primarily managed by the Company's former director, Mr. Fang Jian ("**Mr. Fang**"). Since Mr. Fang had only handed over limited and incomplete information about the EPC Project following his departure from Nanjing Drive, the new management team of Nanjing Drive has been unable to procure the full cooperation of the subcontractors and project owner for investigation of the costs incurred for the EPC project and reconciliation of accounts with subcontractors and project owner. This has resulted in the difficulty with obtaining adequate information about the progress and costs of the EPC project.

Management will continue to use all reasonable efforts to investigate the costs incurred and reconcile the accounts with the subcontractors and project owner, including continuing to make formal requests for cooperation, and if necessary, issuing formal demands via legal representatives and considering appropriate actions under the relevant contractual arrangements and applicable laws. Management believes that the results of investigation and reconciliation will be helpful in addressing the qualification.

The Audit Committee concurs with the treatment on the EPC Project.

Financial assets at fair value through profit or loss

The equity investments in the three limited partnerships was made by Nanjing Drive under the direction of Mr. Fang, namely Ningbo Nangao Jingchuan Enterprise Management Partnership L.P., Ningbo Gaona Jingte Enterprise Management Partnership L.P. and Ningbo Gaotai Jingli Enterprise Management Partnership L.P.. Since those limited partnerships have not provided sufficient materials and information required for the valuation, such valuation work has not been completed yet.

Management will continue to use all reasonable efforts to obtain from the limited partnerships the necessary materials and information for valuation, including continuing to make formal requests for such materials and information, and if necessary, issuing formal demands via legal representatives and considering appropriate actions under the relevant contractual arrangements and applicable laws. Management believes that the completion of valuation work will be helpful in addressing the qualification.

The Audit Committee concurs with the treatment on the equity investments in three limited partnerships.

Proposed Plan to Address the Qualified Opinion

The Company is committed to taking prompt and necessary actions to resolve the audit issues in relation to the qualified opinion (the "**Audit Issues**") and is working closely with the Auditor to address the Audit Issues. The Company's proposed plan is as follows:

(a) In relation to trade receivables and pre-payments arising from trading business and related impairment and whether they were related party transactions, the Company will continue to issue reconciliation request letters to the transaction counterparties based on the accounting records, requesting them to confirm the relevant receivables and pre-payments. In the meantime, the Company will continue to render all necessary support to the Ongoing Investigations.

(b) In relation to the Group's EPC Project, the Company will continue to (i) issue reconciliation request letters to subcontractors based on the accounting records, requesting confirmation of the cumulative pre-payments made by Nanjing Drive; and (ii) engage third-party certified cost engineers to verify the number of progress reports issued and obtain the latest progress report. The Company will also, if necessary, issue formal demands via legal representatives and consider appropriate actions under the relevant contractual arrangements and applicable laws.

(c) In relation to the assessment of financial assets at fair value through profit or loss, the Company will maintain communications with the three limited partnerships to obtain the financials of the partnerships and their underlying assets. The Company will also, if necessary, issue formal demands via legal representatives and consider appropriate actions under the relevant contractual arrangements and applicable laws.

The Company will progress these actions as expeditiously as possible and will maintain close communication with the Auditor. The Company and its Board is confident that the proposed actions, which take into account the expressed views of the Auditor, will be effective in addressing the Audit Issues identified, and that the Qualified Opinion will be resolved in the audited consolidated financial statements of the Group for the year ending 31 December 2025. The Company's Audit Committee has also reviewed and endorsed management's approach to the action plan for addressing the Qualified Opinion, and agrees with the proposed actions. In the meantime, the Company will continue to conduct its business in a compliant, open and transparent manner.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Details of the biographies of Directors in office as at the date of this annual report and senior management as at 31 December 2024 are listed as follows:

EXECUTIVE DIRECTORS

Mr. Hu Jichun, aged 45, is the Chairman of the Board, an executive Director, the chief executive officer of the Company (the "**Chief Executive Officer**") and the chairman of the Nomination Committee of the Company. He is a holder of postgraduate degree. Mr. Hu graduated from Shanghai University in Control Theory and Control Engineering and obtained a master's degree in Engineering in 2004. Mr. Hu served as the vice general manager of Nanjing E-crystal Energy Co., Ltd. from January 2012 to November 2018 and has been serving as an executive Director of the Company since June 2015. Also, Mr. Hu served as a director of Nanjing Drive from November 2016 to September 2020 and the chairman and the general manager of Nanjing Drive from December 2016 to May 2019. He served as the president of Nanjing Drive from January 2017 to September 2020. Mr. Hu has been a director and the chairman of Nanjing High Speed since August 2017. Mr. Hu also serves as a director of certain subsidiaries of the Group, including major subsidiaries such as, Nanjing High Speed & Accurate Gear (Group) Co., Ltd. ("**Nanjing High Accurate**"), NGC Transmission Equipment (America), Inc., China Transmission Holdings Limited and High Speed Holdings Limited. Mr. Hu is a council member of China General Machine Components Industry Association (中國機械通用零部件工業協會), the vice chairman of Gear and Electric Drive Association (齒輪與電驅動分會) of China General Machine Components Industry Association (中國機械通用零部件工業協會) and executive member of the national council of New Sushang (《新蘇商》). Mr. Hu has also received various honours and titles, such as the "Excellent Entrepreneur of Jiangsu Province"(江蘇省優秀企業家), the "Jiangsu Economic Think Tank Enterprise Expert" (江蘇經濟智庫企業專家), the "2020 Outstanding Entrepreneur of Nanjing New Industrial Industry" (二零二零年度南京新型工業協會優秀企業家), the "2021 Outstanding Entrepreneur of Nanjing New Industrial Industry" (二零二一年度南京新型工業行業協會優秀企業家), the "2021 Award for Outstanding Contributions of Sushang Industrial Powers" (二零二一年度蘇商實業強國突出貢獻獎), the "Economic Figure of the Year of Global Sushang" (天下蘇商年度經濟人物) and the "Top 50 Excellent Entrepreneurs in Wind Power Industry of China" (中國風電產業50強優秀企業家). Mr. Hu is the son of Mr. Hu Yueming, an executive Director and an authorised representative of the Company under Rule 3.05 of the Listing Rules (the "**Authorised Representative**").

Mr. Hu Yueming, aged 75, is an executive Director of the Company and an Authorised Representative. Mr. Hu is a university graduate and graduated from Fudan University majoring in laser technology in 1977. Mr. Hu is a professor engineer. He has more than 40 years of experience in the management of machinery and industrial enterprises and served as the head of various state-owned enterprises such as Nanjing Engineering Equipment Factory (南京工藝裝備廠) and general manager of various foreign invested enterprises including Nanjing Atlas Copco Construction Machinery Ltd. He has extensive experience in enterprise management. In 1998, he became the general manager of Nanjing High Speed Gear Factory (南京高速齒輪箱廠). He served as a director of Nanjing Drive from March 2007 to September 2020. From March 2007 to December 2016 and from May 2019 to September 2020, he served as the chairman and the general manager of Nanjing Drive. Mr. Hu is also a director in certain subsidiaries of the Group. Mr. Hu is an expert on mechanical transmission equipment technology and business management. He is also the vice president of the China New Energy Generation Network (中國新能源發電網), and the chairman of Nanjing Renewable Energy Association (南京可再生能源協會). Mr. Hu also received various honours and titles, such as "National Labor Model" (全國勞動模範), "member of the Jiangsu Provincial People's Congress", "the 4th Outstanding Entrepreneur of the Machinery Industry" (第四屆全國機械工業明星企業家), "the Leader of China's Gear Industry" (中國齒輪行業產業領軍人物) and "Celebrating the 100th Anniversary of the Founding of the Party – Exemplary Entrepreneur of Jiangsu Province". Mr. Hu Yueming is the father of Mr. Hu Jichun, the Chairman of the Board, an executive Director, the Chief Executive Officer and the chairman of the Nomination Committee of the Company.

Mr. Chen Yongdao, aged 62, is an executive Director and a member of the Remuneration Committee of the Company. Mr. Chen is a university graduate. He obtained a bachelor's degree from Jiangsu Institute of Technology majoring in metal material and heat treatment in 1983 and a master's degree from Nanjing University of Science and Technology majoring in engineering in 2007. He is a professor engineer. Mr. Chen successively served as the deputy head of the inspection and gauging section, head of the production allocation section of the factory and deputy general manager of Nanjing High Speed Gear Factory (南京高速齒輪箱廠). He has become a director and the deputy general manager of Nanjing Drive since March 2007. He has served as the vice president of Nanjing Drive since January 2017. Mr. Chen is also a director in certain subsidiaries of the Group. Mr. Chen is an expert on heat treatment of metal material and has engaged in the research, design and development of mechanical transmission equipment production techniques, gauging and inspection of mechanical transmission equipment and enterprise management for over 40 years. He has received a number of awards for the achievement of his research on mechanical transmission equipment production techniques.

Mr. Zhou Zhijin, aged 52, is an executive Director of the Company. He graduated from Nanjing Industrial School in 1991. He joined Nanjing High Speed Gear Factory (南京高速齒輪箱廠) in August 1991 and was appointed as the vice director of personnel department in January 1999. He has served as the deputy director of human resource department of Nanjing High Accurate since September 2001 and the assistant to general manager and the office head of Nanjing High Speed since July 2003. He has served as the vice general manager of Nanjing High Speed since July 2006 and an executive Director of the Company since June 2015. Mr. Zhou served as a director of Nanjing Drive from November 2016 to September 2020 and the vice president of Nanjing Drive from January 2017 to September 2020. Mr. Zhou has served as a director of Nanjing High Speed since August 2017. Mr. Zhou is also a director in certain subsidiaries of the Group.

Ms. Zheng Qing, aged 57, is an executive Director of the Company. She is a fellow member of the Association of Chartered Certified Accountants. She joined the Company as an executive Director on 1 December 2016. She graduated from Nanjing Audit University in 1989. She obtained a bachelor's (Honours) degree in Applied Accounting from Oxford Brookes University in 2005 and further obtained a master's degree in Business Administration from the Chinese University of Hong Kong in 2012.

Ms. Zheng engaged in financial affairs and operation of international trade business from 1989 to 2002. From September 2002 to May 2005, she was the financial controller and the secretary to the board of directors of Junma Tyre Cord Company Limited. She was the chief financial officer of Asia Silk Holdings Limited from November 2005 to May 2008. From June 2008 to May 2015, she was the chief financial officer and the assistant to the president of Nanjing Goldenhighway International SCM Corporation* (南京金海威國際供應鏈管理股份有限公司) where she was mainly responsible for managing and monitoring the financial affairs of the group.

Since 21 January 2020, Ms. Zheng has been an independent non-executive director of GHW International (stock code: 9933).

From June 2015 to December 2022, Ms. Zheng was the financial controller of Nanjing Region of Fullshare Holdings Limited ("**Fullshare Holdings**", stock code: 607), and was deployed as the financial adviser of Fullshare Holdings since January 2023.

Mr. Gu Xiaobin, aged 56, is an executive Director of the Company. He is a holder of university degree. He graduated from Beihang University majoring in material science and engineering in July 1991. He joined AVIC Chengdu Engine (Group) in September 1991, and was engaged in technology, sales and foreign trade, and served as an assistant to the head of the foreign trade division. He joined General Electric (China) Co., Ltd. in December 1996 and held various positions, including project manager of purchase department in China of energy industry group, quality engineer, Six Sigma Master Black Belt, purchasing general manager in China of energy group, and purchasing general manager in Asia of renewable energy group, etc. Mr. Gu joined the Group in October 2017, and served as a director and the chief operating officer of Nanjing Drive from then to September 2020. Mr. Gu has served as the general manager of Nanjing High Speed since October 2017, and a director of Nanjing High Speed since March 2021. Mr. Gu served as the general manager of wind power business department and overseas business department since October 2017. Mr. Gu has been an executive Director of the Company since May 2019. Mr. Gu is also a director in certain subsidiaries of the Group. Mr. Gu served as the vice chairman of Jiangsu Province Renewable Energy Industry Association, the vice chairman of Nanjing New Industrial Industry Association and the vice chairman of Nanjing Association for The Promotion of Intelligent Manufacturing Equipment Industry. Mr. Gu also received various honours and titles, such as "the 9th Outstanding Entrepreneur in China Machinery Industry" (第九屆中國機械工業優秀企業家), "Labour Model of Huai'an" (淮安市勞動模範), "2021 Economic Figures of Huai'an" (二零二一淮安年度經濟人物), "2022 Economic Figures of Huai'an" (二零二二淮安年度經濟人物) and "2023 Economic Figures of Huai'an" (二零二三淮安年度經濟人物).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jiang Xihe, aged 66, is an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company. He joined the Company as an independent non-executive Director on 8 June 2007. He is a Doctor in accountancy. He graduated from the Central University of Finance and Economics (中央財經大學) majoring in accountancy in June 1990. He obtained professional accounting qualification recognized in the PRC in July 1999. He is also a member of the Chinese Institute of Finance and Cost for Young & Mid-career professionals as well as a member of the Hong Kong International Accounting Association and a standing member of the Jiangsu Accounting Association.

Mr. Jiang is currently a professor at the Faculty of Accounting and Financial Management of Nanjing Normal University (南京師範大學) and the head of Accounting and Financial Development Research Centre of Nanjing Normal University (南京師範大學).

From September 2010 to September 2016 and from September 2022 to June 2024, Mr. Jiang was appointed as an independent director of Hongda Xingye Co., Ltd. (stock code: 002002, delisted in March 2024, formerly a company listed on the Shenzhen Stock Exchange). Mr. Jiang was appointed as an independent director of Hongbaoli Group Co., Ltd. (stock code: 002165, a company listed on the Shenzhen Stock Exchange) from November 2015 to August 2022. From September 2019 to June 2021, he was appointed as an independent director of Jiangsu Lanfeng Bio-Chemical Co., Ltd. (stock code: 002513, a company listed on the Shenzhen Stock Exchange). From May 2018 to May 2023, he was an independent director of Anhui Hualing Kitchen Equipment Co., Ltd. (stock code: 430582, a company listed on the New Third Board of the Shenzhen Stock Exchange). Mr. Jiang was appointed as an independent director of Baowu Magnesium Technology Co., Ltd. (寶武鎂業科技股份有限公司) ("**Baowu Magnesium**", formerly Nanjing Yunhai Special Metal Co., Ltd., stock code: 002182, a company listed on the Shenzhen Stock Exchange) from February 2017 to January 2024.

Mr. Jiang has been appointed as an independent director of Pharmablock Sciences (Nanjing), Inc. (stock code: 300725, a company listed on the Shenzhen Stock Exchange) since December 2024.

Ms. Jiang Jianhua, aged 59, is an independent non-executive Director of the Company and she joined the Company as an independent non-executive Director on 31 December 2012. She is a holder of Ph. D. degree in Management. Ms. Jiang graduated from Shanghai University of Finance and Economics with a bachelor's degree, majoring in international finance, in July 1986. From July 1996 to June 1999, she studied at Tianjin University of Finance and Economics and received a master's degree of management. She studied and obtained a doctorate degree of management from Nanjing Agricultural University from September 2006 to December 2008.

From July 1986 to September 2013, she held various positions at Nanjing Audit University, including the head of finance teaching section, the assistant to department director, the deputy director of the finance department, the deputy dean of the finance school, the secretary of the Communist Party of China at the audit school, the dean of Nanjing Golden Audit School, a teaching assistant, lecturer, an associate professor and a professor at Nanjing Audit School. Ms. Jiang specialized in the areas of finance and accountancy and had written many articles and books and participated in a number of research projects in these areas. She won several awards in relation to her academic and teaching excellence, including Candidate for Potential Young and Middle-aged Academic Leaders in the "Green and Blue Project" of Jiangsu Province and Candidate for Aspirants of "333 Project" of Jiangsu Province, Third Level.

Ms. Jiang was appointed as an independent director of Baowu Magnesium from August 2012 to August 2018. Ms. Jiang was appointed as an independent director of Soho Holly Corporation (formerly Jiangsu Holly Corporation, stock code: 600128, a company listed on the Shanghai Stock Exchange) from February 2016 to October 2021. From May 2016 to May 2022, she was appointed as an independent director of Jiangsu Guoxin Corp. Ltd. (stock code: 002608, a company listed on the Shenzhen Stock Exchange). From December 2016 to March 2023, she was appointed as an independent director of Nanjing Baose Co., Ltd. (stock code: 300402, a company listed on the Shenzhen Stock Exchange). From December 2020 to May 2023, she was appointed as an independent director of Changzhou New District Jinkang Precision Mechanism Co., Ltd. (stock code: 831978, a company listed on New Third Board of the Shenzhen Stock Exchange).

Currently, Ms. Jiang serves 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).

Dr. Chan Yau Ching, Bob, aged 62, is a non-executive Director, a member of the Audit Committee and the chairman of the Remuneration Committee of the Company and joined the Company as an independent non-executive Director on 1 December 2016. He is a holder of a doctorate degree in Finance. Dr. Chan graduated from the Chinese University of Hong Kong and obtained a bachelor's degree in Business Administration in 1984. Dr. Chan further obtained a master's degree in Business Administration from the University of Wisconsin-Madison, the U.S. in 1986, and a doctorate degree in Finance from Purdue University, the U.S. in 1994. Dr. Chan is a member of the Chartered Financial Analyst Institution and the Hong Kong Society of Financial Analysts. Since April 2009, Dr. Chan has been a licensed representative/responsible officer engaging in type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Dr. Chan was appointed as an executive director and the chief strategic officer of Celestial Asia Securities Holdings Limited (stock code: 1049) from August 2002 to February 2005, and later as the investment director from November 2005 to July 2010, where he was mainly responsible for strategic investment projects and asset management.

Dr. Chan was appointed as a managing director of Pricerite Group Limited (stock code: 996, currently known as Carnival Group International Holdings Limited) from November 2003 to November 2004, which primarily engaged in the retail of furniture and household products. During 2005 to 2007, Dr. Chan was appointed as the chief financial officer of Moli Group Limited* (摩力集團有限公司) (a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited), which was a developer, operator and distributor of online games, where he was mainly responsible for building accounting, finance and control procedures and policies and in charge of the human resources. Dr. Chan was later appointed as the chief executive officer of Moli Group Limited from July 2010 to October 2012, where he was mainly responsible for the re-focusing of the company's business covering online and mobile entertainment.

Dr. Chan was appointed as the deputy chief executive officer and an executive director of Celestial Asia Securities Holdings Limited from November 2012 to July 2013, and later as the director of investments and corporate development from August to November 2013, where he was mainly responsible for the overall business development and the design and development of algorithm trading strategies respectively.

Since January 2002, Dr. Chan has been appointed as an independent non-executive director of Lee's Pharmaceutical Holdings Limited (stock code: 950), which is principally engaged in the research and development, manufacturing and distribution of biopharmaceutical drugs in China.

Since September 2018, Dr. Chan has been appointed as an independent non-executive director of Daisho Microline Holdings Limited (stock code: 567).

From December 2018 to November 2020, Dr. Chan was appointed as an independent director of Hangzhou Huaxing Chuangye Communication Technology Co., Ltd. (stock code: 300025, a company listed on the Shenzhen Stock Exchange).

Dr. Chan is currently a managing director and a responsible officer of KBR Fund Management Limited, which is, as at the date of this annual report, a licensed corporation carrying out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Mr. Nathan Yu Li, aged 53, is an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company. He joined the Company as an independent non-executive Director on 1 December 2016. He is a holder of a master's degree in Science and a master's degree in Business Administration.

Mr. Li graduated from Zhejiang University and obtained a bachelor's degree in Science in May 1993. Mr. Li obtained a master's degree in Science from Boston University in May 1995, and further obtained a master's degree in Business Administration from Babson College in May 2009.

Mr. Li was a senior software engineer from August 1995 to May 2001 at Brooks Automation Inc., where he was principally responsible for leading the software team to design semiconductor manufacturing robots. Between June 2001 to March 2006, Mr. Li held various positions at Axsun Technologies Inc., including as principal software engineer, R&D manager and senior technical marketing manager. During his service, optical communication equipment and near infrared laser source product lines of the company were launched. From March 2006 to August 2010, Mr. Li was a director of sales and marketing at Copley Controls Corporation and a director of business development of its parent company, Analogic Corporation, responsible for business of medical diagnostic imaging products, aviation security and motion control products.

Mr. Li was the vice president of business development from August 2010 to August 2011 at Nanjing Fullshare Property Dazu Technology Company Limited* (南京豐盛大族科技股份有限公司) where he was mainly responsible for designing the business plan and growth strategy for the healthcare sector of the company's group. From August 2011 to October 2012, Mr. Li founded Across Globe Works LLC and assisted companies with unique technology in the U.S. to access the international markets.

In October 2012, Mr. Li co-founded with partners and has since then been the general manager of Bowing Medical Technologies LLC, where Mr. Li is mainly responsible for the formulation of corporate development strategy and budget planning.

From November 2024, Mr. Li served as the senior director of business development at Realtime Robotics, Inc., mainly responsible for developing the business operations in China.

SENIOR MANAGEMENT

Mr. Lui Wing Hong, Edward, aged 62, is the chief financial officer and the company secretary of the Company and an Authorised Representative. He graduated from York University with a bachelor of arts degree majoring in business and economics. He further obtained a postgraduate diploma in financial management from the University of New England. Mr. Lui is a qualified accountant, an associate member of the Australian Society of Certified Practising Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lui joined the Company in June 2006 and is responsible for the financial and accounting management and secretarial affairs of the Company. Mr. Lui is also a director of certain subsidiaries of the Group.

The Board is pleased to present the Directors' report (the "**Directors' Report**") and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is 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 appliances. Details of the principal activities of the major subsidiaries and associates of the Company are set out in Notes 17 and 18 to the consolidated financial statements respectively. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"), including an indication of likely future developments in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages 10 to 24 of this annual report. These discussions form a part of this Directors' Report.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group has complied with relevant PRC laws and regulations relating to environmental protection, and has operated and implemented the relevant requirements of ISO 14001:2015 Environment Management System and ISO 50001:2018 Energy Management System. The Company has strictly followed the laws and regulations requirements, such as the Environmental Protection Law of the PRC and the Clean Production Promotion Law of the PRC, and has established environmental protection systems to ensure the implementation of various laws and regulations and the legal treatment and disposal of various types of emissions, and regularly submits environmental protection statistics and makes tax payment for environmental protection in a timely manner to relevant environmental protection authority. The Group conducts construction of new, reconstruction and expansion projects according to the latest national standards on environmental protection, engages design institute with Grade A qualification, experts in the industry, professors in universities, professional third-party service organizations, etc. to design the environmental protection plans, and conscientiously implements the concept of "three concurrents", namely concurrent design, concurrent construction and concurrent acceptance, to ensure the implementation of the principle of solving problems immediately is implemented when problems are encountered, without procrastination, repetition, waste, and reduce the unnecessary carbon emissions. In respect of previous projects, the Company also put considerable human and financial resources to conduct inspections and improvements. During the Year, the discharge and disposal of various types of waste of the Group met the requirements of relevant environmental protection authority. The Group always pays close attention to the development trend of environmental protection equipment at home and abroad, seeks for environmental protection equipment and facilities suitable for its own development, and continues to reduce the impact on the atmosphere, water and land.

Nanjing High Speed has obtained the ISO 14001:2015 Environment Management System certification every year since 2008, passed the Environmental-Friendly Enterprise Assessment organized by Nanjing Environmental Protection Agency at the end of 2012 and passed the Clean Production Enterprise Assessment at the end of 2013. The project of "level–specific control over land risks on key enterprises" was initiated in 2020 to ensure the control over land risks. In 2023, it was awarded the title of "Nanjing Environmental Protection Demonstration Enterprise" and certified as a "Jiangsu Green Factory" and obtained ISO 50001:2018 Energy Management System certification in the same year. In 2023, the Nanjing Ecology and Environment Bureau recognized Nanjing High Speed's emulsion recycling system as a "2023 Nanjing Clean Production Typical Case", promoting it throughout the city. In 2024, the Department of Ecology and Environment of Jiangsu Province rated Nanjing High Speed as a "Grade A Enterprise in Key Industry Performance Evaluation", which is the highest grade in the performance rating of key industries in Jiangsu Province, representing a green benchmark for air pollution control in the industry. Nanjing High Accurate has passed the ISO 14001:2015 Environmental Management System certification every year since 2007, was awarded the title of "Jiangning Water-Saving Enterprise" in 2021 and was certified as a "Jiangsu Green Factory" in 2023. The Group has established environmental protection responsibilities for personnel at all levels and has formulated the Emergency Response Plan for Emergency Environmental Incidents and conducted regular drills. In 2024, Nanjing High Accurate successfully obtained the ISO 50001:2018 Energy Management System certification. In addition, other subsidiaries of the Group have obtained the ISO 14001:2015 Environmental Management System certification and certified as national or provincial "Green Factory". Through the regular inspection of each unit in charge of the production process and the irregular spot check in cooperation with the regulatory authorities, the Group is able to ensure the implementation of various environmental protection systems. At the same time, we will collect significant environmental incidents cases at home and aboard and organize all employees to learn and publicize to avoid the occurrence of the same incidents and to truly embed environmental protection into the Company's production, operation and management. While our business grows, we will enhance the Company's contribution to environmental protection.

The 2024 Environmental, Social and Governance Report (the "**2024 ESG Report**") of the Company has been uploaded to the website of the Company (www.chste.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) together with this annual report. The 2024 ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix C2 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") to enable stakeholders to understand the Group's sustainable development philosophy as well as its strategies and performance in the environmental, social and governance sectors.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Company is committed to operating on a going concern basis while balancing the interests of various stakeholders, including employees, customers and suppliers of the Group.

We understand that employees are our important assets, we formulate and implement human resources policies that are conducive to the sustainable development of the Group. We actively cultivate, recruit and retain various talents to reduce the loss of key talents; at the same time, we eliminate unqualified employees in a timely manner to ensure that our employee team is more professional, more engaged and more efficient on the basis of maintaining good employee turnover. The Group has always maintained a low employee turnover rate as compared to the other companies in the manufacturing industry, which indirectly reflects the high sense of belonging of employees to the Group. We provide employees with fair, reasonable and competitive remuneration, determine the standards for their remuneration reasonably with reference to the local labor market and remuneration rates in the industry, formulate remuneration grade based on positions, set the specific amount of remuneration based on personal capacity, qualification and performance, and determine performance bonuses and year-end bonuses following the results of performance evaluation. Besides, we attach great importance to the development of employees, and establish a clear position system which provides different directions for vocational development. We have professional training and development courses for each career development direction, and provide them to outstanding employees. Meanwhile, the employees at senior level are responsible for supporting the career development of their juniors, conducting career development interviews and performance evaluations with their juniors at least once a year, guiding the direction and making suggestions, giving them corresponding development opportunities, and cultivating and reserving the reserve forces of the department.

We focus on sustainable development and are always committed to technological innovation and technological progress. We are a supplier with stable growth, reliable quality and perfect service in the global gear transmission equipment industry. We strive to improve product quality and service quality, improve customer satisfaction, and establish and maintain long-term and stable partnerships with customers. We have conducted annual customer satisfaction surveys for more than ten consecutive years, and invited customers to evaluate us in a comprehensive manner to promote our continuous improvement. The customer satisfaction of our gear transmission equipment business has exceeded our annual target and is at a relatively high level in the industry. We are committed to providing customers with high-quality products and professional services, and accelerating the strategic layout of global business operations. While focusing on the PRC market, we also establish a global after-sales service system. With the operation and maintenance centers and service agencies established in China, the United States, Germany, Singapore and India and other countries, we endeavor to provide global partners with a complete set of solutions and efficient support services to help customers to achieve high reliability and low operating costs of the transmission system, and follow up the diversified needs of customers, further enhance the brand influence and global service quality, and achieve the sustainable development of the Company around the globe. We also hold customer day activities and participate in international and domestic exhibitions to facilitate the publicity and promotion of new products, strengthen technical communication and business exchanges with customers, and are committed to producing better products and providing more professional services for customers, and develop long-term, stable, extensive and close customer relationships.

We firmly believe that a good supply chain is very important for the sustainable development of the corporate ecosystem. We conduct supplier classification management according to our supplier's business importance, years of supply and performance evaluation. Supplier performance is comprehensively assessed on a monthly/quarterly and annual basis with reference to factors such as quality, cost, delivery etc. to determine the level of qualified suppliers. We strive to maintain close communication with suppliers. Through mutual visits with suppliers, holding supplier conferences, participating in large-scale exhibitions and exchange meetings, we are able to explore future cooperation opportunities with representatives of suppliers from different countries or regions, be informed of the latest news of the industry, and express our gratitude for the suppliers' support to the Company.

During the Year, we maintained good relationships with various key stakeholders, including employees, customers, suppliers, shareholders, government and regulatory agencies, the public and nearby communities. The Group will continue to ensure effective communication and good relationship with all key stakeholders. A description of key relationships with employees, customers and suppliers will be set out in the 2024 ESG Report of the Company which is published on the websites of the Hong Kong Stock Exchange and the Company respectively in accordance with the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

At the company level, the Company has complied with the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), including those related to information disclosures and corporate governance. The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the "**Model Code**").

In addition, 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 our operations are mainly conducted in the PRC. We noticed that the Group was not involved in any major violation of laws and regulations regarding the environmental protection, work safety, labour, child and forced labour, occupational health and safety, product liability, product labeling, advertising and prevention of bribery, such as the Company Law of the PRC, the Environmental Protection Law of the PRC, the Work Safety Law of the PRC, the Labour Law of the PRC, the Provisions on the Prohibition of Using Child Labour, the Code of Occupational Disease Prevention of the PRC, the Product Quality Law of the PRC, the Advertisement Law of the PRC, the Anti-Unfair Competition Law of the PRC, the Interim Provisions on Prohibition of Commercial Bribery and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong).

KEY RISKS AND UNCERTAINTIES

Apart from the risk of foreign exchange rate fluctuation and interest rate risk set out in the "Management Discussion and Analysis" on page 19 of this annual report, set out below are the key risks and uncertainties facing the Group. It is a non-exhaustive description herein and there may be other risks and uncertainties beyond the scopes outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult with their own investment advisors before making any investment in the securities of the Company.

The sale of wind gear transmission equipment to our customers who are wind turbine manufacturers is one of the main businesses of the Group. These customers provide wind power machines to wind energy generation companies which rely on local grid companies to offer connection, transmission and distribution services and to sell the electricity. If these wind energy generation companies fail to establish effective connection with the power grid or sell the electricity they generate, their demand for our wind gear transmission equipment could decrease, and therefore our business operations may be adversely affected.

In addition, the commercial feasibility and profitability of the wind gear transmission equipment business of the Group are significantly dependent on the PRC government's policies and regulatory framework supporting renewable energy development. However, the PRC government may change and/or abolish such policies and regulatory framework, and such changes and/or abolishment may bring about adverse impact on our business.

OPERATING RESULTS

The operating results of the Group for the year ended 31 December 2024 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 70 to 71 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: nil).

DIVIDEND POLICY

The Company has formulated a dividend policy (the "**Dividend Policy**"), in which sets out the factors determining the dividend distribution by the Company. The Dividend Policy is to distribute to the shareholders the funds surplus over the operational needs of the Group. Pursuant to the Dividend Policy, the dividends are distributed depending on, among other things, the Company's earnings performance, future funding needs, the interests of the shareholders of the Company as a whole and other factor that the Board considers relevant. The Company regularly reviews the Dividend Policy and submits it to the Board for approval when necessary for amendment.

DISTRIBUTABLE RESERVE

The distributable reserve of the Company as at 31 December 2024 was approximately RMB3,880,236,000 (2023: RMB3,863,701,000).

FIVE-YEAR FINANCIAL SUMMARY

The summary of business results and assets and liabilities of the Group for the latest five financial years is set out on page 5 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the issued share capital of the Company are set out in Note 35 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the Year.

BORROWINGS

Details of the borrowings of the Group during the Year are set out in Note 29 to the consolidated financial statements.

TAXATION

Details of the taxation of the Group during the Year are set out in Note 11 to the consolidated financial statements.

DONATION EXPENDITURE

During the Year, the donation expenditure of the Group was approximately RMB5,196,000 (2023: RMB217,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SHARE SCHEME

As at 31 December 2024, the Group did not have any share schemes.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the purchase amount (not of a capital nature) from the Group's top five suppliers and largest supplier accounted for approximately 28.2% and 7.8% of our total purchase amount respectively. During the Year, revenue from sales of goods to the Group's top five customers and largest customer accounted for approximately 45.5% and 11.5% of our total revenue from sales of goods respectively. All transactions between the Group and relevant suppliers and customers were carried out on normal commercial terms.

To the knowledge of the Directors, none of Directors and any shareholders holding over 5% of the Company's shares and their close associates (within the meaning of the Listing Rules) had any interests in the top five suppliers and customers during the Year except for one customer of trading business. As for any interests in one customer of trading business included in the top five customers during the Year, this is subject to the findings of the Independent Investigation as disclosed in Note 42 to the consolidated financial statements, which is ongoing. The Company will make relevant disclosure as and when appropriate, which may impact the disclosure herein.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into service agreements or letters of appointment with the Company with a term of three years starting from the listing date of the Company or the date of appointment or re-election of the Directors.

Under the articles of association of the Company, at every annual general meeting of the Company, no less than one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and eligible to offer themselves for re-election. In addition, according to code provision B.2.3 of the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix C1 to the Listing Rules, if an independent non-executive Director serves more than nine years, his/her appointment should be subject to a separate resolution to be approved by shareholders.

None of the Directors intending to seek re-election at the forthcoming annual general meeting has a service agreement or letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS AND THEIR TERMS

The Board members and the Directors in office and their terms for the Year and as at the date of the Directors' Report are as follows:

Executive Directors:

Mr. Hu Jichun *(Chairman and Chief Executive Officer)*	Three years from the date of his re-election on 20 June 2024.
Mr. Hu Yueming	Three years from the date of his re-election on 16 May 2022.
Mr. Chen Yongdao	Three years from the date of his re-election on 16 May 2022.
Mr. Zhou Zhijin	Three years from the date of his re-election on 20 June 2024.
Ms. Zheng Qing	Three years from the date of her re-election on 16 May 2022.
Mr. Gu Xiaobin	Three years from the date of his re-election on 21 June 2023.
Mr. Fang Jian	Removed by the Board with effect from 1 March 2025.

Independent Non-executive Directors:

Mr. Jiang Xihe	Three years from the date of his re-election on 20 June 2024.
Ms. Jiang Jianhua	Three years from the date of her re-election on 21 June 2023.
Dr. Chan Yau Ching, Bob	Three years from the date of his re-election on 21 June 2023.
Mr. Nathan Yu Li	Three years from the date of his re-election on 21 June 2023.

Each of the independent non-executive Directors has confirmed his/her independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent parties.

The biographies of the Directors as at 31 December 2024 are set out in the "Biographies of Directors and Senior Management" section on pages 25 to 30 of this annual report.

DETAILS OF THE EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid employees of the Group are set out in Notes 9 and 45 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group employed approximately 8,039 employees (31 December 2023: 8,030 employees). During the Year, labor cost of the Group approximated to RMB2,096,969,000 (2023: RMB1,984,982,000). 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 independent non-executive Directors.

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

The salary levels of employees are generally determined by reference to the employees' positions, responsibilities and performance as well as the Group's financial performance. In addition to salaries, the Group provides housing allowances to some of its employees. The Group also offers incentive programmes to encourage its employees to take initiatives and rewards employees who have made valuable contributions or achieved technical breakthroughs.

The Group's employees are rewarded for their creativity achievements in technologies and technical skills, management of information, product quality and corporate management.

PENSION SCHEMES

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

During the Year, except for the U.S. employees, there were no forfeited contributions (for employees' departure) being used to offset the contributions made for the Year, and as at 31 December 2024, there were no forfeited contributions available to reduce future contributions payable.

Some U.S. employees participate in our defined contribution plans. During the Year, contributions forfeited for employment termination of U.S. employees were applied to offset contributions for the Year, and the forfeited contributions as at 31 December 2024 may also be applied for offsetting contribution payables in the future. Both amounts are not significant.

HUMAN RESOURCES POLICY

The Group has established and implemented a human resources policy that is beneficial to our sustainable development. We consider the code of ethics and professional abilities as important criteria for staff employment and promotion. We practically reinforced staff training and continuous education, built up a rotation and interaction system and developed comprehensive knowledge and skill of professionals so as to constantly improve the quality of staff. We focus on development opportunity of internal staff when appointing and selecting outstanding talents.

We view the continuous training of professional manager team with high level of professionalism, enthusiasm and responsibility as an important mission of our development so as to promote the Group's sustainable development.

In order to protect the interest and benefit of our staff, they participated in the social security system established and administered by government authorities according to the regulations in the PRC. Under the system, the Group has contributed to the social insurance funds (including basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and housing provident fund.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the Directors' service agreements and letters of appointment disclosed above, no transactions, arrangements or contracts of significance to which the Company or its subsidiaries was a party and in which a Director or an entity related to a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2024 or at any time during the Year. This is subject to the findings of the Independent Investigation as disclosed in Note 42 to the consolidated financial statements, which is ongoing. The Company will make relevant disclosure as and when appropriate, which may impact the disclosure herein.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors or controlling shareholders of the Company and any of their respective associates (within the meaning of the Listing Rules) has engaged in any business or has any interest that competes or may compete with the business of the Group or may have any conflict of interests with the Group.

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

During the Year, save as disclosed below, none of the Directors or 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 SFO) 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 SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

ASSOCIATED CORPORATIONS

Name of Director	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 (Notes 1, 2)	RMB150,000,000	6.98%
Mr. Zhou Zhijin	Nanjing High Speed	Interest in controlled corporation (Notes 1, 3)	RMB7,400,000	0.344%
Mr. Gu Xiaobin	Nanjing High Speed	Other (Notes 1, 4, 5)	RMB8,400,000	0.391%

Notes:

(1) Nanjing High Speed is owned as to approximately 6.98% by Jinhu Shifu Enterprise Management LLP* (金湖醰福企業管理合夥企業(有限合夥)) ("**Employee Partnership Enterprise**", formerly known as "Shanghai Shifu Enterprise Management LLP* (上海醰福企業管理合夥企業(有限合夥))").

(2) The Employee Partnership Enterprise is a limited liability partnership controlled by Jinhu Shiji Enterprise Management Consultancy Co., Ltd.* (金湖醰吉企業管理諮詢有限公司) ("**Jinhu Shiji**", formerly known as "Shanghai Shiji Enterprise Management Consultancy Co., Ltd.* (上海醰吉企業管理諮詢有限公司)"), the sole general partner of the Employee Partnership Enterprise. Mr. Hu Yueming is the sole director and sole shareholder of Jinhu Shiji. Hence, Mr. Hu Yueming is deemed to have the sole discretion to exercise 100% of the voting rights of the Employee Partnership Enterprise.

(3) The Employee Partnership Enterprise is owned as to approximately 10.56% by Jinhu Jiding Information Consultancy Services LLP* (金湖吉鼎信息諮詢服務合夥企業(有限合夥)) ("**Jinhu Jiding**", formerly known as "Shouguang Jiding Information Consultancy Services LLP* (壽光吉鼎信息諮詢服務合夥企業(有限合夥))"), as one of the limited partners of the Employee Partnership Enterprise. Mr. Zhou Zhijin is one of the limited partners of Jinhu Jiding and holds approximately 46.70% interest in Jinhu Jiding.

(4) The Employee Partnership Enterprise is owned as to approximately 23.58% by Jinhu Dingchuang Information Consultancy Services LLP* (金湖鼎創信息諮詢服務合夥企業(有限合夥)) ("**Jinhu Dingchuang**", formerly known as "Shouguang Dingchuang Information Consultancy Services LLP* (壽光鼎創信息諮詢服務合夥企業(有限合夥))"), as one of the limited partners of the Employee Partnership Enterprise. Mr. Gu Xiaobin is one of the limited partners of Jinhu Dingchuang and holds approximately 20.92% interest in Jinhu Dingchuang.

(5) The Employee Partnership Enterprise is owned as to approximately 15.84% by Jinhu Dingneng Information Consultancy Services LLP*(金湖鼎能信息諮詢服務合夥企業(有限合夥)) ("**Jinhu Dingneng**", formerly known as "Shouguang Dingneng Information Consultancy Services LLP* (壽光鼎能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 Dingneng and holds approximately 4.21% interest in Jinhu Dingneng.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register to be kept under section 352 of the SFO 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 31 December 2024, the following persons (other than the Directors or 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 SFO, and to the best of the knowledge of the Directors, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name	Nature of interests	Number of ordinary shares held	Approximate percentages to the issued shares of the Company (%)
Five Seasons XVI Limited ("**Five Seasons**") (Note 1)	Beneficial owner	1,171,241,693 (Long Position)	71.62 (Long Position)
Fullshare Holdings	Interest in controlled corporation	1,171,241,693 (Long Position)	71.62 (Long Position)

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

Save as disclosed above and so far as the Directors are aware, as at 31 December 2024, there was no other person, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed under the section headed "Connected Transactions" below, no contracts of significance had been entered into by the Company or its subsidiaries with the controlling shareholders of the Company or their subsidiaries at any time during the Year. This is also subject to the findings of the Independent Investigation as disclosed in Note 42 to the consolidated financial statements, which is ongoing. The Company will make relevant disclosure as and when appropriate, which may impact the disclosure herein.

CONNECTED TRANSACTIONS

Except for the Handa Loan disclosed below, the related party transactions set out in Note 43 to the consolidated financial statements were not disclosable connected transactions under Chapter 14A of the Listing Rules. The Directors (including our independent non-executive Directors) believe that the related party transactions set out in Note 43 to the consolidated financial statements are carried out in the ordinary course of business and on normal commercial terms. This is subject to the findings of the Independent Investigation as disclosed in Note 42 to the consolidated financial statements, which is ongoing. The Company will make relevant disclosure as and when appropriate, which may impact the disclosure herein.

On 18 March 2024, Nanjing Handa Import and Export Trading Co., Ltd. ("**Nanjing Handa**") as lender executed a loan agreement with Nanjing Fengsheng Kangju Technology Co., Ltd (南京豐盛康居科技有限公司), Five Seasons XVI Limited (direct shareholder of the Company holding approximately 72% of the Company's shares at that time) and Fullshare Holdings Limited (which wholly owns Five Seasons XVI Limited) as joint borrowers ("**Co-Borrowers**") ("**Handa Loan**"), whereby Nanjing Handa agreed to lend a loan of RMB250 million to the Co-Borrowers, with an interest of 3% per annum, to be repaid in the end of five years starting from the loan being paid to the Co-Borrowers, for the purpose of replenishing the Co-Borrowers' liquidity. Handa Loan was governed by PRC laws.

Five Seasons XVI Limited undertook to use dividends distributed by the Company to it as security for Handa Loan, and executed a charge over its bank account used for receiving such dividends in favour of Nanjing Handa, governed by the laws of Hong Kong.

On 28 June 2024, Nanjing Handa executed a loan assignment agreement (債權轉讓協議) with Jiangsu Enkaiyi Machinery Technology Co., Ltd (江蘇恩凱益機械科技有限公司, "**Enkaiyi**"), an independent third-party buyer, whereby Nanjing Handa assigned Handa Loan to Enkaiyi for RMB250 million, to be paid by 28 June 2025, governed by PRC laws.

The Board considers that Handa Loan constituted a connected transaction which has not complied with applicable requirements under Chapter 14A of the Listing Rules. The Board also notes that the duration of the transaction only lasted for around three months, as the original loan agreement had ceased on 28 June 2024, with the loan having been assigned to an independent third-party buyer, and an equivalent amount was recognised as the Group's consideration receivable. That said, the Board recognises that this incident may indicate potential internal control issues. The Board therefore takes this matter seriously, and is in the process of re-assessing the Group's relevant internal control, with a view to enhancing such internal control and preventing similar incidents. Further disclosure, as necessary and/or appropriate, will be made by the Company as soon as practicable.

CHANGE OF AUDITOR

The Company did not change its auditor in the past three years. The consolidated financial statements of the Group for the year ended 31 December 2024 have been audited by Baker Tilly Hong Kong Limited ("**Baker Tilly**").

MATERIAL LITIGATIONS AND ARBITRATIONS

The Company had no material litigations and arbitrations during the Year. After the Year, our subsidiaries commenced legal proceedings in relation to a criminal case involving suspected embezzlement and misappropriation of our subsidiaries' funds and assets by individual(s) in position(s) of authority* (公司資金、資產涉嫌被職務侵佔、挪用). For details, please refer to the paragraph headed "Material Event After the Reporting Period" in this annual report and the Company's announcement dated 31 March 2025.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year.

During the Year, the Company has put in place appropriate insurance cover for each Director in respect of Directors' liability.

MANAGEMENT CONTRACTS

As at 31 December 2024, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

TAX RELIEF AND EXEMPTION

During the Year, the Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

PRE-EMPTION RIGHTS

During the Year, though there are no restrictions on the grant of pre-emption right under the Cayman Laws, the Company did not grant any pre-emption rights in accordance with the articles of association of the Company.

SUFFICIENT PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under the Listing Rules throughout the Year and as at the date of the Directors' Report.

By order of the Board
Hu Jichun
Chairman

Hong Kong
28 March 2025

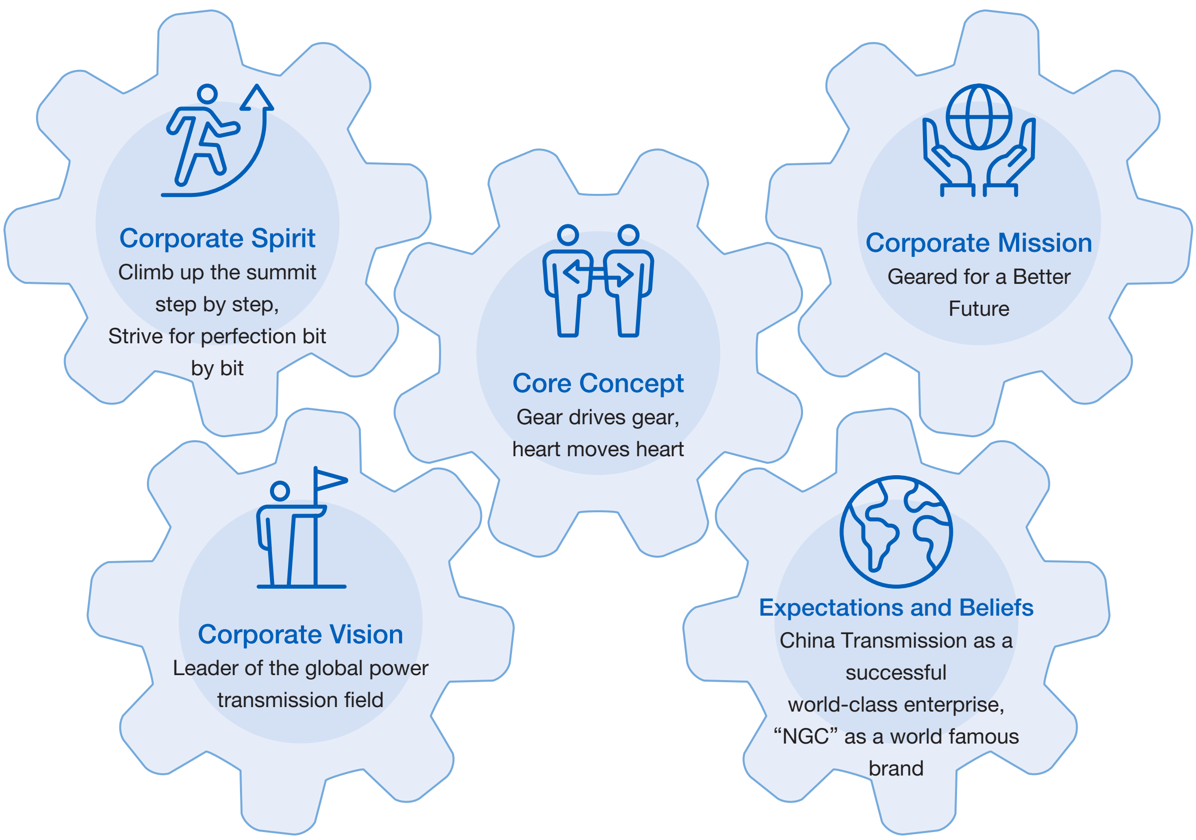
CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of a good corporate governance to a listed company. The Company is committed to achieving high standards of corporate governance in the best interests of the shareholders of the Company. This report is made to describe the practices of corporate governance of the Group and explain the principles and applications as well as deviation (if any) of the Corporate Governance Code.

During the Year, the Company has complied with the code provisions set out in 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 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.

CORPORATE CULTURE



A positive and healthy corporate culture is crucial for the Group to achieve its vision and mission. After several years of reform and development, the Group's established corporate culture has been further inherited and promoted. The Board and the management lead and shape the corporate culture of the Group, which acts as guiding principles for the Group to act lawfully, ethically and responsibly across all levels of the Group where every customer, employee and various stakeholders can benefit from the value we created together. The desired corporate culture of the Group is developed and practiced in its production operations, corporate governance and relations with stakeholders. During the Year, the Group continued to consolidate its corporate culture framework through various strategic initiatives. For the relevant achievements and details, please refer to the disclosure in the Company's 2024 ESG Report. The Board and the management implement high standards of corporate governance and establish sound and well-established corporate governance practices to ensure that the Company's vision, values and operating strategies are in line with its corporate culture.

CORPORATE STRATEGY AND BUSINESS MODEL

The Group has been focusing on the proprietary research and development, design, manufacture and sale of gear transmission products with high technology. Our products are widely applied in various industrial areas, customers of the Company are distributed in a number of equipment manufacturing industries around the world. In future development, the Group will enhance product quality, increase products of different models and strengthen the research and development of new products on the basis of the original gear transmission equipment products, to increase added value to products and to seek diversified developments in the Group's products. At the same time, to coordinate with the Company's subsidiaries in various regions across the world, we will identify the needs of customers and speed up and enhance our communication and contact with customers from all over the world so as to improve our services for them and resolve problems from customers as soon as possible, thus increasing customers' trust and satisfaction to the Group's products and services. We will continue to strengthen our overall corporate competitiveness in view of the Group's strategy of sustainable development.

COMPOSITION, PRACTICES AND INDEPENDENCE OF THE BOARD

The Board collectively takes responsibility to all the shareholders of the Company in respect of managing and supervising the business of the Group so as to achieve the target of enhancing value for the shareholders of the Company.

The Board is responsible for the leadership and management of the Company, and monitoring the business, decision-making and performance of the Group. The management was authorized by the Board the power and responsibility to manage the day-to-day affairs of the Group. The Board specifically delegates the management to deal with major corporate affairs, including submitting interim report, annual report and announcement to the Board for approval before they are issued, the implementation of business strategies and measures adopted by the Board, the implementation of adequate internal control and risk management procedures, as well as the compliance of relevant laws and regulatory requirements, rules and regulations.

As at 31 December 2024, the Board comprises eleven Directors, including seven executive Directors and four independent non-executive Directors. The Board held a total of four meetings during the Year. Each of the Directors and members of all committees and their attendance at the meetings were as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	2023 Annual General Meeting
No. of meetings held	4	2	1	1	1
Executive Directors					
Mr. Hu Jichun *(Chairman and Chief Executive Officer)*	4/4			1/1	1/1
Mr. Hu Yueming	4/4				1/1
Mr. Chen Yongdao	4/4		1/1		1/1
Mr. Zhou Zhijin	4/4				1/1
Ms. Zheng Qing	4/4				1/1
Mr. Gu Xiaobin	4/4				1/1
Mr. Fang Jian *(removed by the Board with effect from 1 March 2025)*	4/4				1/1
Independent Non-Executive Directors					
Mr. Jiang Xihe	4/4	2/2	1/1	1/1	1/1
Ms. Jiang Jianhua	4/4				1/1
Dr. Chan Yau Ching, Bob	4/4	2/2	1/1		1/1
Mr. Nathan Yu Li	4/4	2/2		1/1	1/1

The biographies of each of Directors are set out in the "Biographies of Directors and Senior Management" section on pages 25 to 30 in this annual report.

Each of the executive Directors has entered into a service agreement with the Company, and each of the independent non-executive Directors has entered into a letter of appointment with the Company with a term of three years. Each of the Directors (including the one with a specific service term) shall retire from office by rotation at least once every three years and subject to re-election. In any event, such service term can be early terminated subject to the articles of association of the Company and/or applicable laws or regulations.

Save as disclosed in this annual report, there is no financial, business, family or other major/related relationship among the members of the Board.

The Company has complied with Rule 3.10 of the Listing Rules, as at least three independent non-executive Directors have been appointed and at least one of them has appropriate professional qualifications or 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.

Each of the independent non-executive Directors has confirmed in writing to the Company of his/her independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules, and the Company considered all independent non-executive Directors to be independent based on such written confirmations.

The Company understands that the independence of the Board is a key to a sound corporate governance. To ensure that independent views and opinions are available to the Board, the majority of members from all Board committees are independent non-executive Directors. In assessing the suitability of a candidate, the nomination committee of the Company will review the candidate's biographies (including his/her qualifications and available time) and take into account the composition of the Board, the professional experience and skills of the Directors, the Company's nomination policy and board diversity policy. The nomination committee of the Company examines annually whether each independent non-executive Directors meet the guidelines for the assessment of independence set out in Rule 3.13 of the Listing Rules, has not been involved in the daily management of the Company or has any financial or other interest or relationship in the Company's business or any circumstance that could materially interfere with the exercise of his/her independent judgment, and ensures receipt of an annual confirmation of independence letter from each independent non-executive Directors. To assist Directors in properly performing their duties, all directors may seek advice from the company secretary or the internal legal team of the Company or from independent professional advisers at the Company's expense. Independent non-executive Directors receive only fixed fee. The Board will review the governance framework and mechanism on a regular basis to ensure their effectiveness.

The service terms of the current independent non-executive Directors are set out in the section entitled "Directors and Their Terms" on page 37 of this annual report.

EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

The five highest paid individuals of the Group during the Year are all Directors, and details of their emoluments are set out in Note 45 to the consolidated financial statements.

The emoluments of the senior management of the Group (other than the Directors) whose profile is included in the "Biographies of Directors and Senior Management" section on pages 25 to 30 of this annual report was within the following band:

	No. of employees
RMB2,500,001 to RMB3,000,000	1

AUDIT COMMITTEE

The Company established the audit committee as approved by the Board on 8 June 2007. The audit committee currently comprises three independent non-executive Directors. Mr. Jiang Xihe is the chairman of the audit committee, and other members are Dr. Chan Yau Ching, Bob and Mr. Nathan Yu Li.

The audit committee has established written terms of reference (updated on 31 October 2024), 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 of the Company.

During the Year, the audit committee (i) reviewed the annual report for the year ended 31 December 2023 and the interim report for the six months ended 30 June 2024 of the Company and reported the review conclusions to the Board; (ii) reviewed the independence of external auditors; (iii) considered and approved the external auditor's remuneration and letter of engagement for the year ended 31 December 2023; and (iv) reviewed the internal control review reports, reviewed the appropriateness and effectiveness of the risk management and internal control systems of the Group as well as the internal audit function of the Group and made recommendations to the Board on the improvement of internal control, credit control and risk management of the Group.

The number of the meetings held by the audit committee during the Year and the attendance record of each member of the committee are set out in the section entitled "Composition, Practices and Independence of the Board" on page 47 of this annual report.

The audited consolidated financial report for the Year had been reviewed by the audit committee.

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, Mr. Jiang Xihe, who are independent non-executive Directors, and Mr. Chen Yongdao, who is an executive Director. Dr. Chan Yau Ching, Bob is the chairman of the remuneration committee.

The remuneration committee has established written terms of reference (updated on 31 October 2024), 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 (includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) and structure of the members of the Board and senior management, the remuneration packages of individual executive Director and senior management, and the remuneration of non-executive Directors.

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

The major work performed by the remuneration committee during the Year included (among others) reviewing the remuneration package and structure for the Directors and senior management for the year ended 31 December 2024 having considered their performance, the remuneration policy for 2024, and the terms of service agreements for the Directors.

The number of the meetings held by the remuneration committee during the Year and the attendance record of each member of the committee are set out in the section entitled "Composition, Practices and Independence of the Board" on page 47 of this annual report.

NOMINATION COMMITTEE

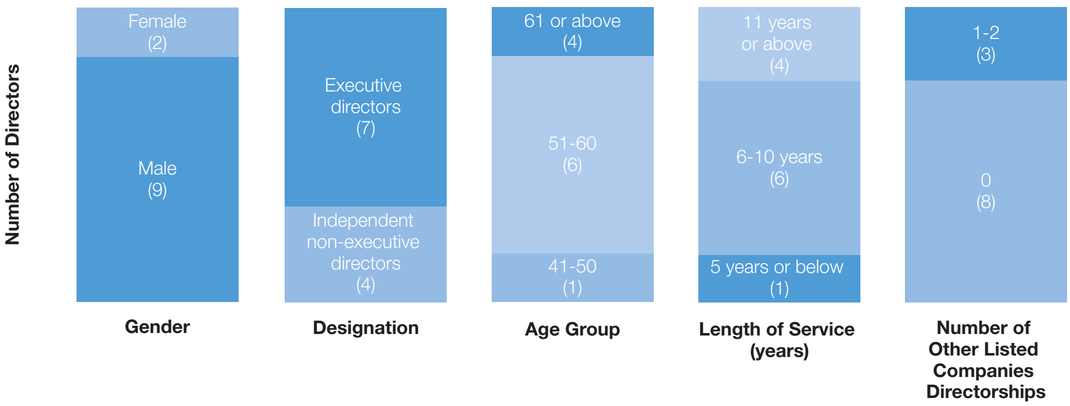
The Company has established the nomination committee with effect from 1 April 2012. The nomination committee comprises Mr. Hu Jichun, who is the Chairman and Chief Executive Officer and an executive Director of the Company, and Mr. Jiang Xihe and Mr. Nathan Yu Li, who are independent non-executive Directors.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

The nomination committee has established written terms of reference (updated on 31 October 2024), 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, the selection criteria and procedure of the members of the Board and senior management and give recommendations, and review the structure, number and composition of the Board at least once annually to implement the Company's corporate strategies.

During the Year, the nomination committee reviewed the structure, number, composition and policy for diversity of the Board in respect of the Company's corporate strategy, to ensure that the composition of the Board complies with the Listing Rules and that the Board has skills, experience and diversified background in relation to the strategy, governance and business of the Company.

The Company adopted the board diversity policy on 1 September 2013 (updated on 31 October 2024), and strived to select the most appropriate candidates to be appointed as a member of the Board. The selection of suitable candidates for directorship will be based on a range of diversity areas including education background, professional experience, skills, knowledge, and time commitments. Neither the Board nor the nomination committee has set any measurable objective implementing the diversity policy, and the nomination committee considered an appropriate balance of diversity perspectives of the Board is maintained. The Board reviewed the implementation and effectiveness of the Company's board diversity policy and considered the Company's board diversity policy as effective.

The following table shows the diversity of the Board as at 31 December 2024:



The Company advocates gender equality and has been committed to providing female employees with equal employment opportunities, training resources, salary and benefits and career growth with male employees. The Company did not set any plans or measurable targets for the gender ratio of all employees, including senior management. For the gender ratio of the Company's employee during the Year, please refer to the Company's 2024 ESG Report.

Appointment of new Directors by the Board is first considered by the nomination committee of the Company. In considering the appointment of a Director, the nomination committee applies criteria such as relevant experience, educational and professional background, reputation for integrity and independence as well as the diversity of the Board as mentioned in the board diversity policy of the Company, including but not limited to gender, age, cultural background, educational background, professional experience, skills, knowledge and length of service. For the retiring Directors to be re-elected at annual general meetings, other than considering the selection criteria and diversity of the Board as mentioned above, the nomination committee will evaluate their overall contribution and service to the Company. The recommendations of the nomination committee are then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election at the first annual general meeting after their appointment.

The number of the meetings held by the nomination committee during the Year and the attendance record of each member of the committee are set out in the section entitled "Composition, Practices and Independence of the Board" on page 47 of this annual report.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the formulation of the Company's corporate governance policies and undertakes the following corporate governance roles:

(i) to develop and review the Group's corporate governance policy and practices and propose in this regard;

(ii) to review and monitor the training and ongoing professional development of the Directors and senior management;

(iii) to review and monitor the compliance of the Group's policy and practice with all laws and regulations, if applicable;

(iv) to develop, review and monitor the code of conduct and compliance guidance (if any) applicable to all employees and Directors of the Group; and

(v) to review the compliance of the Group with the disclosure requirements on corporate governance code and corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in 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 Year. The Company will continue to ensure compliance with the Model Code.

COMPANY SECRETARY

Mr. Lui Wing Hong, Edward, the company secretary of the Company, is responsible for facilitating the procedures of the Board and the communication among Directors, and between Directors and shareholders and the management of the Company. The biography of the company secretary is included in the "Biographies of Directors and Senior Management" section on pages 25 to 30 in this annual report. During the Year, Mr. Lui received in aggregate of more than 15 hours of professional trainings to update his skills and knowledge in accordance with Rule 3.29 of the Listing Rules.

ONGOING PROFESSIONAL DEVELOPMENT

The Company arranges induction trainings for all new Directors based on their experience and background. These trainings generally include the brief introduction of the Group's structure and business, corporate governance practices and directors' responsibilities under the Listing Rules and the Companies Ordinance, etc. In addition, the Company also encourages all Directors to actively attend relevant training programs at the Company's expenses.

During the Year, the Directors received the updated information and profile on the Group's business and operation, the directors' responsibilities under the regulations and common law, the Listing Rules, the law and other regulatory requirements. During the Year, the Company arranged training sessions and/or provided training materials for Directors and the contents mainly included introduction of directors' responsibilities under the Listing Rules, the introduction to the Corporate Governance Code and the study of the business practices and ethics of the Company. With effect from April 2012, all Directors shall provide their training records to the Company annually.

The individual training record of each of the Directors during the Year is set out as follows:

	Readings on updates and materials on business, operation and/or corporate governance affairs	Lectures/seminars on business/director's responsibilities attended or participated
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 *(removed by the Board with effect from 1 March 2025)*	✓	✓
Independent Non-Executive Directors		
Mr. Jiang Xihe	✓	✓
Ms. Jiang Jianhua	✓	✓
Dr. Chan Yau Ching, Bob	✓	✓
Mr. Nathan Yu Li	✓	✓

REMUNERATION OF AUDITOR

The audit fee and non-audit service fee for the year ended 31 December 2024 payable to Baker Tilly, the existing external auditor of the Group, amounted to RMB3,600,000 and RMB1,400,000, respectively. The breakdown of the non-audit service fees is as follows:

	RMB'000
Review of interim results	1,400

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL REPORT

All Directors of the Company acknowledge their responsibility for the preparation of the financial report of the Group. They also ensure the preparation of the financial report of the Group is in compliance with the relevant laws, regulations and accounting principles and its publication is made in due course.

Reporting responsibility statement with respect to the financial report of the Group made by the auditor of the Company is set out in the Independent Auditor's Report on pages 60 to 69 in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board takes full responsibility to maintain a sound and efficient risk management and internal control system for the Group and is obligated to review the validity of the system to protect the shareholders' investment and the Group's assets, which is in the interest of the shareholders. The risk management and internal control system of the Group targets at management instead of elimination of the risk of failure in achieving our business goals, and it can only make reasonable but not absolute assurance that there would not be material misrepresentation or loss.

In order to achieve the long-term growth and sustainability of the Group's business, the successful management of risks (including risks relating to environment, social and governance) is essential. The Group has established a risk management organizational structure, which consisted of the Board, the audit committee and the senior management of the Group. The Board determines the risk nature and degree which shall be borne by the Group for achieving its strategic objective, and the senior management is responsible for the design, implementation and monitoring of risk management and internal control systems. The Board, through the audit committee, evaluates and reviews the effectiveness of the relevant systems at least once a year. Such evaluation includes consideration of the adequacy of resources, qualifications and experience of staff, and the adequacy of training courses and relevant budgets for the accounting, internal audit and financial reporting functions as well as the Company's environmental, social and governance performance and reporting.

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks (including risks relating to environment, social and governance) across business operations.

The Group has formulated and adopted a risk management policy in providing directions in identifying, evaluating and managing significant risks (including risks relating to environment, social and governance). At least on an annual basis, the senior management of the Group identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks (including risks relating to environment, social and governance) according to a set of standard criteria. Risk mitigation plans and risk person-in-charge are then established for those risks considered to be significant.

The Company has established the internal audit function, and the Group has engaged an independent professional advisor to assist the Board and the audit committee in ongoing monitoring of the risk management and internal control systems of the Group, to identify deficiencies in the design and implementation of internal controls and to propose recommendations for improvement. Significant internal control deficiencies are reported to the audit committee and the Board on a timely basis to ensure prompt remediation actions are taken. An internal control review report is submitted to the audit committee and the Board at least twice a year to consider and review the findings and recommendations on the risk management and internal control system of the independent professional advisor.

The Board, through the audit committee, has performed an annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. Subject to the below, the Board considers the Group's risk management and internal control systems were effective and adequate during the Year.

As announced by the Company on 6 February 2025, the Company has commissioned the Independent Investigation into the relevant matters arising from the outstanding trade receivables and prepayments of approximately RMB6.64 billion in aggregate, and is providing full assistance in the investigations of the PRC authorities. The Company, with the assistance of its legal advisors, has been actively exploring and pursuing all necessary and appropriate avenues to remediate the situation, and to safeguard the best interests of the Company and its shareholders.

In the context of, and pending the findings and conclusions of the Ongoing Investigations, the Company has carried out the following interim enhancements and remedial measures:

(a) Enhanced oversight and control of commodities trading operations: All commodities trading operations have been temporarily suspended 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. Mr. Fang Jian, the former Director who was managing the commodities trading business, the EPC Project and the investment in the three limited partnerships mentioned above, had been removed from the Board and the managerial duties of the Company.

(d) Heightened management oversight and compliance: There has been proactive and continued oversight and engagement by senior management in the Ongoing 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.

In order to enhance its internal control environment, the Company will also adopt suitable improvements in the Company's internal control systems, including the following measures, taking into account the Audit Issues identified:

(a) Improved Information Management: Exploring upgrades to the Company's information management systems to ensure secure and efficient access to critical financial data; and considering establishing a centralised document repository to facilitate retrieval of information.

(b) Strengthened Governance and Oversight: Keeping under review the frequency of Audit Committee meetings to provide more rigorous oversight of financial reporting and audit processes; and engaging external advisors to review and provide feedback on the effectiveness of governance practices as necessary.

(c) Enhanced Communication with Auditors: Establishing a more collaborative relationship with the Auditors to ensure timely identification and resolution of potential issues, including more regular meetings with Auditors to discuss ongoing concerns and updates on corrective actions.

(d) Comprehensive Risk Management: Considering ways to strengthen the risk management framework to identify and mitigate financial reporting risks, with regular risk assessments to ensure that potential issues are appropriately addressed.

The Company will continue to keep under review its systems and controls, as well as all matters concerning regulatory compliance, and will implement additional enhancements as necessary to ensure all issues identified in the Independent Investigation, including any areas of concern, weakness or deficiency in its risk management and internal control systems, are thoroughly addressed.

ANTI-CORRUPTION POLICY AND WHISTLE-BLOWING POLICY

The Group upholds a zero-tolerance policy against corruption, bribery and any malpractice and has formulated (i) an anti-corruption policy, which provides a guide to the code of conduct preventing corruption, bribery, fraud and other malpractices and assists the Directors and employees of the Company as well as other stakeholders to identify and deal with events that may involve corruption or unethical business conduct; (ii) a whistle-blowing policy, which supports the employees of the Group (the "**Employees**") as well as third parties having business relations with the Group (the "**Third Parties**") to express their concerns with any misconduct, malpractice or non-compliance related to the affairs of the Group appropriately. The whistle-blowing policy provides formal channels and guidelines for the Employees or the Third Parties (each a whistle-blower) to raise concerns about possible improprieties in any of the affairs of the Group to the audit committee of the Company confidentially and anonymously.

For further details of the anti-corruption policy and whistle-blowing policy and/or measures of the Group, please refer to the disclosure under "Business Ethics and Anti-Corruption" in the Company's 2024 ESG Report.

HANDLING OF INSIDE INFORMATION

The Group is aware of its obligations under the SFO and the Listing Rules, and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the safe harbours as provided in the SFO.

The Group conducts its affairs with close regard to the applicable laws and regulations and the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements or circulars is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts. The Group has conveyed the implementation of the relevant corporate information disclosure policy to all the relevant personnel and provided relevant training.

CONSTITUTIONAL DOCUMENTS

In order to amend the existing Memorandum and Articles of Association for compliance with the relevant amendments under the Listing Rules regarding electronic dissemination of corporate communications by listed issuers, the Board proposed to make certain amendments to the then existing Memorandum and Articles of Association (the "**Proposed Amendments**") and to adopt the revised Memorandum and Articles of Association (the "**Revised M&A**"). The Proposed Amendments to, and adoption of, the Revised M&A were approved at the annual general meeting of the Company held on 20 June 2024. The Revised M&A has been published on the websites of the Company and the Hong Kong Stock Exchange.

Save as disclosed above, there was no change to the Company's Memorandum and Articles of Association during the Year.

SHAREHOLDER COMMUNICATION POLICY

The Company's shareholder communication policy is primarily to facilitate communication between the Company and shareholders (both individuals and institutions) and to ensure that shareholders have access to clear, transparent, accurate and timely information to make their investment decisions. The policy sets out different communication channels (including the Company's website, market briefings and shareholders' meetings). The Board reviewed the Company's shareholder communication policy to ensure the best practices for communication with shareholders and reviewed the shareholder and investor engagement and communication activities conducted in 2024, and was satisfied with the implementation and effectiveness of the shareholder communication policy.

SHAREHOLDERS' RIGHTS

General meetings shall be convened on the written requisition of any two or more shareholders of the Company or a member, which is a recognised clearing house member (or its nominee(s)), of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the time of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company in accordance with Article 79 of the articles of association of the Company. If the Board does not within 21 days from the date of deposit of the written requisition proceed duly to convene the general meeting, requisitionist(s) or any of them representing over one-half of the total voting rights of all of them, may convene the general meeting in the same manner as that in which general meetings may be convened by the Board.

There are no provisions allowing shareholders to propose new resolutions at general meetings under the Cayman Islands Companies Law or the articles of association of the Company. Shareholders who wish to propose a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As regards the procedure of nominating a person by shareholders of the Company for election as a Director, please refer to the "Procedures for a shareholder of the Company to propose a person for election as a Director" available on the website of the Company.

Shareholders of the Company may at any time send their enquiries and questions to the Board in writing through the company secretary or make enquiries with the Board at the general meetings of the Company.

Contact details of the company secretary of the Company are as follows:

China High Speed Transmission Equipment Group Co., Ltd.
Room 1302, 13th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
Tel: (852) 2891 8361
Fax: (852) 2891 8760
Email: ir@chste.com

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Independent auditor's report to the shareholders of
China High Speed Transmission Equipment Group Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of China High Speed Transmission Equipment Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 184, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Trade receivables arising from trading business and related impairment

As set out in Note 24 to the consolidated financial statements, as at 31 December 2024, the Group's trade receivables arising from trading business amounted to RMB3,188,981,000, which, as fully explained in Note 42 to the consolidated financial statements, were fully impaired. The relevant impairment has been included in "net impairment losses recognised on financial assets" line item in the consolidated income statement for the year ended 31 December 2024.

We were unable to perform effective confirmation procedures on the trade receivables arising from trading business of RMB3,188,981,000 nor have we been provided with sufficient audit evidence to support that these trade receivables were free from material misstatements. Any adjustment to the trade receivables arising from trading business may have a consequential effect on the Group's impairment of trade receivables and loss for the year ended 31 December 2024, the Group's net assets as at 31 December 2024 and the related disclosures thereof in the consolidated financial statements.

BASIS FOR QUALIFIED OPINION *(Continued)*

Prepayments arising from trading business and related impairment

As set out in Note 25 to the consolidated financial statements, as at 31 December 2024, the Group's prepayments for purchases of bulk commodities amounted to RMB3,450,531,000, which, as fully explained in Note 42 to the consolidated financial statements, were fully impaired. The relevant impairment of RMB3,450,531,000 has been included in "other (losses)/gains – net" line item in the consolidated income statement for the year ended 31 December 2024.

We have not been provided with sufficient documents and explanation to satisfy ourselves as to the nature, occurrence and accuracy of these recorded transactions. Any adjustment to these recorded prepayments for purchases of bulk commodities may have a consequential effect on the related impairment and the Group's loss for the year ended 31 December 2024, the Group's net assets as at 31 December 2024 and the related disclosures thereof in the consolidated financial statements.

Transactions under the Group's engineering, procurement and construction project (the "EPC project")

As set out in Note 25(a) to the consolidated financial statements, the Group acted as the main contractor of the EPC project since prior years and subcontracted the project work to several subcontractors. As at 31 December 2024, advance receipts from the customer for the EPC project of RMB467,760,000 was recognised as contract liabilities, and the corresponding payments to subcontractors of RMB297,212,000 and RMB994,052,000 were recognised as prepayments and inventories respectively.

Up to the date of approval of these consolidated financial statements, the Group, as the main contractor of the EPC project, is in the process of investigating the costs incurred for and progress of the EPC project with several subcontractors. In view of the uncertainty of the EPC project, no revenue or costs were recognised in profit or loss. Management was unable to provide sufficient information to substantiate the progress of the EPC project and subcontracting costs incurred by subcontractors for the EPC project up to 31 December 2024.

Consequently, we were unable to obtain sufficient appropriate audit evidence as to whether the revenue from the EPC project, and the corresponding contract liabilities, the subcontracting costs incurred for the EPC project and the corresponding prepayments and inventories recognised in the Group's consolidated financial statements, were free from material misstatements.

Any adjustment to the recorded transactions relating to the EPC project may have a consequential effect on the related revenue and costs of sales and the Group's loss for the year ended 31 December 2024, the Group's net assets as at 31 December 2024 and the related disclosures thereof in the consolidated financial statements.

BASIS FOR QUALIFIED OPINION *(Continued)*

Financial assets at fair value through profit or loss

As at 30 June 2024, the Group's equity investments in three limited partnerships were recorded as financial assets at fair value through profit or loss in the Group's consolidated statement of financial position with carrying value of RMB423,300,000 in aggregate (the "Investments"). Gain on fair value changes of RMB11,900,000 arising from the Investments were recorded in the Group's consolidated income statement for the six months ended 30 June 2024. Management represented to us that they were unable to obtain access to certain financial information of the three limited partnerships. Therefore, as at 31 December 2024, the Investments continued to be recognised at RMB423,300,000 in the Group's consolidated statement of financial position. Due to insufficient information, we were unable to determine whether the Investments as at 31 December 2024 and the corresponding gain from fair value changes for the year ended 31 December 2024 were free from material misstatements.

Any adjustment to carrying value of these financial assets may have a consequential effect on the related gain or loss on fair value changes and the Group's loss for the year ended 31 December 2024, the Group's net assets as at 31 December 2024 and the related disclosures thereof in the consolidated financial statements.

Related party transactions

Note 43 to the consolidated financial statements discloses certain related party transactions of the Group for the year ended 31 December 2024. Due to lack of sufficient documents and explanations in relation to the trading business, we were not able to carry out audit procedures necessary to satisfy ourselves that the disclosure in Note 43 to the consolidated financial statements is complete.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Basis for qualified opinion" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial instruments with significant inputs not based on observable market data (level 3)	
Refer to Note 3.3 (Fair value estimation), Note 4(a) (Critical accounting estimates and judgements – Estimation of fair value of certain financial assets), Note 20 (Financial assets at fair value through other comprehensive income) and Note 21 (Financial assets at fair value through profit or loss) to the consolidated financial statements. As at 31 December 2024, the balances of the Group's financial assets measured at fair value with significant unobservable inputs amounted to approximately RMB5,161,163,000. These unlisted financial instruments were valued with inputs not based on active market prices nor observable market data and were categorised as level 3 in the fair value hierarchy.	We understood and tested management's procedures and key controls over the measurement of fair values of level 3 financial instruments; We evaluated the competence, capabilities and objectivity of the Group's external valuers;

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial instruments with significant inputs not based on observable market data (level 3) *(Continued)*	
The fair values of level 3 financial instruments were determined through the application of various valuation techniques. With the assistance from external valuers, management has exercised significant judgements and estimates in identifying the appropriate valuation models and inputs including but not limited to revenue growth rate, operating margins, discount rate, discount for lack of marketability and multiples in relation to share price changes and price-to-book. We have therefore focused on this area.	We evaluated and challenged the valuation models and key inputs adopted by the Group including: • Compared the revenue growth rate and operating margins to the forecast of future profits, historical data, market trend, and evaluated the assumptions adopted by management as appropriate; • Assessed the reasonableness of the discount rate by comparing weighted average cost of capital of comparable companies in the open market; • Evaluated the discount for lack of marketability, share price changes and price-to-book multiples used by comparing with similar types of companies; and • Evaluated the valuation of selected financial instruments by considering alternative valuation methodologies and assessing sensitivities to key inputs. Based on the procedures above, except for the fair value of financial instruments of RMB423,300,000 as mentioned in the heading of "Financial assets at fair value through profit or loss" of the "Basis for qualified opinion" paragraph, we consider the judgements and estimates made by management in measuring the fair values of the other level 3 financial instruments with significant unobservable inputs were supported by available evidences.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables at amortised cost Refer to Note 3.1(b) (Financial risk management – Credit risk), Note 4(b) (Critical accounting estimates and judgements – Expected credit loss for receivables) and Note 24 (Trade and other receivables) to the consolidated financial statements. As at 31 December 2024, the Group's trade receivables at amortised cost amounted to approximately RMB6,159,052,000 (net of allowance of approximately RMB3,822,183,000). Management applied significant judgements and estimates in assessing the expected credit losses on trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for loss allowances. Expected credit losses are also estimated by grouping the remaining receivables with similar credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customers and its ageing category. The expected credit loss rates are determined based on historical credit losses experienced from the past 12 to 48 months and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. We focused on this area because significant management judgements and estimates are applied in determining the loss allowance of such balances.	We understood and tested key controls on a sample basis over management's policies, processes and controls over the assessment of recoverability of trade receivables balances and determination of loss allowances; We assessed the appropriateness of the credit loss provisioning methodology used by the Group; For trade receivables assessed individually, we obtained management's assessment on the collectability (both amount and timing) of receivables balances. We corroborated against available evidences, including interviewing sales personnel, examining the correspondences with the relevant customers and inquiring the Group's internal legal counsel as to whether there are any disputes with customers; We challenged management's assumptions used to determine the expected credit losses by considering cash collection performance against historical trends and current and forward-looking information such as the impact of macroeconomic factors on probability of default and loss given default based on our understanding of the industry and with reference to both internal and external data source, and evaluate the historical accuracy of these default data adopted by management; We tested, on a sample basis, whether items in the trade debtor ageing report were classified within the appropriate ageing brackets by comparing individual items in the report with underlying documentation, including sales invoices or equivalent; and We re-performed management's calculation of loss allowances assessment. Based on the procedures above, except for the loss allowances of RMB3,188,981,000 as mentioned in the heading of "Trade receivables arising from trading business and related impairment" of the "Basis for qualified opinion" paragraph, we consider that the judgements and estimates made by management in respect of the loss allowances of the other trade receivables were supportable by available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the "Basis for qualified opinion" section above, we were unable to obtain sufficient appropriate evidence about the possible effects arising from certain balances and transactions as at and for the year ended 31 December 2024. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these balances and transactions or other items in the annual report affected by this matter.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect along of the inability to obtain sufficient appropriate audit evidence regarding certain balances and transactions as described in the "Basis for qualified opinion" section of our report above:

- We were unable to determine whether adequate accounting records had been kept; and

- We have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

The engagement director on the audit resulting in this independent auditor's report is Mr. Chan Sai Ho.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 March 2025
Chan Sai Ho
Practising certificate number P07705

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

		Year ended 31 December	
		2024	2023
	Note	RMB'000	RMB'000
Revenue from contracts with customers	5	22,075,470	24,077,148
Cost of sales		(18,787,323)	(20,682,363)
Gross profit		3,288,147	3,394,785
Selling and distribution expenses		(541,984)	(532,167)
Administrative expenses		(584,331)	(561,429)
Research and development costs		(809,474)	(904,473)
Net impairment losses recognised on financial assets	3.1(b)	(3,421,042)	(295,106)
Other income	6	325,998	211,712
Other (losses)/gains – net	7	(3,398,432)	57,499
Operating (loss)/profit		(5,141,118)	1,370,821
Finance income	10	115,496	123,086
Finance costs	10	(726,262)	(763,559)
Finance costs – net		(610,766)	(640,473)
Share of results of associates	18	(1,361)	(2,639)
(Loss)/profit before income tax		(5,753,245)	727,709
Income tax expenses	11	(178,283)	(112,473)
(Loss)/profit for the year		(5,931,528)	615,236
(Loss)/profit attributable to:			
– Owners of the Company		(6,556,733)	95,517
– Non-controlling interests		625,205	519,719
		(5,931,528)	615,236
(Loss)/earnings per share (expressed in RMB)			
Basic and diluted (loss)/earnings per share	12	(4.010)	0.058

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
(Loss)/profit for the year	**(5,931,528)**	615,236
Other comprehensive income/(loss) for the year:		
Items that may be reclassified subsequently to profit or loss		
– Exchange differences on translation of foreign operations	7,670	(27,618)
– Changes in fair value of debt investments at fair value through other comprehensive income	(8,322)	9,013
– Income tax relating to these items	1,296	(1,517)
	644	(20,122)
Items that will not be reclassified to profit or loss		
– Changes in fair value of equity investments at fair value through other comprehensive income	32,058	(353,956)
– Income tax relating to these items	284	76,496
– Reversal of deferred tax assets recognised in prior years	(195,250)	–
	(162,908)	(277,460)
Other comprehensive loss for the year, net of tax	**(162,264)**	(297,582)
Total comprehensive (loss)/income for the year	**(6,093,792)**	317,654
Total comprehensive (loss)/income for the year attributable to:		
– Owners of the Company	(6,716,601)	(202,641)
– Non-controlling interests	622,809	520,295
	(6,093,792)	317,654

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	14	**10,232,835**	8,988,566
Right-of-use assets	15	**750,767**	719,049
Goodwill	16	**26,142**	26,414
Investments in associates	18	**209,936**	196,297
Financial assets at fair value through other comprehensive income ("FVOCI")	20	**1,322,492**	1,290,427
Financial assets at fair value through profit or loss ("FVPL")	21	**423,300**	411,400
Deposits for land leases	22	**–**	5,890
Deferred tax assets	32	**557,059**	905,494
		13,522,531	12,543,537
Current assets			
Inventories	23	**6,052,537**	6,544,851
Trade receivables	24	**6,159,052**	8,489,248
Other receivables	24	**1,441,015**	1,436,709
Prepayments	25	**380,470**	1,596,936
Financial assets at FVOCI	20	**3,348,203**	1,804,904
Financial assets at FVPL	21	**108,141**	53,046
Income tax recoverable		**12,354**	40,875
Pledged bank deposits	26	**2,810,765**	3,562,398
Cash and cash equivalents	26	**3,874,219**	5,627,891
		24,186,756	29,156,858
Current liabilities			
Trade payables	27	**4,287,778**	3,396,014
Bills payables	27	**5,084,115**	3,950,352
Other payables	27	**1,816,485**	1,393,772
Contract liabilities	29	**1,613,686**	1,729,685
Borrowings	28	**4,237,783**	5,036,621
Deferred income	30	**69,533**	42,925
Income tax payable		**134,799**	137,640
Warranty provision	31	**908,794**	1,144,479
Written put option liability	33	**–**	4,772,175
		18,152,973	21,603,663

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Net current assets		**6,033,783**	7,553,195
Total assets less current liabilities		**19,556,314**	20,096,732
Non-current liabilities			
Borrowings	28	**4,928,562**	4,457,964
Deferred income	30	**675,359**	475,164
Warranty provision	31	**1,260,019**	1,124,470
Deferred tax liabilities	32	**133,089**	126,910
		6,997,029	6,184,508
Net assets		**12,559,285**	13,912,224
Capital and reserves			
Share capital	34	**119,218**	119,218
Reserves	35	**8,280,868**	10,154,092
Equity attributable to owners of the Company		**8,400,086**	10,273,310
Non-controlling interests		**4,159,199**	3,638,914
Total equity		**12,559,285**	13,912,224

Approved and authorised for issue by the Board of Directors on 28 March 2025.

Hu Jichun
Director

Chen Yongdao
Director

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves RMB'000 (Note 35)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	119,218	2,577,082	7,779,651	10,475,951	3,118,619	13,594,570
Profit for the year	–	–	95,517	95,517	519,719	615,236
Other comprehensive (loss)/income for the year	–	(298,158)	–	(298,158)	576	(297,582)
Total comprehensive (loss)/income for the year	–	(298,158)	95,517	(202,641)	520,295	317,654
Transfer of fair value reserve upon disposal of equity investment at FVOCI	–	8,288	(8,288)	–	–	–
Appropriation to statutory reserve	–	77,150	(77,150)	–	–	–
At 31 December 2023	119,218	2,364,362	7,789,730	10,273,310	3,638,914	13,912,224
At 1 January 2024	**119,218**	**2,364,362**	**7,789,730**	**10,273,310**	**3,638,914**	**13,912,224**
(Loss)/profit for the year	**–**	**–**	**(6,556,733)**	**(6,556,733)**	**625,205**	**(5,931,528)**
Other comprehensive loss for the year	**–**	**(159,868)**	**–**	**(159,868)**	**(2,396)**	**(162,264)**
Total comprehensive (loss)/income for the year	**–**	**(159,868)**	**(6,556,733)**	**(6,716,601)**	**622,809**	**(6,093,792)**
Dividends to non-controlling shareholders	**–**	**–**	**–**	**–**	**(102,078)**	**(102,078)**
Transfer of fair value reserve upon disposal of equity investment at FVOCI	**–**	**(2,555)**	**2,555**	**–**	**–**	**–**
Acquisition of non-controlling interests in a subsidiary (Note 41)	**–**	**(4,254)**	**–**	**(4,254)**	**(446)**	**(4,700)**
Appropriation to statutory reserve	**–**	**38,782**	**(38,782)**	**–**	**–**	**–**
Release of written put option liability (Note 33)	**–**	**4,847,631**	**–**	**4,847,631**	**–**	**4,847,631**
At 31 December 2024	**119,218**	**7,084,098**	**1,196,770**	**8,400,086**	**4,159,199**	**12,559,285**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	37	**30,821**	689,816
Income tax paid		**(174,198)**	(337,773)
Net cash (used in)/generated from operating activities		**(143,377)**	352,043
Cash flows from investing activities			
Placements of pledged bank deposits		**(9,040,177)**	(10,162,620)
Withdrawal of pledged bank deposits		**9,791,810**	11,497,446
Investment in structured bank deposits		**(20,000)**	(160,000)
Redemption of structured bank deposits		**20,092**	213,556
Proceeds from disposal of financial assets at FVOCI		**–**	18,710
Dividends received from financial assets at FVOCI and FVPL	6	**3,712**	1,105
Purchases of property, plant and equipment		**(2,068,181)**	(2,431,810)
Purchases of right-of-use assets		**(50,720)**	(55,825)
Refund of land lease deposits		**5,890**	–
Proceeds from disposal of property, plant and equipment		**103,122**	67,844
Contribution to an associate	18	**(15,000)**	–
Proceeds from disposal of an associate	18	**–**	13,000
Interests received		**117,252**	144,840
Receipt of government grants	30	**296,371**	236,017
Loan to a fellow subsidiary	24(c)	**(250,000)**	–
Loans to third parties		**–**	(15,000)
Repayments from third parties and former subsidiaries		**–**	329,387
Net cash used in investing activities		**(1,105,829)**	(303,350)

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from financing activities			
Proceeds from bank borrowings		**6,568,327**	7,907,413
Repayment of bank borrowings		**(6,496,568)**	(6,255,412)
Interest paid		**(486,515)**	(474,235)
Dividends paid to non-controlling shareholders		**(102,078)**	–
Net cash (used in)/generated from financing activities		**(516,834)**	1,177,766
Net (decrease)/increase in cash and cash equivalents		**(1,766,040)**	1,226,459
Cash and cash equivalents at beginning of year		**5,627,891**	4,383,517
Exchange gains on cash and cash equivalents		**12,368**	17,915
Cash and cash equivalents at end of year	26	**3,874,219**	5,627,891

The accompanying notes are an integral part of the consolidated financial statements.

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"), and the ultimate holding company is Fullshare Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Hong Kong Stock Exchange.

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

During the year, 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "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 and the disclosure requirements of Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities measured at fair value.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

2.2 Changes in accounting policies

(a) Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on 1 January 2024 for the preparation of the Group's consolidated financial statements:

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

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

- Amendments to IAS 21, "Lack of exchangeability", effective for annual periods beginning on or after 1 January 2025
- Amendments to IFRS 9 and IFRS 7, "Amendments to the classification and measurement of financial instruments", effective for annual periods beginning on or after 1 January 2026
- Amendments to IFRS 9 and IFRS 7, "Contracts referencing nature – dependent electricity", effective for annual periods beginning on or after 1 January 2026
- Amendments to IFRS Accounting Standards, "Annual improvements to IFRS Accounting Standards – Volume 11", effective for annual periods beginning on or after 1 January 2026
- IFRS 18, "Presentation and disclosure in financial statements", effective for annual periods beginning on or after 1 January 2027
- Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or Joint venture", effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have material impacts on the Group's result of operations and financial position. While IFRS 18 will not change recognition criteria or measurement bases, the standard is expected to change the presentation and disclosures of the Group's consolidated financial statements.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- Fair values of the assets transferred;
- Liabilities incurred to the former shareholders of the acquired business;
- Equity interests issued by the Group;
- Fair value of any asset or liability resulting from a contingent consideration arrangement; and
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

Business combinations *(Continued)*

The excess of:

- Consideration transferred;
- Amount of any non-controlling interest in the acquired entity; and
- Acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 Investments in subsidiaries separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control, which is generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.5 Changes in the Group's ownership interests in existing subsidiaries and associates

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity shareholders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "Finance income" or "Finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other (losses)/gains – net".

Translation differences on non-monetary financial assets and liabilities in a foreign currency, such as equities classified as financial assets at FVPL, are recognised in profit or loss as part of the fair value gains or losses. Translation differences on non-monetary financial assets in a foreign currency, such as equities classified as financial assets at FVOCI, are included in other comprehensive income.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position item presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement item are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses items are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences are recognised in other comprehensive income.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences are reclassified to profit or loss.

2.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold lands	Nil
Buildings	30-35 years
Leasehold improvements	Over the shorter of the lease term or 3 years
Machinery and equipment	5-10 years
Furniture and fixtures	5 years
Transportation equipment	5 years

Freehold lands are stated at cost less any impairment losses and are not depreciated.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains – net" in the consolidated income statement.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

Goodwill is not amortised but it is reviewed and tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2.10 Impairment of non-financial assets

Goodwill and freehold lands that have an indefinite useful life are not subject to amortisation or depreciation, and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's value-in-use and fair value less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in "Other income "and "Finance income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other (losses)/gains – net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses or respective reversals, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Foreign exchange gains and losses are presented in "Other (losses)/gains – net", and impairment losses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other (losses)/gains – net" in the period in which it arises.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

2.11.3 Measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other (losses)/gains – net" in the consolidated income statement as applicable.

2.11.4 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

2.11.4 Derecognition of financial assets *(Continued)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.11.5 Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to ECL assessment.

For financial instruments that have low risk of default at the end of the reporting period, except for receivables related to revenue, the Group assumes that there is no significant increase in credit risk since the initial recognition, on first stage, and measures the loss allowance at an amount equal to 12-month ECL. If there has been a significant increase in credit risk or credit impairment has occurred since the initial recognition of a financial instrument, on second stage, the Group recognises a loss allowance at an amount equal to lifetime ECL. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Group recognises a loss allowance at an amount equal to lifetime ECL.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime ECL to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Trade receivables, bills receivables and other receivables

Trade receivables, bills receivables and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables, bills receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method, less allowance for impairment. See Note 2.11 for further information about the Group's accounting for receivables and for a description of the Group's impairment policies.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Restricted cash

Restricted cash represents guarantee deposits held in a separate reserve account that is pledged to the bank for issuance of trade facilities such as bills payables and bankers' guarantee and as security deposits under bank borrowing agreements. Such restricted cash will be released when the Group repays the related trade facilities or bank loans.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables, bills payables and other payables

Trade payables, bills payables and other payables represented liabilities for goods and services provided to the Group prior to the end of year which are unpaid. Trade payables, bills payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, bills payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current, Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply at the time when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, would the deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.22 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(b) Pension obligations

The People's Republic of China (the "PRC") employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans. The non-PRC employees are covered by other defined-contribution pension plans sponsored by the government of their respective country of residence.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: when the Group can no longer withdraw the offer of those benefits; and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.23 Provisions and contingent liabilities

(a) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

(b) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.24 Written put option liability

The Group has a written put option over the equity of a subsidiary which permit the holder to put their shares in the subsidiary back to the Group at an agreed price on specified dates over a three-year period. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within "written put option liability" with a corresponding charge directly to equity within "capital reserves".

The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

2.25 Revenue recognition

(a) Revenue from contracts with customers

(i) Sales of gear products and trading of goods

Revenue is recognised when the customer takes possession of and accepts the products. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities.

No element of financing is deemed present as the sales are made with a credit term of 90 days upon delivery, which is consistent with market practice.

The Group provides standard warranty on its gear products and is obliged to repair or replace faulty products under the standard warranty terms, the standard warranty is recognised as a provision in Note 31.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

(b) Revenue from other sources

(i) Rental income

Rental income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(ii) Interest income

Interest income from financial assets at FVPL is included in “Other (losses)/gains – net”, see Note 7 below.

Interest income on financial assets at amortised cost calculated using the effective interest rate method is recognised in the consolidated income statement as part of “Other income”, see Note 6 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that are subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowances).

Interest income is presented as “Finance income” where it is earned from financial assets that are held for cash management purposes, see Note 10 for further details.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which they become receivable.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Leases

A lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.28 Research and development costs

All research costs are charged to consolidated income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.29 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance under ECL model determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Where guarantees in relation to loans or other payables of associates or joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(Continued)*

2.30 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("USD"), Euros ("EUR") and Hong Kong dollars ("HKD"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations. Approximately 5% (2023: 5%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 1% (2023: 1%) of costs were not denominated in the functional currency. The Group currently does not enter into any hedge under the Group's foreign currency risk strategy, however, the Group monitors foreign exchange exposure and will consider hedging significant exposure should the need arises.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies including financial assets at FVOCI and FVPL, trade and other receivables, cash and cash equivalents, trade and other payables and borrowings at the end of the reporting period are as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Assets		
USD	**1,923,022**	1,484,809
EUR	**286,359**	459,347
HKD	**35,995**	45,974
Liabilities		
USD	**46,979**	26,444
EUR	**29,922**	2,919
HKD	**311**	304

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's (loss)/profit after income tax (due to changes in the fair value of monetary assets and liabilities). Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded from the analysis. The analysis is performed at the same basis as 2023.

	Increase/ (decrease) in RMB rate %	(Increase)/ decrease in loss after income tax RMB'000	(Decrease)/ increase in equity* RMB'000
For the year ended 31 December 2024			
If the USD weakens against the RMB	5%	(76,822)	–
If the USD strengthens against the RMB	(5%)	76,822	–
If the EUR weakens against the RMB	5%	(10,893)	–
If the EUR strengthens against the RMB	(5%)	10,893	–
If the HKD weakens against the RMB	5%	(1,730)	–
If the HKD strengthens against the RMB	(5%)	1,730	–

	Increase/ (decrease) in RMB rate %	(Decrease)/ increase in profit after income tax RMB'000	(Decrease)/ increase in equity* RMB'000
For the year ended 31 December 2023			
If the USD weakens against the RMB	5%	(60,969)	–
If the USD strengthens against the RMB	(5%)	60,969	–
If the EUR weakens against the RMB	5%	(18,952)	–
If the EUR strengthens against the RMB	(5%)	18,952	–
If the HKD weakens against the RMB	5%	(2,230)	–
If the HKD strengthens against the RMB	(5%)	2,230	–

* Excluding retained earnings

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and certain financial assets at amortised cost, at FVPL and at FVOCI. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest movements based on interest rate level and outlook. The Group will review the relative proportions of its fixed rate and floating rate contracts and ensure they are within reasonable range.

As at 31 December 2024, the Group's short-term and long-term interest-bearing borrowings denominated with floating rates amounted to RMB5,297,592 thousands (31 December 2023: RMB5,062,585 thousands). If the interest rates had been 50 basis points higher and all other variables were held constant, the Group's loss after income tax for the year ended 31 December 2024 would have increased by approximately RMB22,515 thousands (2023: profit after income tax decreased by approximately RMB20,046 thousands).

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Shanghai Stock Exchange. The Group closely monitors the price risk and will consider hedging the risk exposure should the need arise.

All of the Group's unquoted investments are held for long-term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(iii) Equity price risk (Continued)

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. If the prices of the respective listed equity instruments had been 10% (2023: 10%) higher/lower, the total comprehensive loss for the year ended 31 December 2024 would have decreased/increased by approximately RMB4,097 thousands (2023: total comprehensive income increased/decreased by approximately RMB3,898 thousands) excluding any tax effect as above, as a result of the changes in fair value of the listed equity instruments.

If the fair value of the respective unlisted equity instruments had been 10% (2023: 10%) higher/lower, the loss and total comprehensive loss for the year ended 31 December 2024 would have decreased/increased by approximately RMB42,999 thousands and RMB171,151 thousands (2023: profit and total comprehensive income increased/decreased by approximately RMB42,118 thousands and RMB167,263 thousands) excluding any tax effect as above respectively, as a result of the changes in fair value of the unlisted equity instruments.

(b) Credit risk

(i) Risk management

Credit risk is managed on group basis. It mainly arises from cash and cash equivalents, pledged bank deposits, trade receivables, other receivables, bills receivables at FVOCI and financial guarantee contracts, etc.

The Group has policies to limit the credit risk exposure on these aforesaid financial assets. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial positions, the availability of guarantees from third parties, their credit histories and other factors such as current market conditions. Management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel their credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent. The Group does not obtain collateral from customers or counterparties in respect of trade receivables.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Risk management (Continued)

The Group has concentration of credit risk in respect of bank balances and pledged bank deposits. As at 31 December 2024, approximately 80% (2023: 82%) of the total bank balances and pledged bank deposits were deposited at 6 (2023: 7) banks, with deposits at each bank with a balance exceeding 6% (2023: 7%) of total bank balances and pledged bank deposits.

Other than concentration of the credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group also has concentration of credit risk with exposure limited to certain counterparties and customers. As at 31 December 2024, trade receivables from top one customer and top five customers accounted for approximately 12% and 30% (2023: 15% and 34%) of the Group's trade receivables respectively. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk. Other than above, there is no other concentration of credit risk on the Group's trade and bills receivables.

For other receivables and financial guarantee contracts, management makes periodic and collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative forward-looking information that is reasonable and supportive.

(ii) Impairment of financial assets under ECL model

The Group has five types of financial assets that are subject to the ECL model:

- Bank balances and pledged bank deposits;
- Trade receivables;
- Other receivables;
- Bills receivables carried at FVOCI; and
- Financial guarantee contracts.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets under ECL model (Continued)

Bank balances and pledged bank deposits

The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit ratings assigned by international credit-rating agencies or stated-owned banks with good reputation.

Trade receivables

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

Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for ECL.

For the remaining trade receivables, the Group uses provision matrix to measure the ECL. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL rates are determined based on historical credit losses experienced from the past 12 to 48 months and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP"), Producer Price Index ("PPI") and Industry Value-added ("IVA") in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets under ECL model (Continued)

Trade receivables (Continued)

On that basis, the loss allowance as at 31 December 2024 and 2023 was determined as follows for trade receivables:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 4 years RMB'000	Over 4 years RMB'000	Total RMB'000
As at 31 December 2024						
ECL rate	3%	15%	34%	66%	100%	7%
Gross carrying amount						
– Trade receivables assessed under provision matrix (excluding trade receivables of which 100% loss allowances specifically provided)	5,865,066	371,954	159,456	71,181	132,346	6,600,003
Loss allowances under provision matrix	151,373	56,004	54,476	46,752	132,346	440,951
100% loss allowances specifically provided						
– Customers in trading business referring to Note 42	3,072,759	116,222	–	–	–	3,188,981
– Other business	–	11,606	–	–	180,645	192,251
Loss allowances	3,224,132	183,832	54,476	46,752	312,991	3,822,183

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets under ECL model *(Continued)*

Trade receivables (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 4 years RMB'000	Over 4 years RMB'000	Total RMB'000
As at 31 December 2023						
ECL rate	1%	22%	46%	68%	100%	5%
Gross carrying amount						
– Trade receivables assessed under provision matrix (excluding trade receivables of which 100% loss allowances specifically provided)	8,170,686	345,017	178,298	105,233	145,730	8,944,964
Loss allowances under provision matrix	81,965	74,742	81,968	71,311	145,730	455,716
100% loss allowances specifically provided	12,956	–	–	–	181,354	194,310
Loss allowances	94,921	74,742	81,968	71,311	327,084	650,026

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets under ECL model (Continued)

Trade receivables (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (non-credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2023	488,838	181,622	670,460
Impairment losses (reversed)/recognised	(22,026)	12,956	(9,070)
Amounts written off as uncollectible	(10,684)	(268)	(10,952)
Disposal of a subsidiary	(412)	–	(412)
As at 31 December 2023 and 1 January 2024	**455,716**	**194,310**	**650,026**
Impairment losses (reversed)/ recognised:			
– Customers in trading business referred to Note 42	**(10,866)**	**3,188,981**	**3,178,115**
– Other customers in trading business	**53,720**	**–**	**53,720**
– Other business	**(55,799)**	**–**	**(55,799)**
Amounts written off as uncollectible	**(1,820)**	**(2,059)**	**(3,879)**
As at 31 December 2024	**440,951**	**3,381,232**	**3,822,183**

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets under ECL model *(Continued)*

Other receivables

The Group uses three-stage model for other receivables which reflect their credit risk and how the ECL provision is determined for each of those categories. The Group accounts for its credit risk by providing for 12-month and lifetime ECL on a timely basis. In calculating the ECL rates, the Group considers both historical loss rates and forward-looking macroeconomic data. A summary of the assumptions underpinning the Group's ECL model is as follow:

Category	Group definition of category	Basis for recognition of ECL provision	ECL rate
Stage one	Debtors have a low risk of default and a strong capacity to meet contractual cash flows, or debtors frequently repay after due dates but usually settle in full	12-month ECL	0% – 20%
Stage two	There have been significant increases in credit risk since initial recognition through information developed internally or external sources, or when contractual payments are more than 30 days past due	Lifetime ECL	5% – 50%
Stage three	There is evidence indicating the receivable is credit impaired, or when contractual payments are 90 days past due	Lifetime ECL	50% – 100%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets under ECL model *(Continued)*

Other receivables (Continued)

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	12-month ECL RMB'000	Lifetime ECL (non-credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2023	7,185	93,964	366,228	467,377
Impairment losses (reversed)/ recognised	(5,850)	(73,789)	383,815	304,176
Amounts written off as uncollectible	–	–	(168)	(168)
As at 31 December 2023 and 1 January 2024	**1,335**	**20,175**	**749,875**	**771,385**
Impairment losses recognised/ (reversed)	**1,019**	**(3,995)**	**247,982**	**245,006**
Amounts written off as uncollectible	**–**	**–**	**(217)**	**(217)**
As at 31 December 2024	**2,354**	**16,180**	**997,640**	**1,016,174**

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets under ECL model (Continued)

Bills receivables carried at FVOCI

The Group expects that there is no significant credit risk associated with bills receivables since they are held with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Financial guarantee contracts

Management considered the credit risk of financial guarantee contracts that were performing as they have a low risk of default and the counterparties have a strong capacity to meet its contractual payment obligations in the near term, and thus the impairment provision recognised during the period was limited to 12-month ECL. For the year ended 31 December 2024, no provision for loss allowance were recognised in profit or loss in relation to the financial guarantee contracts.

Net impairment losses on financial assets recognised in profit or loss

For the year ended 31 December 2024 and 2023, the summary of the net impairment losses recognised/(reversed) in profit or loss is as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Provision for/(reversal of) impairment losses on		
Trade receivables		
– Customers in trading business referring to Note 42	3,178,115	–
– Other customers in trading business	53,720	–
– Other business	(55,799)	(9,070)
Other receivables	245,006	304,176
	3,421,042	295,106

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(iii) Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVPL.

As at 31 December 2024, the Group is also exposed to credit risk in relation to debt investments that are measured at FVPL. The debt investments which are unrated or credit rating below the pre-set levels have to be approved by the investment committee. The management regularly reviews and monitors the portfolio of debt securities.

The maximum exposure at the end of the reporting period is the carrying amount of these investments, which is RMB101,454 thousands (2023: RMB43,262 thousands).

(c) Liquidity risk

Cash flow forecast is performed by the operating entities of the Group and aggregated by the Group's finance team. The Group's finance team monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations, the renewal of its short-term bank loans and its ability to obtain adequate external financing to support its working capital and meet its debt obligations when they become due.

As at 31 December 2024, the Group held cash and cash equivalents of RMB3,874,219 thousands (2023: RMB5,627,891 thousands) (Note 26) and trade receivables of RMB6,159,052 thousands (2023: RMB8,489,248 thousands) (Note 24) that are expected to readily generate cash inflows for managing liquidity risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Contractual maturities of financial liabilities	Less than 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2024					
Non-derivatives					
Borrowings	4,478,837	2,440,381	2,280,316	653,604	9,853,138
Trade payables	4,287,778	–	–	–	4,287,778
Bills payables	5,084,115	–	–	–	5,084,115
Other payables	1,061,456	–	–	–	1,061,456
Financial guarantee contracts	8,270	–	–	–	8,270
	14,920,456	2,440,381	2,280,316	653,604	20,294,757
At 31 December 2023					
Non-derivatives					
Borrowings	5,101,797	1,931,062	1,719,232	1,679,874	10,431,965
Trade payables	3,396,014	–	–	–	3,396,014
Bills payables	3,950,352	–	–	–	3,950,352
Other payables	838,750	–	–	–	838,750
Financial guarantee contracts	1,530	24,747	–	–	26,277
Written put option liability	4,772,175	–	–	–	4,772,175
	18,060,618	1,955,809	1,719,232	1,679,874	23,415,533

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The amount included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties. Based on the expectations at the end of the reporting period, the Group considers that amount of RMB1,928 thousands (2023: RMB2,672 thousands) will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amount included above for written put option liability as at 31 December 2023 was the maximum amounts the Group could be required to settle under the Equity Transfer Agreement as detailed in Note 33.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or debts, redeem the existing debts, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management *(Continued)*

The gearing ratio as at 31 December 2024 and 2023 are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Total assets	**37,709,287**	41,700,395
Total liabilities	**25,150,002**	27,788,171
Gearing ratio	**66.7%**	66.6%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2024 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 prices 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

Recurring fair value measurements	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2024				
Financial assets				
Financial assets at FVPL	–	–	531,441	531,441
Financial assets at FVOCI	40,973	–	4,629,722	4,670,695
	40,973	–	5,161,163	5,202,136
At 31 December 2023				
Financial assets				
Financial assets at FVPL	–	–	464,446	464,446
Financial assets at FVOCI	38,975	–	3,056,356	3,095,331
	38,975	–	3,520,802	3,559,777

The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair values of financial instruments except as detailed above, including the discounted cash flow analysis, net asset value and market 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, discount for lack of marketability, price to book multiples, share price changes multiples, etc.

There were no transfers among levels during the years ended 31 December 2024 and 2023.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

The following table presents the changes in level 3 items for the years ended 31 December 2024 and 31 December 2023:

	Financial assets at FVPL			Financial assets at FVOCI		Financial assets
	Unlisted equity investments RMB'000 (Note 21)	Trade receivables RMB'000 (Note 21)	Structured bank deposits RMB'000 (Note 21)	Unlisted equity investments RMB'000 (Note 20)	Bills receivables RMB'000 (Note 20)	Total RMB'000
At 1 January 2023	396,957	121,304	51,374	1,549,033	3,531,659	5,650,327
Acquisitions	–	443,309	160,000	50,000	14,982,135	15,635,444
Disposals	–	(520,065)	(213,556)	–	(16,717,903)	(17,451,524)
Gains/(losses) recognised in profit or loss	24,227	(1,286)	2,182	–	–	25,123
(Losses)/gains recognised in other comprehensive income	–	–	–	(347,581)	9,013	(338,568)
At 31 December 2023	421,184	43,262	–	1,251,452	1,804,904	3,520,802
At 1 January 2024	**421,184**	**43,262**	**–**	**1,251,452**	**1,804,904**	**3,520,802**
Acquisitions	**–**	**230,846**	**20,000**	**–**	**21,322,176**	**21,573,022**
Disposals	**–**	**(171,495)**	**(20,092)**	**–**	**(19,770,555)**	**(19,962,142)**
Gains/(losses) recognised in profit or loss	**8,803**	**(1,159)**	**92**	**–**	**–**	**7,736**
Gains/(losses) recognised in other comprehensive income	**–**	**–**	**–**	**30,067**	**(8,322)**	**21,745**
At 31 December 2024	**429,987**	**101,454**	**–**	**1,281,519**	**3,348,203**	**5,161,163**

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(ii) Valuation inputs and relationships to fair value

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(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 flow 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 year ended 31 December 2024 would have increased/decreased by approximately RMB2,330 thousands (2023: approximately RMB25,154 thousands) as a result of the changes in fair value of the financial assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimation of fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(b) ECL for receivables

The impairment provision for receivables is based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market and customers' conditions as well as forward-looking estimates at the end of each of the reporting period. For details of the key assumptions and inputs used, see Note 2.11 and Note 3.1(b)(ii). Changes in these assumptions and estimates could materially affect the result of the assessment and may be necessary to make additional credit loss to the consolidated income statement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Net realisable value of inventories

The net realisable value is determined based on the estimated selling prices less the estimated costs to completion, if relevant, other costs necessary to make the sale, and the related taxes. Determination of estimated selling prices requires significant management judgement, taking into consideration of historical selling prices and future market trend. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than the estimate.

(d) Impairments of non-financial assets

The Group assesses whether there are any indicators of impairment of all non-financial assets, including property, plant and equipment, at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use.

(e) Useful life and residual value of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets, taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) Estimation of provision for warranty claims

The Group generally offers 60-66 months warranties for its mechanical transmission equipment. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs. As at 31 December 2024, this particular provision had a carrying amount of RMB2,168,813 thousands (2023: RMB2,268,949 thousands).

(g) Current and deferred income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(h) Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. As at 31 December 2024, the carrying value of deferred tax liabilities relating to withholding tax was approximately RMB49,087 thousands (2023: RMB49,087 thousands).

5 REVENUE AND OPERATING SEGMENT INFORMATION

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

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

(a) wind and industrial gear transmission equipment segment: design, develop, manufacture and distribution of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications;

(b) rail transportation gear transmission equipment segment: manufacture and distribution of gear transmission equipment used in rail transportation fields;

(c) trading business segment: focuses on bulk commodity and steel industry chain; and

(d) 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 FVPL/FVOCI, certain other receivables and unallocated head office and corporate assets as these assets are managed on a group basis.

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

5 REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment information

	Wind and industrial gear transmission equipment RMB'000	Rail transportation gear transmission equipment RMB'000	Trading business RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2024					
Segment revenue					
Revenue from external customers	17,266,181	338,597	4,462,401	8,291	22,075,470
Timing of revenue recognition					
At a point in time	17,266,181	338,597	4,462,401	8,291	22,075,470
Segment results	1,790,432	50,423	(6,769,777)	(1,249)	(4,930,171)
Reconciliation:					
Finance costs – net (Note 10)					(610,766)
Dividend income (Note 6)					3,712
Foreign exchange gains, net (Note 7)					28,239
Net fair value gains on financial assets at FVPL (Note 7)					7,736
Share of results of associates					(1,361)
Corporate and other unallocated expenses					(250,634)
Loss before income tax					(5,753,245)

5 REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

	Wind and industrial gear transmission equipment RMB'000	Rail transportation gear transmission equipment RMB'000	Trading business RMB'000	Others RMB'000	Total RMB'000
Other segment information					
Write-down of inventories	68,639	8,732	–	–	77,371
Net impairment losses (reversed)/ recognised on financial assets	(56,286)	186	3,229,951	668	3,174,519
Reversal of impairment losses on property, plant and equipment	(6,110)	–	–	–	(6,110)
Impairment losses (reversed)/ recognised on prepayments	(625)	–	3,450,531	–	3,449,906
Impairment loss on goodwill	–	–	–	272	272
Depreciation of property, plant and equipment and right-of-use assets	759,801	8,864	21	141	768,827
Capital expenditure	2,121,038	9,081	23	4	2,130,146
As at 31 December 2024					
Segment assets	24,905,847	441,838	220,398	1,360,854	26,928,937
Corporate and other unallocated assets					10,780,350
Total assets					37,709,287
Segment liabilities	14,195,190	116,792	376,964	485,165	15,174,111
Corporate and other unallocated liabilities					9,975,891
Total liabilities					25,150,002

5 REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

	Wind and industrial gear transmission equipment RMB'000	Rail transportation gear transmission equipment RMB'000	Trading business RMB'000	Others RMB'000	Total RMB'000
For the 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
Reconciliation:					
Finance costs – net (Note 10)					(640,473)
Dividend income (Note 6)					1,105
Interest income from other financial assets at amortised cost (Note 6)					5,254
Gain on disposal of a subsidiary (Note 7)					2,449
Loss on disposal of an associate (Note 7)					(8,087)
Loss on early redemption of other financial assets at amortised cost (Note 7)					(34,075)
Foreign exchange gains, net (Note 7)					77,800
Net fair value gains on financial assets at FVPL (Note 7)					25,123
Share of results of associates					(2,639)
Corporate and other unallocated expenses					(327,734)
Profit before income tax					727,709

5 REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

	Wind and industrial gear transmission equipment RMB'000	Rail transportation gear transmission equipment RMB'000	Trading business RMB'000	Others RMB'000	Total RMB'000
Other segment information					
Write-down of inventories	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
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

5 REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
PRC	**19,954,969**	21,828,992
USA	**1,275,193**	1,398,369
Europe	**208,666**	183,282
Other countries	**636,642**	666,505
	22,075,470	24,077,148

(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	
	2024 RMB'000	2023 RMB'000
PRC	**10,774,695**	9,564,860
USA	**175,865**	185,377
Europe	**35,793**	6,712
Other countries	**233,327**	179,267
	11,219,680	9,936,216

5 REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

(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	
	2024	2023
	RMB'000	RMB'000
Customer A (Note)	**2,529,425**	2,775,039
Customer B (Note)	**2,258,165**	N/A

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

6 OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Dividend income from financial assets at FVOCI and FVPL	**3,712**	1,105
Interest income from other financial assets at amortised cost	**–**	5,254
Government grants		
– Deferred income recognised (Note 30)	**69,568**	39,500
– Other government subsidies	**125,415**	54,219
Sale of scraps and materials	**97,944**	89,293
Gross fixed rental income	**2,398**	3,468
Others	**26,961**	18,873
	325,998	211,712

7 OTHER (LOSSES)/GAINS - NET

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Gains/(losses) on disposal of property, plant and equipment, net	9,661	(780)
Gain on disposal of a subsidiary	–	2,449
Loss on disposal of an associate (Note 18)	–	(8,087)
Loss on early redemption of other financial assets at amortised cost	–	(34,075)
Foreign exchange gains, net	28,239	77,800
Net fair value gains on financial assets at FVPL (Note 21(iv))	7,736	25,123
Reversal of/(provision for) impairment losses on property, plant and equipment (Note 14)	6,110	(4,931)
Impairment loss on goodwill (Note 16)	(272)	–
Impairment losses on prepayments		
– Prepayments for purchases of bulk commodities (Note 42)	(3,450,531)	–
– Other prepayments	625	–
	(3,398,432)	57,499

8 EXPENSES BY NATURE

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Cost of inventories sold	16,733,532	18,976,570
Employee benefit expenses (Note 9)	2,096,969	1,984,982
Depreciation of property, plant and equipment	740,135	522,883
Depreciation of right-of-use assets (Note 15)	18,741	17,993
Auditor's remuneration		
– Audit services	3,600	3,638
– Non-audit services	1,400	1,494
Write-down of inventories (Note 23)	77,371	62,598
Other expenses	1,051,364	1,110,274
Total cost of sales, selling and distribution expenses, administrative expenses and research and development costs	20,723,112	22,680,432

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages and salaries	**1,538,353**	1,451,764
Pension scheme contributions	**164,684**	158,824
Other benefits	**393,932**	374,394
Total employee benefit expenses	**2,096,969**	1,984,982

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2023: five) directors whose emoluments are reflected in the analysis shown in Note 45.

10 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income		
– Interest income from bank deposits	**115,496**	123,086
Finance costs		
– Interest expenses on bank and other borrowings	**(473,303)**	(509,536)
– Less: Interest capitalised	**5,041**	3,977
– Written put option liability: unwinding of discount (Note 33)	**(258,000)**	(258,000)
	(726,262)	(763,559)
Finance costs – net	**(610,766)**	(640,473)

11 INCOME TAX EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax – charge for the year		
– PRC	163,332	226,796
– Hong Kong	27,002	1,796
– USA	12,286	20,303
– Others	66	620
Over-provision in respect of prior years	(2,803)	(46,749)
	199,883	202,766
Deferred tax	(21,600)	(90,293)
Income tax expenses	178,283	112,473

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
(Loss)/profit before income tax	(5,753,245)	727,709
Tax calculated at statutory tax rate of 25%	(1,438,311)	181,927
Tax effect of:		
– Lower tax rate enacted by local authority or different tax rates of subsidiaries in other jurisdictions	(115,196)	(91,635)
– Share of results of associates	340	660
– Non-taxable income	(2,647)	(6,308)
– Non-deductible expenses	45,738	13,734
– Utilisation of previously unrecognised tax losses	(51,037)	(34,056)
– Tax losses for which no deferred tax assets were recognised	4,276	66,583
– Temporary differences for which no deferred income tax assets were recognised	1,687,638	116,900
– Additional deductions on research and development expenses	(30,027)	(90,147)
– Over-provision in respect of prior years	(2,803)	(46,749)
– Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	31,938	–
– Others	48,374	1,564
	178,283	112,473

11 INCOME TAX EXPENSES *(Continued)*

(a) PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2023: 25%) on the taxable profits of the Group's PRC subsidiaries for the year ended 31 December 2024.

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

Name of company	Year ended during which approval was obtained	Year ending during which approval will expire
NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. ("NGC Huai'an")	31 December 2024	31 December 2026
NGC (Baotou) Transmission Equipment Co., Ltd. ("NGC Baotou")	31 December 2024	31 December 2026
Nanjing High Speed Gear Manufacturing Co., Ltd. ("Nanjing High Speed")	31 December 2023	31 December 2025
Nanjing High Speed & Accurate Gear (Group) Co., Ltd. ("Nanjing High Accurate")	31 December 2023	31 December 2025
Nanjing High Accurate Rail Transportation Equipment Co., Ltd. ("Rail Transportation")	31 December 2023	31 December 2025

(b) Hong Kong Profits Tax

Hong Kong Profits Tax for the year ended 31 December 2024 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%.

(c) Other corporate income tax

Other corporate income tax has been provided at the applicable rate of 8.5% to 25% (2023: 8.5% to 25%) on the estimated assessable profits arising from the jurisdictions at which the entities are operated.

12 (LOSS)/EARNINGS PER SHARE

Basic (loss)/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	
	2024	2023
	RMB'000	RMB'000
Net (loss)/profit attributable to owners of the Company	**(6,556,733)**	95,517
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**1,635,291**	1,635,291
Basic (loss)/earnings per share (RMB)	**(4.010)**	0.058

No adjustment is made to the diluted (loss)/earnings per share for the year ended 31 December 2024 and 2023 as there were no potential dilutive share in issue.

13 DIVIDENDS

The directors did not recommend to declare any final dividend in respect of the year ended 31 December 2024 (2023: Nil).

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Furniture and fixtures RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023							
Cost	2,796,308	40,599	6,266,859	270,507	450,218	2,387,492	12,211,983
Accumulated depreciation	(558,044)	(29,912)	(3,878,757)	(179,098)	(258,084)	–	(4,903,895)
Impairment losses	–	–	(107,927)	(356)	–	(75,793)	(184,076)
Net book amount	2,238,264	10,687	2,280,175	91,053	192,134	2,311,699	7,124,012
For the year ended 31 December 2023							
Opening net book amount	2,238,264	10,687	2,280,175	91,053	192,134	2,311,699	7,124,012
Transferred from construction in progress	56,530	16,731	1,798,986	14,330	314,444	(2,201,021)	–
Other additions	–	447	45,311	10,597	50,232	2,362,432	2,469,019
Depreciation	(91,433)	(4,274)	(344,820)	(41,274)	(47,794)	–	(529,595)
Disposals	(55,517)	–	(10,170)	(1,646)	(4,961)	(1,589)	(73,883)
Impairment losses (provided)/reversed during the year (Note 7)	–	–	(7,306)	309	–	2,066	(4,931)
Exchange differences	3,161	–	(90)	750	26	97	3,944
Closing net book amount	2,151,005	23,591	3,762,086	74,119	504,081	2,473,684	8,988,566
At 31 December 2023							
Cost	2,798,162	57,777	8,059,012	282,630	809,694	2,547,411	14,554,686
Accumulated depreciation	(647,157)	(34,186)	(4,181,693)	(208,464)	(305,613)	–	(5,377,113)
Impairment losses	–	–	(115,233)	(47)	–	(73,727)	(189,007)
Net book amount	2,151,005	23,591	3,762,086	74,119	504,081	2,473,684	8,988,566

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Furniture and fixtures RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2024							
Cost	2,798,162	57,777	8,059,012	282,630	809,694	2,547,411	14,554,686
Accumulated depreciation	(647,157)	(34,186)	(4,181,693)	(208,464)	(305,613)	–	(5,377,113)
Impairment losses	–	–	(115,233)	(47)	–	(73,727)	(189,007)
Net book amount	2,151,005	23,591	3,762,086	74,119	504,081	2,473,684	8,988,566
For the year ended 31 December 2024							
Opening net book amount	2,151,005	23,591	3,762,086	74,119	504,081	2,473,684	8,988,566
Transferred from construction in progress	506,684	–	1,555,025	29,251	296,987	(2,387,947)	–
Other additions	46,460	7,676	93,869	6,102	21,217	1,904,102	2,079,426
Depreciation	(120,230)	(7,109)	(503,447)	(12,425)	(106,886)	–	(750,097)
Disposals	(6,074)	–	(75,358)	(395)	(5,824)	(5,810)	(93,461)
Impairment losses (provided)/reversed during the year (Note 7)	–	–	(68)	(88)	–	6,266	6,110
Exchange differences	1,360	–	489	189	529	(276)	2,291
Closing net book amount	2,579,205	24,158	4,832,596	96,753	710,104	1,990,019	10,232,835
At 31 December 2024							
Cost	3,331,224	65,453	9,633,298	312,012	1,102,049	2,057,480	16,501,516
Accumulated depreciation	(752,019)	(41,295)	(4,685,401)	(215,124)	(391,945)	–	(6,085,784)
Impairment losses	–	–	(115,301)	(135)	–	(67,461)	(182,897)
Net book amount	2,579,205	24,158	4,832,596	96,753	710,104	1,990,019	10,232,835

The Group is in the process of obtaining property certificates for the buildings above with a carrying amount of RMB305,251 thousands (2023: RMB479,134 thousands) at the end of the reporting period.

The freehold land is located in the USA.

During the year ended 31 December 2024, the Group conducted impairment assessment on recoverable amounts of certain property, plant and equipment. The recoverable amounts are estimated individually based on replacement cost basis. Based on the result of the assessment, reversal of impairment losses of RMB6,110 thousands (2023: provision for impairment losses of RMB4,931 thousands) were recognised in "Other (losses)/gains – net".

15 RIGHT-OF-USE ASSETS

	Land use rights RMB'000
Carrying amount as at 1 January 2023	676,284
Additions	55,825
Depreciation charge for the year	(17,993)
Exchange differences	4,933
Carrying amount as at 31 December 2023 and 1 January 2024	**719,049**
Additions	**50,720**
Depreciation charge for the year	**(18,741)**
Exchange differences	**(261)**
Carrying amount as at 31 December 2024	**750,767**

The land use rights are located in the PRC and Germany. At 31 December 2024, the Group is in the process of obtaining certain land use rights certificates with a carrying amount of RMB53,311 thousands (2023: RMB131,516 thousands).

16 GOODWILL

	RMB'000
At 1 January 2023 and 31 December 2023	
Cost	26,414
Accumulated impairment	–
Net carrying amount	26,414
Cost at 1 January 2024, net of accumulated impairment	**26,414**
Impairment loss provided during the year (Note 7)	**(272)**
Net carrying amount at 31 December 2024	**26,142**
At 31 December 2024	
Cost	**26,414**
Accumulated impairment	**(272)**
Net carrying amount	**26,142**

16 GOODWILL *(Continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the CGUs as below for impairment testing.

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Lighting Engineering CGU (Note (a))	–	272
Wind Gear Transmission Equipment CGU (Note (b))	26,142	26,142
	26,142	26,414

Note:

(a) Lighting Engineering CGU

The recoverable amount of the lighting engineering CGU was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 10% (2023: 10%) and cash flows beyond the five-year period were extrapolated using a growth rate of 5% (2023: 5%), which was the same as the long-term average growth rate of the infrastructure industry. During the year ended 31 December 2024, the Group recognised an impairment loss of RMB272,000 (2023: Nil) in relation to goodwill of Lighting Engineering CGU.

(b) Wind Gear Transmission Equipment CGU

The recoverable amount of the wind gear transmission equipment CGU was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 12% (2023: 12%) and cash flows beyond the five-year period were extrapolated using a growth rate of 2% (2023: 2%), which was the same as the long-term average growth rate of the gear products industry. Based on the assessment, no goodwill as at 31 December 2024 and 2023 was impaired and there was sufficient headroom available as at 31 December 2024 and 2023.

Assumptions were used in the value-in-use calculation of the light engineering and wind gear transmission equipment CGU as at 31 December 2024 and 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

- Discount rate – The discount rate used is pre-tax and reflects specific risks relating to the unit.

17 SUBSIDIARIES

Particulars of major subsidiaries of the Group are as follows:

Name of company	Place and date of incorporation and operation	Paid-up capital	Percentage of equity held by the Group 2024	Percentage of equity held by the Group 2023	Principal activities
Nanjing High Accurate@	PRC 16 August 2001	RMB703,800,000	**50.02**	50.02	Manufacture and sale of gear, gear box and fittings
Nanjing High Speed@^	PRC 8 July 2003	RMB2,150,000,000	**50.02**	50.02	Manufacture and sale of gear, gear box and fittings
Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive")*	PRC 27 March 2007	USD375,168,756	**100**	100	Investment holding, sale of gear box and fittings and trading business
China Transmission Holdings Limited	Hong Kong 7 November 2007	HKD100	**100**	100	Investment holding and sale of gear box and fittings
Nanjing Handa Import and Export Trading Co., Ltd. ("Nanjing Handa")@	PRC 25 April 2012	RMB672,080,000	**100**	100	Trading business
Rail Transportation@	PRC 20 July 2011	RMB180,000,000	**100**	100	Manufacture and sale of gear, gear box and fittings
Nanjing Jiuyi Heavy Gearbox Manufacturing Co., Ltd.@	PRC 27 July 2011	RMB250,000,000	**50.02**	50.02	Manufacture and sale of gear, gear box and fittings
NGC Baotou@	PRC 7 January 2009	RMB760,000,000	**50.02**	50.02	Manufacture and sale of gear, gear box and fittings
Nanjing Shengzhuang Supply Chain Co., Ltd. ("Nanjing Shengzhuang")@	PRC 8 November 2019	RMB1,000,000,000	**100**	100	Trading business

17 SUBSIDIARIES *(Continued)*

Particulars of major subsidiaries of the Group are as follows: *(Continued)*

Name of company	Place and date of incorporation and operation	Paid-up capital	Percentage of equity held by the Group		Principal activities
			2024	2023	
High Speed Holdings Limited	Hong Kong 21 April 2020	USD100	**50.02**	50.02	Investment holding and sale of gear box and fittings
Nanjing Gear Enterprise Management Co., Ltd. ("Nanjing Gear")*	PRC 10 September 2021	USD285,475,244	**100**	100	Investment holding
NGC Huai'an@	PRC 25 May 2023	RMB1,250,000,000	**50.02**	50.02	Manufacture and sale of gear, gear box and fittings

* Registered as wholly foreign owned enterprises under PRC law

@ Registered as domestic enterprises under PRC law

^ Nanjing High Speed is directly owned as to 50.02% by Nanjing Gear. In September 2024, Nanjing High Speed effected an amendment (the "Articles Amendment") of its articles (the "NHS Articles"). As a result of the Articles Amendment, the new NHS Articles states that the board of directors of Nanjing High Speed shall consist of nine directors, among which four directors shall be nominated by Nanjing Gear, while the remaining five directors shall be nominated by the other minority shareholders of Nanjing High Speed. Upon the effective of the Articles Amendment, Nanjing Gear entered into an acting in concert agreement with a shareholder of Nanjing High Speed (the "Acting In Concert Party"), which has the right to nominate two directors to the board of Nanjing High Speed. Pursuant to the acting in concert agreement, the Acting In Concert Party irrevocably and unconditionally undertook to Nanjing Gear that it would act in concert with Nanjing Gear with respect to Nanjing High Speed whereby the Acting In Concert Party would vote in the same manner as Nanjing Gear in the board meetings of Nanjing High Speed. On this basis, Nanjing High Speed continues to be a subsidiary of the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18 INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Share of net assets	**201,298**	186,915
Goodwill on acquisition	**6,710**	6,710
Financial guarantee granted to an associate	**34,038**	34,782
Impairment	**(32,110)**	(32,110)
	209,936	196,297

Movements in the investments in associates are as follows:

		2024	2023
	Note	RMB'000	RMB'000
As at 1 January		**196,297**	220,023
Additional investment	(i)	**15,000**	–
Share of results for the year		**(1,361)**	(2,639)
Disposal	(ii)	**–**	(21,087)
As at 31 December		**209,936**	196,297

Note:

(i) On 4 July 2024, the Group contributed RMB15,000 thousands to its associate, Nanjing Zhuoneng Supply Chain Management Co., Ltd..

(ii) On 21 June 2023, the Group entered into an agreement with two independent third parties to dispose of its 40% equity interests in an associate, Nanjing Langjin Technology Group Co., LTD, at a total cash consideration of RMB13,000 thousands, and resulted in a loss of RMB8,087 thousands.

18 INVESTMENTS IN ASSOCIATES *(Continued)*

Principal activities of material associates as at 31 December 2024 and 2023 are as follows:

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest		Principal activity	Measurement method
		2024	2023		
Zhongbang Finance Leasing (Jiangsu) Co., Ltd. ("Zhongbang Finance Leasing")	PRC	**37.21**	37.21	Finance leasing	Equity method
Hainan Kaibang Real Estate Development Co., LTD ("Hainan Kaibang")	PRC	**33.69**	33.69	Property management	Equity method

Summarised financial information for material associates

Zhongbang Finance Leasing

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Current assets	**87,503**	21,367
Non-current assets	**293,770**	279,142
Current liabilities	**(107,309)**	(26,536)
Net assets	**273,964**	273,973
Percentage of ownership interest	**37.21%**	37.21%
Carrying value of the investment	**101,942**	101,945

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue	**–**	–
Loss for the year	**(9)**	(390)
Total comprehensive loss for the year	**(9)**	(390)
Dividends declared by the associate	**–**	–

18 INVESTMENTS IN ASSOCIATES *(Continued)*

Summarised financial information for material associates *(Continued)*

Hainan Kaibang

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current assets	159,111	158,976
Non-current assets	79,658	79,659
Current liabilities	(1,981)	(1,476)
Net assets	236,788	237,159
Percentage of ownership interest	33.69%	33.69%
Carrying value of the investment	79,774	79,899

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue	–	–
Loss for the year	(371)	(376)
Total comprehensive loss for the year	(371)	(376)
Dividends declared by the associate	–	–

Summarised financial information for other associates

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Aggregate carrying value of investments	28,220	14,453
Aggregate amounts of the Group's share of:		
– Loss for the year	(1,233)	(2,368)
– Total comprehensive loss for the year	(1,233)	(2,368)

19 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

		As at 31 December	
	Note	2024 RMB'000	2023 RMB'000
Financial assets			
Financial assets at amortised cost			
– Trade receivables	24	**6,159,052**	8,489,248
– Other receivables	24	**989,641**	1,043,809
– Pledged bank deposits	26	**2,810,765**	3,562,398
– Cash and cash equivalents	26	**3,874,219**	5,627,891
Financial assets at FVOCI	20	**4,670,695**	3,095,331
Financial assets at FVPL	21	**531,441**	464,446
		19,035,813	22,283,123
Financial liabilities			
Financial liabilities at amortised cost			
– Trade, bills and other payables	27	**10,435,277**	8,187,788
– Borrowings	28	**9,166,345**	9,494,585
– Written put option liability	33	**–**	4,772,175
		19,601,622	22,454,548

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3.1. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at FVOCI

Financial assets measured at FVOCI comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Non-current assets		
Listed equity investments (Note (ii)(a))	**40,973**	38,975
Unlisted equity investments (Note (ii)(b))	**1,281,519**	1,251,452
	1,322,492	1,290,427
Current asset		
Debt investments – bills receivables (Note (iii))	**3,348,203**	1,804,904
	4,670,695	3,095,331

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

(ii) Equity investments at FVOCI

(a) Listed equity investments

Listed equity investments comprise the following individual investments:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Riyue Heavy Industry Co., Ltd.	**10,040**	10,306
Sany Renewable Energy Co., Ltd.	**30,933**	28,669
	40,973	38,975

(b) Unlisted equity investments

Unlisted equity investments comprise the following individual investments:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Zhejiang Zheshang Chanrong Equity Investment Fund L.P. (Note)	**1,269,000**	1,239,000
Others	**12,519**	12,452
	1,281,519	1,251,452

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

(ii) Equity investments at FVOCI *(Continued)*

(b) Unlisted equity investments *(Continued)*

Note:

On 17 April 2017, 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 31 December 2024, the investment in Zhejiang Zheshang Chanrong had a fair value of RMB1,269,000 thousands (2023: RMB1,239,000 thousands) and a fair value gain of RMB30,000 thousands (2023: fair value loss of RMB302,019 thousands) was recognised in other comprehensive income for the year ended 31 December 2024. The fair value of Zhejiang Zheshang Chanrong was revalued on 31 December 2024 and 2023 based on market approach performed by the independent professional qualified valuer.

(iii) Debt investments – bills receivables

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

For the year ended 31 December 2024, fair value loss of RMB8,322 thousands (2023: fair value gain of RMB9,013 thousands) for bills receivables measured at FVOCI are recognised in other comprehensive income.

(iv) Transfers of financial assets

The following were the Group's bills receivables accepted by banks in the PRC (the "Endorsed Bills") that were endorsed to certain of the Group's suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

(iv) Transfers of financial assets *(Continued)*

Bills receivables endorsed to suppliers with full recourse are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Carrying amount of transferred assets	**226,993**	150,488
Carrying amount of associated liabilities	**(226,993)**	(150,488)

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

For the years ended 31 December 2024 and 2023, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Gains/(losses) recognised in other comprehensive income	**23,736**	(344,943)
Dividends from equity investments at FVOCI recognised in profit or loss in other income (Note 6)	**712**	996

(vi) Current assets pledged as securities

Refer to Note 40 for information on current assets pledged as securities by the Group.

(vii) Fair value, impairment and risk exposure

Information about the Group's exposure to equity price risk is provided in Note 3.1(a)(iii).

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Information about the loss allowance measured on bills receivables classified as debt investments at FVOCI is provided in Note 3.1(b).

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at FVPL

The Group classifies the following financial assets at FVPL:

- Debt investments that do not qualify for measurement at either amortised cost (Note 24) or FVOCI (Note 20);
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets measured at FVPL include the following:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current asset		
Unlisted equity investments (Note (ii))	**423,300**	411,400
Current assets		
Trade receivables measured at FVPL (Note (iii))	**101,454**	43,262
Unlisted equity investments	**6,687**	9,784
	108,141	53,046
	531,441	464,446

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(ii) 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 31 December 2024, the investment in Ningbo Nangao Jingchuan, Ningbo Gaona Jingte and Ningbo Gaotai Jingli had a fair value of RMB149,400 thousands, RMB149,400 thousands and RMB124,500 thousands (2023: RMB145,200 thousands, RMB145,200 thousands and RMB121,000 thousands) respectively, and an aggregate fair value gain of RMB11,900 thousands (2023: RMB23,800 thousands) was recognised in profit or loss during the year ended 31 December 2024.

(iii) Trade receivables measured at FVPL

In 2021 and 2022, the Group entered into several agreements with a bank to sell all of its eligible trade receivables under certain customers and all rights, 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 bank, at a discount calculated based on the base rate and number of days for early payment as specified in the agreements.

As at 31 December 2024, such trade receivables held solely for selling purpose amounting to RMB101,454 thousands (2023: RMB43,262 thousands) were classified as financial assets at FVPL. For the year ended 31 December 2024, fair value losses of RMB1,159 thousands (2023: RMB1,286 thousands) for trade receivables measured at FVPL are recognised in "Other (losses)/gains – net".

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(iv) Amounts recognised in profit or loss

For the years ended 31 December 2024 and 2023, the following gains/(losses) were recognised in profit or loss:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Fair value gains on equity investments at FVPL recognised in other (losses)/gains – net (Note 7)	8,803	24,227
Fair value gains on debt investments at FVPL recognised in other (losses)/gains – net (Note 7)	(1,067)	896
Dividend from equity investments at FVPL recognised in other income (Note 6)	3,000	109

(v) Fair value measurements and exposure

Information about the fair value measurement is set out in Note 3.3.

22 DEPOSITS FOR LAND LEASES

As at 31 December 2023, the amount represented partial deposits for land leases paid in relation to the acquisition of land use rights and the transfer is subject to the approval of the local government.

23 INVENTORIES

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Raw materials	777,792	825,526
Work in progress	2,730,087	2,677,781
Finished goods	2,544,658	3,041,544
	6,052,537	6,544,851

During the year ended 31 December 2024, the cost of inventories recognised as expense amounted to RMB18,709,952 thousands (2023: RMB 20,619,765 thousands) which was included in "cost of sales".

During the year ended 31 December 2024, write-down of inventories to net realisable value amounted to RMB77,371 thousands (2023: RMB62,598 thousands) which was recognised and included in "cost of sales".

24 TRADE AND OTHER RECEIVABLES

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Trade receivables	(a)		
– Customers in trading business referred to Note 42		**3,188,981**	3,320,104
– Other customers in trading business		**250,479**	77,238
– Other business		**6,541,775**	5,741,932
Less: Loss allowances			
– Customers in trading business referred to Note 42		**(3,188,981)**	(10,866)
– Other customers in trading business		**(56,375)**	(2,655)
– Other business		**(576,827)**	(636,505)
		6,159,052	8,489,248
Other receivables			
– Value-added tax recoverable		**451,374**	392,900
– Loans to third parties		**317,838**	317,838
– Redemption receivable from an insurance company	(b)	**612,600**	612,600
– Consideration receivable	(c)	**250,000**	–
– Amounts due from associates		**45,951**	45,951
– Amounts due from former subsidiaries		**516,284**	515,854
– Amounts due from third parties		**263,142**	322,951
		2,457,189	2,208,094
Less: Loss allowances		**(1,016,174)**	(771,385)
		1,441,015	1,436,709
		7,600,067	9,925,957

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

24 TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

(a) The Group generally allows a credit period within 180 days to its customers. 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.

(b) The balance represented redemption receivable on the insurance products purchased from an insurance company. In February 2023, the Group submitted an early redemption request to the insurance company to redeem all the entire insurance investments and the request has been accepted. At the redemption date, the cash value of the insurance products was RMB612,600 thousands. In November 2023, the Group initiated a legal proceeding against the insurance company at Nanjing Intermediate People's Court to enforce the insurance company's repayment obligation as the amount due is not yet received by the Group.

As at the date of this report, the case is still ongoing, currently under the second trial of the jurisdiction issue. Based on the opinion of the legal counsel representing the Group in this case, it is expected that it is highly probable that the Group will succeed in the legal proceeding. The board of directors does not expect this legal proceeding would have any material adverse impact on the business operations and the financial position of the Group.

(c) On 18 March 2024, Nanjing Handa entered into a loan agreement, pursuant to which RMB250,000,000 was lent to a fellow subsidiary of the Group at an interest at 3% per annum with a term of 5 year.

On 28 June 2024, Nanjing Handa entered into a loan assignment agreement with an independent third party (the "Purchaser"), pursuant to which Nanjing Handa agreed to assign, and the Purchaser agreed to accept, all the Nanjing Handa's rights, title and interest in the Loan, at a consideration of RMB250,000,000 (the "Loan Assignment") to be paid within one year. Upon the completion of the Loan Assignment, the Group derecognised the loan receivable and recognised a consideration receivable from the Purchaser. As at 31 December 2024, the consideration receivable of RMB250,000,000 is unsecured, interest-free and repayable within one year.

24 TRADE AND OTHER RECEIVABLES *(Continued)*

(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. Note 3.1(b) provides details about the calculation of the loss allowances.

Information about the Group's exposure to financial risk factors of trade and other receivables are disclosed in Note 3.1.

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	
	2024 RMB'000	2023 RMB'000
Less than 90 days	**4,559,303**	6,858,350
90 to 180 days	**433,545**	884,920
181 to 365 days	**720,845**	345,451
1 to 2 years	**315,950**	270,275
Over 2 years	**129,409**	130,252
	6,159,052	8,489,248

25 PREPAYMENTS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments		
– Prepayments for purchases of bulk commodities (Note 42)	3,450,531	1,229,364
– Prepayment for an engineering, procurement and construction project (the "EPC project") (Note (a))	297,212	303,566
– Other prepayments	138,589	120,291
Less: Impairment provision		
– Prepayments for purchases of bulk commodities (Note 42)	(3,450,531)	–
– Other prepayments	(55,331)	(56,285)
	380,470	1,596,936

Note:

(a) Nanjing Drive acted as the main contractor of an EPC project since prior years and subcontracted the project works to several subcontractors. The management is in the process of investigating the costs incurred for and progress of the EPC project with several subcontractors. Accordingly, no relevant project revenue and costs were recognised in the consolidated income statement during the year ended 31 December 2024.

26 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash at banks and on hand	6,684,984	9,190,289
Less: Pledged bank deposits	(2,810,765)	(3,562,398)
Cash and cash equivalents	3,874,219	5,627,891

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

27 TRADE, BILLS AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables		
– Amounts due to third parties	**4,287,760**	3,395,996
– Amount due to an associate	**18**	18
	4,287,778	3,396,014
Bills payables	**5,084,115**	3,950,352
	9,371,893	7,346,366
Other payables		
– Accruals	**389,383**	262,169
– Other tax payables	**91,983**	44,295
– Purchase of property, plant and equipment	**556,678**	550,474
– Payroll and welfare payables	**271,735**	245,886
– Financial guarantee liabilities (Note 38)	**1,928**	2,672
– Amount due to an associate	**15,000**	15,000
– Amounts due to third parties	**489,778**	273,276
	1,816,485	1,393,772
	11,188,378	8,740,138

27 TRADE, BILLS AND OTHER PAYABLES *(Continued)*

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

	As at 31 December	
	2024 RMB'000	2023 RMB'000
0 to 30 days	4,452,958	3,295,868
31 to 60 days	1,032,756	675,370
61 to 180 days	3,136,313	2,864,605
181 to 365 days	666,253	422,813
Over 365 days	83,613	87,710
	9,371,893	7,346,366

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.

28 BORROWINGS

	As at 31 December			
	2024		2023	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Current				
Bank loans – Unsecured	2.75 – 4.50	3,468,569	3.00 – 4.65	4,501,000
Bank loans – Secured	3.18 – 4.63	769,214	3.18 – 4.75	135,621
Loans from other financial institution – Secured	N/A	–	7.61	400,000
		4,237,783		5,036,621
Non-current				
Bank loans – Unsecured	2.93 – 3.60	1,848,892	3.08 – 4.53	1,052,032
Bank loans – Secured	3.54 – 4.63	3,079,670	3.18 – 4.75	3,405,932
		4,928,562		4,457,964
		9,166,345		9,494,585

28 BORROWINGS *(Continued)*

Bank and other borrowings are repayable as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within one year	**4,237,783**	5,036,621
Between one and two years	**2,213,814**	1,785,867
Between two and five years	**2,076,768**	1,479,027
Over five years	**637,980**	1,193,070
	9,166,345	9,494,585

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Fixed-rate borrowings	**3,868,753**	4,432,000

All the Group's borrowings were denominated in RMB as at 31 December 2024 and 2023.

The secured borrowings were secured by pledge of assets, details of which are set out in Note 40. In addition, as at 31 December 2024 and 2023, the secured non-current bank loans were secured by the Group's 100% equity interests in NGC Huai'an.

29 CONTRACT LIABILITIES

It represented deposits received in advance for made-to-order manufacturing arrangement on acceptance of manufacturing orders and the EPC project (Note 25(a)). The sum of deposits received are based on negotiation on a case by case basis with customers.

Amount of RMB1,055,739 thousands (2023: RMB933,028 thousands) was recognised as revenue during the year ended 31 December 2024, which was included in contract liabilities at the beginning of the year.

30 DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
At 1 January	**518,089**	321,572
Government grants received during the year	**296,371**	236,017
Recognised in profit or loss (Note 6)	**(69,568)**	(39,500)
At 31 December	**744,892**	518,089
Represented		
– Current portion	**69,533**	42,925
– Non-current portion	**675,359**	475,164
	744,892	518,089

As at the end of the reporting period, the amount represented the grants received from the PRC government for the Group's acquisition of assets for technology development, and such amount will be released to income over the useful lives of the relevant assets.

31 WARRANTY PROVISION

	2024 RMB'000	2023 RMB'000
At 1 January	**2,268,949**	2,103,124
Additional provision recognised during the year	**500,010**	619,967
Amounts utilised during the year	**(600,146)**	(454,142)
At 31 December	**2,168,813**	2,268,949
Represented		
– Current portion	**908,794**	1,144,479
– Non-current portion	**1,260,019**	1,124,470
	2,168,813	2,268,949

At the end of the reporting period, the amount represents the directors' best estimate of the expected cost that will be required under the Group's obligations for warranties under sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

32 DEFERRED INCOME TAX

The following are the deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

Deferred income tax assets	Impairment of receivables RMB'000	Write-down of inventories RMB'000	Fair value changes on financial assets at FVOCI RMB'000	Provisions RMB'000	Deferred income RMB'000	Unwinding discount on put option upon partial disposal of a subsidiary RMB'000	Unrealised profits on intra-group transactions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	40,647	45,429	122,076	311,670	24,311	53,544	57,164	74,053	728,894
Credited/(charged) to profit or loss	25,939	(11,162)	–	32,413	(738)	64,500	9,550	(18,881)	101,621
Credited/(charged) to other comprehensive income	–	–	74,979	–	–	–	–	–	74,979
At 31 December 2023 and 1 January 2024	66,586	34,267	197,055	344,083	23,573	118,044	66,714	55,172	905,494
(Charged)/credited to profit or loss	(47,413)	27,516	–	21,252	(1,883)	64,500	(35,915)	(278)	27,779
(Charged)/credited to other comprehensive income	–	–	(193,670)	–	–	–	–	–	(193,670)
Release of written put option liability (Note 33)	–	–	–	–	–	(182,544)	–	–	(182,544)
At 31 December 2024	19,173	61,783	3,385	365,335	21,690	–	30,799	54,894	557,059

Deferred income tax liabilities	Changes in fair value of identified assets upon acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Fair value changes on financial assets at FVPL RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	(18,102)	(49,087)	(13,036)	(35,357)	(115,582)
Credited/(charged) to profit or loss	2,065	–	(4,814)	(8,579)	(11,328)
At 31 December 2023 and 1 January 2024	(16,037)	(49,087)	(17,850)	(43,936)	(126,910)
Credited/(charged) to profit or loss	826	–	(2,975)	(4,030)	(6,179)
At 31 December 2024	(15,211)	(49,087)	(20,825)	(47,966)	(133,089)

32 DEFERRED INCOME TAX *(Continued)*

Deferred tax assets not recognised

As at 31 December 2024, the Group has unused tax losses of RMB485,689 thousands (2023: RMB560,922 thousands) available for offset against future profits, no deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses arising in the PRC can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits. The unused tax losses arising in Hong Kong and other countries may be carried forward indefinitely.

As at 31 December 2024, no deferred tax asset has been recognised in relation to deductible temporary differences of RMB7,918,657 thousands (2023: RMB1,407,685 thousands) as it is not probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable to 5% withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008. The aggregate amount of temporary differences associated with unremitted earnings of RMB3,338,886 thousands (2023: RMB9,758,220 thousands) of investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised amounted to approximately RMB166,944 thousands (2023: RMB487,911 thousands) as at 31 December 2024, in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

33 WRITTEN PUT OPTION LIABILITY

On 30 March 2021, Nanjing Gear 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, Nanjing Gear grants a put option to the transferee, at which the transferee could request Nanjing Gear 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.

33 WRITTEN PUT OPTION LIABILITY *(Continued)*

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.

During the year ended 31 December 2024, since the specified events which would trigger the exercise of the put option by the transferee did not occur, the put option was lapsed, and the written put option liability was released to the capital reserve (Note 35).

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

	RMB'000
At 1 January 2023	4,514,175
Unwinding of discount (Note 10)	258,000
At 31 December 2023 and 1 January 2024	**4,772,175**
Unwinding of discount (Note 10)	**258,000**
Release of written put option liability	**(5,030,175)**
At 31 December 2024	**–**

34 SHARE CAPITAL

	Number of ordinary shares '000	Equivalent nominal value of ordinary shares RMB'000
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	1,635,291	119,218

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The par value of ordinary shares is USD0.01 each.

35 RESERVES

	Share premium RMB'000	Deemed capital contribution reserve RMB'000	Statutory surplus reserve RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at FVOCI RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Total in other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2023	3,705,495	77,651	1,450,916	(2,809,671)	(384,213)	547,674	(63,105)	52,335	2,577,082	7,779,651	10,356,733
Profit for the year	–	–	–	–	–	–	–	–	–	95,517	95,517
Other comprehensive loss for the year:											
– Changes in fair value of financial assets at FVOCI, net of tax	–	–	–	–	(270,540)	–	–	–	(270,540)	–	(270,540)
– Exchange differences	–	–	–	–	–	–	(27,618)	–	(27,618)	–	(27,618)
Total comprehensive (loss)/ income for the year	–	–	–	–	(270,540)	–	(27,618)	–	(298,158)	95,517	(202,641)
Transfer of fair value reserve upon disposal of financial assets at FVOCI	–	–	–	–	8,288	–	–	–	8,288	(8,288)	–
Appropriation to statutory reserve	–	–	77,150	–	–	–	–	–	77,150	(77,150)	–
Balance at 31 December 2023	3,705,495	77,651	1,528,066	(2,809,671)	(646,465)	547,674	(90,723)	52,335	2,364,362	7,789,730	10,154,092

35 RESERVES *(Continued)*

	Share premium RMB'000	Deemed capital contribution reserve RMB'000	Statutory surplus reserve RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at FVOCI RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Total in other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2024	3,705,495	77,651	1,528,066	(2,809,671)	(646,465)	547,674	(90,723)	52,335	2,364,362	7,789,730	10,154,092
Loss for the year	–	–	–	–	–	–	–	–	–	(6,556,733)	(6,556,733)
Other comprehensive (loss)/income for the year:											
– Changes in fair value of financial assets at FVOCI, net of tax	–	–	–	–	(167,538)	–	–	–	(167,538)	–	(167,538)
– Exchange differences	–	–	–	–	–	–	7,670	–	7,670	–	7,670
Total comprehensive (loss)/income for the year	–	–	–	–	(167,538)	–	7,670	–	(159,868)	(6,556,733)	(6,716,601)
Transfer of fair value reserve upon disposal of equity investment at FVOCI	–	–	–	–	(2,555)	–	–	–	(2,555)	2,555	–
Acquisition of non-controlling interests in a subsidiary (Note 41)	–	–	–	(4,254)	–	–	–	–	(4,254)	–	(4,254)
Appropriation to statutory reserve	–	–	38,782	–	–	–	–	–	38,782	(38,782)	–
Release of written put option liability (Note 33)	–	–	–	4,847,631	–	–	–	–	4,847,631	–	4,847,631
Balance at 31 December 2024	3,705,495	77,651	1,566,848	2,033,706	(816,558)	547,674	(83,053)	52,335	7,084,098	1,196,770	8,280,868

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 74 of the consolidated financial statements.

35 RESERVES *(Continued)*

(a) Share premium

The share premium represents the excess of the proceeds received upon issuance and allotment of the Company's shares over their nominal values.

(b) Deemed capital contribution reserve

The deemed capital contribution reserve arose from a deemed capital contribution from shareholders in 2006.

(c) Statutory surplus reserve

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined in accordance with relevant statutory rules and regulations applicable to enterprises established in the PRC (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

(d) Capital reserve

The capital reserve represents (i) the difference between the consideration given and the proportionate share of the carrying amount of net assets of subsidiaries attributable to non-controlling interests upon acquisition of additional interests in subsidiaries, (ii) the difference between the consideration received and the proportionate share of the carrying amount of net assets of subsidiaries attributable to non-controlling interests upon disposal/deemed disposal of partial interests in subsidiaries without loss of control, and (iii) the initial recognition and subsequent derecognition of written put option liability.

35 RESERVES *(Continued)*

(e) Fair value reserve of financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income (see Note 20). These changes are accumulated in the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

The Group also has certain debt investments measured at FVOCI (see Note 20). For these investments, changes in fair value are accumulated in the FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is derecognised or impaired.

(f) Share-based payment reserve

It represented the difference between the consideration given for the capital increase to Nanjing High Speed in 2020 by certain of the core employees of the Group in exchange of 6.98% equity interests of Nanjing High Speed and the corresponding fair value of Nanjing High Speed.

(g) Exchange reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 2.7 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(h) Other reserve

Other reserve represents the net assets of Nanjing High Accurate, which was contributed to the Group by the founding shareholders of Nanjing High Accurate when the founding shareholders obtained control of Nanjing High Accurate as well as the subsequent acquisition of additional equity interest in Nanjing High Accurate and contributed to the Group by the founding shareholders of Nanjing High Accurate.

36 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2024 RMB'000	2023 RMB'000
Percentage of equity interest held by non-controlling interests:		
Nanjing High Speed	**49.98%**	49.98%
Accumulated balances of non-controlling interests at the end of the reporting period:		
Nanjing High Speed	**4,150,295**	3,640,057
Total comprehensive income for the year allocated to non-controlling interests:		
Nanjing High Speed	**622,940**	524,801

The following table illustrates the summarised financial information of the above subsidiary.

Nanjing High Speed	2024 RMB'000	2023 RMB'000
Revenue	**17,266,673**	16,740,867
Total expenses	**(15,945,596)**	(15,392,965)
Profit for the year	**1,251,253**	1,048,938
Total comprehensive income for the year	**1,246,162**	1,022,143
Net cash flows generated from operating activities	**1,188,885**	1,629,266
Net cash flows used in investing activities	**(785,572)**	(648,422)
Net cash flows (used in)/generated from financing activities	**(514,148)**	733,541
Net (decrease)/increase in cash and cash equivalents	**(110,835)**	1,714,385
Current assets	**20,957,389**	19,917,634
Non-current assets	**11,469,262**	10,054,026
Current liabilities	**18,383,131**	16,628,241
Non-current liabilities	**5,739,067**	6,089,420

37 CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of (loss)/profit before income tax to cash generated from operations:

		Year ended 31 December	
	Note	2024 RMB'000	2023 RMB'000
(Loss)/profit before income tax		**(5,753,245)**	727,709
Adjustments for:			
– Finance costs	10	**726,262**	763,559
– Finance income	10	**(115,496)**	(123,086)
– Interest income from other financial assets at amortised cost	6	**–**	(5,254)
– Loss on early redemption of other financial assets at amortised cost	7	**–**	34,075
– Dividend income	6	**(3,712)**	(1,105)
– Share of results of associates	18	**1,361**	2,639
– (Gains)/losses on disposal of property, plant and equipment, net	7	**(9,661)**	780
– Gain on disposal of a subsidiary	7	**–**	(2,449)
– Loss on disposal of an associate	7	**–**	8,087
– Net fair value gains on financial assets at FVPL	7	**(7,736)**	(25,123)
– Depreciation of property, plant and equipment	14	**750,097**	529,595
– Depreciation of right-of-use assets	15	**18,741**	17,993
– (Reversal of)/provision for impairment losses on property, plant and equipment	7	**(6,110)**	4,931
– Impairment loss on goodwill	7	**272**	–
– Write-down of inventories	8	**77,371**	62,598
– Impairment losses recognised/(reversed) on trade receivables	3.1(b)	**3,176,036**	(9,070)
– Impairment losses on other receivables	3.1(b)	**245,006**	304,176
– Impairment losses on prepayments	7	**3,449,906**	2,323
– Unrealised exchange gains, net		**(12,370)**	(17,915)
– Deferred income on financial guarantee		**(744)**	(745)
– Amortisation of deferred income	6	**(69,568)**	(39,500)
Operating profit before changes in working capital		**2,466,410**	2,234,218

37 CASH FLOW INFORMATION *(Continued)*

(a) Cash generated from operations *(Continued)*

Reconciliation of (loss)/profit before income tax to cash generated from operations: *(Continued)*

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Changes in working capital:		
– Decrease in inventories	414,942	321,152
– (Increase)/decrease in trade receivables	(2,451,176)	385,295
– Increase in other receivables	(1,068)	(202,824)
– (Increase)/decrease in prepayments	(2,233,439)	256,377
– Increase/(decrease) in trade and bills payables	2,019,912	(2,718,515)
– (Decrease)/increase in contract liabilities	(115,999)	220,884
– Increase in other payables and accruals	31,375	27,404
– (Decrease)/increase in warranty provision	(100,136)	165,825
Cash generated from operations	30,821	689,816

(b) Net debt reconciliation

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents (Note 26)	3,874,219	5,627,891
Borrowings (Note 28)	(9,166,345)	(9,494,585)
Net debt	(5,292,126)	(3,866,694)

37 CASH FLOW INFORMATION *(Continued)*

(b) Net debt reconciliation *(Continued)*

	Cash	Liabilities from financing activities			
		Borrowings due within 1 year	Borrowings due after 1 year	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	4,383,517	(4,657,412)	(3,185,172)	(7,842,584)	(3,459,067)
Cash flows	1,226,459	(379,209)	(1,272,792)	(1,652,001)	(425,542)
Exchange differences	17,915	–	–	–	17,915
At 31 December 2023 and 1 January 2024	**5,627,891**	**(5,036,621)**	**(4,457,964)**	**(9,494,585)**	**(3,866,694)**
Cash flows	**(1,766,040)**	**398,839**	**(470,598)**	**(71,759)**	**(1,837,799)**
Other changes (Note)	**–**	**400,000**	**–**	**400,000**	**400,000**
Exchange differences	**12,368**	**–**	**–**	**–**	**12,368**
At 31 December 2024	**3,874,219**	**(4,237,782)**	**(4,928,562)**	**(9,166,344)**	**(5,292,125)**

Note:

During the year ended 31 December 2024, the loan from financial institution of RMB400,000,000 has been settled through the debt arrangement with an independent third party.

38 CONTINGENT LIABILITIES

Financial guarantees

As at 31 December 2024, the Group issued a financial guarantee to a bank in respect of a bank loan of RMB8,028 thousands (2023: RMB24,024 thousands) granted to an associate. This amount represented the balance that the Group could be required to be paid if the guarantee was called upon in its entirety. At the end of the reporting period, an amount of RMB1,928 thousands (2023: RMB2,672 thousands) has been recognised in the consolidated statement of financial position as liabilities.

39 CAPITAL COMMITMENTS

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**633,141**	1,853,478

40 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	
	2024	2023
	RMB'000	RMB'000
Bills receivables	**220,059**	294,458
Trade receivables	**–**	398,794
Property, plant and equipment	**3,551,839**	2,495,485
Land use rights	**497,957**	342,352
Pledged bank deposits	**2,810,765**	3,562,398
	7,080,620	7,093,487

41 ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

During the year ended 31 December 2024, the Group acquired of 30% equity interests of Jiangsu Green Lighting Engineering Co., Ltd. ("Green Lighting") at a consideration of RMB4,700,000. The effect on the equity attributable to the equity shareholders of the Company during the year is summarised as follows:

	RMB'000
Consideration payable	4,700
Less: Decrease in non-controlling interests	(446)
Decrease in equity attributable to equity shareholders of the Company	4,254

As at 31 December 2024, the Group held 100% equity interests in Green Lighting.

42 IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND PREPAYMENTS IN TRADING BUSINESS

The Company's wholly owned subsidiaries, Nanjing Drive, Nanjing Handa and Nanjing Shengzhuang (collectively the "Relevant Subsidiaries") carried out transactions in trading business (see Note 5) mainly with 13 customers (the "Customers") and 3 suppliers (the "Suppliers"). Also refer to Notes 24 and 25 for the Group's trade receivables of RMB3,188,981,000 and prepayments of RMB3,450,531,000 relating to the trading business recorded in the consolidated financial statements as of and for the years ended 31 December 2023 and 2024.

Under the trading business, the Relevant Subsidiaries entered into procurement and cooperation agreements (the "Procurement and Cooperation Agreements") and/or a number of purchase agreements (collectively referred to as the "Purchase Agreements") with the Suppliers in prior years.

As stipulated in the Procurement and Cooperation Agreements and the Purchase Agreements, the Relevant Subsidiaries were required to pay a lump sum payment (the "Upfront Payments") and the contract sum for the respective purchase transactions (the "Purchase Prepayments"), respectively, before the Relevant Subsidiaries purchased goods from the Suppliers. Upon expiry of the Procurement and Cooperation Agreements, the Relevant Subsidiaries had the right to set-off such lump sum payment against the trade payables arising from designated purchases from the Suppliers. The Upfront Payments are interest-bearing at 8% per annum from the date the Upfront Payment are placed, and until the goods are delivered from the Suppliers. As at 31 December 2023, the Upfront Payments and the Purchase Prepayments of RMB1,229,364,000, in aggregate, were recorded as the above-mentioned prepayments.

42 IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND PREPAYMENTS IN TRADING BUSINESS *(Continued)*

The Procurement and Cooperation Agreements were expired on 31 December 2023. During the year ended 31 December 2024, the Relevant Subsidiaries continued to have transactions with the Suppliers including payments to and receipts from the Suppliers of RMB4,485,432,000 and RMB1,609,796,000, in aggregate, respectively, and purchases of goods of RMB654,469,000. A net balance of RMB2,221,167,000 resulting from these transactions, together with the brought forward balance of RMB1,229,364,000 as disclosed above, contributed the prepayment balance of RMB3,450,531,000 recorded in the Group's consolidated statement of financial position as at 31 December 2024.

With the assistance of the legal counsel, the Group has initiated recovery actions over the outstanding trade receivables and prepayments balances relating to the trading business in 2024. However, during the course of the recovery actions, management noted that the Customers and the Suppliers either could not be reached or advised that the amounts owe to the Group had already been settled.

As detailed in the Company's announcements dated 24 November 2024, 6 February 2025, 2 March 2025 and 16 March 2025, an independent investigation (the "Independent Investigation") on matters relating to certain sales and purchase agreements of the Group's trading business, and the corresponding outstanding trade receivables and prepayments, has been carrying out, and the Nanjing Public Security Bureau, Jiangning Branch have also initiated a formal investigation (the "Criminal Investigation") into a criminal case involving suspected embezzlement and misappropriation of Relevant Subsidiaries' funds and assets.

Up to the approval date of these consolidated financial statements, the Independent Investigation and the Criminal Investigation were still in progress.

In view of these circumstances, management considered that the recoverability over the outstanding trade receivables and prepayments of RMB6,639,512,000 in total are in doubt. For the sake of prudence, full impairment have been recognised and accordingly impairment losses of RMB3,178,115,000 and RMB3,450,531,000 have been recorded in "net impairment losses recognised on financial assets" and "other (losses)/gains – net" line items respectively in the Group's consolidated income statement for the year ended 31 December 2024.

43 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated statements, the Group has no significant transactions with related parties during the year.

(b) **Other transactions with related parties:**

As at 31 December 2024, the Group provided financial guarantees to Nanjing Gaochuan Mechanical and Electrical Automatic Control Equipment Co., Ltd., an associate of the Group, and its subsidiaries (collectively referred to as "Nanjing Gaochuan") in favour of Nanjing Gaochuan's bank loans of RMB8,028 thousands (2023: RMB24,024 thousands).

(c) **Outstanding balances with related parties:**

The Group's trade and other balances with its associates and other related party as at the end of the reporting period are disclosed in Notes 24 and 27 to the consolidated financial statements.

(d) **Compensation of key management personnel of the Group:**

Other than the emoluments paid to the directors of the Company, who are also considered as the key management of the Group as set out in Note 45, the Group did not have any other significant compensation to key management personnel.

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Assets		
Non-current assets		
Property, plant and equipment	2	7
Interests in subsidiaries	4,052,050	4,025,881
	4,052,052	4,025,888
Current assets		
Other receivables	220	216
Cash and cash equivalents	31,429	40,962
	31,649	41,178
Total assets	4,083,701	4,067,066
Liabilities		
Current liabilities		
Amounts due to subsidiaries	6,273	6,180
Other payables	323	316
Total liabilities	6,596	6,496
Equity attributable to owners of the Company		
Share capital	119,218	119,218
Reserves (Note (a))	3,957,887	3,941,352
Total equity	4,077,105	4,060,570
Total equity and liabilities	4,083,701	4,067,066

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserve movement of the Company

	Share premium RMB'000	Deemed capital contribution reserve RMB'000	Fair value reserve of financial assets at FVOCI RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	3,705,495	77,651	54,016	118,279	3,955,441
Profit for the year	–	–	–	48,215	48,215
Other comprehensive income for the year:					
– Change in fair value of financial assets at FVOCI, net of tax	–	–	(62,304)	–	(62,304)
– Transfer of fair value reserve upon disposal of financial assets at FVOCI	–	–	8,288	(8,288)	–
At 31 December 2023	**3,705,495**	**77,651**	**–**	**158,206**	**3,941,352**
Profit and other comprehensive income for the year	**–**	**–**	**–**	**16,535**	**16,535**
At 31 December 2024	**3,705,495**	**77,651**	**–**	**174,741**	**3,957,887**

45 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments:

The remuneration of every director and chief executive is set out below:

	Fees RMB'000	Salaries and other benefits RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2024				
Executive Directors				
Mr. Hu Jichun (chief executive)	–	2,697	53	2,750
Mr. Hu Yueming	–	3,450	–	3,450
Mr. Chen Yongdao	–	3,097	53	3,150
Mr. Zhou Zhijin	–	2,697	53	2,750
Ms. Zheng Qing	222	–	–	222
Mr. Gu Xiaobin	–	5,447	53	5,500
Mr. Fang Jian	–	1,947	53	2,000
Independent non-executive directors				
Mr. Jiang Xihe	222	–	–	222
Ms. Jiang Jianhua	222	–	–	222
Dr. Chan Yau Ching	222	–	–	222
Mr. Nathan Yu Li	222	–	–	222
	1,110	19,335	265	20,710

45 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments: *(Continued)*

	Fees RMB'000	Salaries and other benefits RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2023				
Executive Directors				
Mr. Hu Jichun (chief executive)	–	2,697	53	2,750
Mr. Hu Yueming	–	3,450	–	3,450
Mr. Chen Yongdao	–	3,097	53	3,150
Mr. Wang Zhengbing (Note)	–	577	18	595
Mr. Zhou Zhijin	–	2,697	53	2,750
Ms. Zheng Qing	216	–	–	216
Mr. Gu Xiaobin	–	5,447	53	5,500
Mr. Fang Jian	–	1,947	53	2,000
Independent non-executive directors				
Mr. Jiang Xihe	216	–	–	216
Ms. Jiang Jianhua	216	–	–	216
Dr. Chan Yau Ching	216	–	–	216
Mr. Nathan Yu Li	216	–	–	216
	1,080	19,912	283	21,275

Note:

Mr. Wang Zhengbing resigned as an executive director of the Company on 28 May 2023. His remuneration was RMB595,000 for the year ended 31 December 2023.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

45 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

No specific retirement benefits were paid to directors in respect of services in connection with the management of the affairs of the Company or its subsidiary undertaking (2023: Nil).

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.