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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

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*

* *For identification purpose only*

The board (the "**Board**") of directors (the "**Director(s)**") of China High Speed Transmission Equipment Group Co., Ltd. (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2024 (the "**year**" or the "**Reporting Period**") together with comparative figures for the year ended 31 December 2023 as follows. The consolidated annual results have been reviewed by the Company's audit committee.

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	*3*	**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		**(3,421,042)**	(295,106)
Other income	*4*	**325,998**	211,712
Other (losses)/gains – net	*5*	**(3,398,432)**	57,499
Operating (loss)/profit		**(5,141,118)**	1,370,821
Finance income	*7*	**115,496**	123,086
Finance costs	*7*	**(726,262)**	(763,559)
Finance costs – net		**(610,766)**	(640,473)
Share of results of associates		**(1,361)**	(2,639)
(Loss)/profit before income tax		**(5,753,245)**	727,709
Income tax expenses	*8*	**(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	*9*	**(4.010)**	0.058

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 (loss)/income 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 deterred 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		As at 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**10,232,835**	8,988,566
Right-of-use assets		**750,767**	719,049
Goodwill		**26,142**	26,414
Investments in associates		**209,936**	196,297
Financial assets at fair value through other comprehensive income ("FVOCI")		**1,322,492**	1,290,427
Financial assets at fair value through profit or loss ("FVPL")		**423,300**	411,400
Deposits for land leases		**–**	5,890
Deferred tax assets		**557,059**	905,494
		13,522,531	12,543,537
Current assets			
Inventories		**6,052,537**	6,544,851
Trade receivables	*11*	**6,159,052**	8,489,248
Other receivables	*11*	**1,441,015**	1,436,709
Prepayments	*12*	**380,470**	1,596,936
Financial assets at FVOCI		**3,348,203**	1,804,904
Financial assets at FVPL		**108,141**	53,046
Income tax recoverable		**12,354**	40,875
Pledged bank deposits		**2,810,765**	3,562,398
Cash and cash equivalents		**3,874,219**	5,627,891
		24,186,756	29,156,858

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Current liabilities			
Trade payables	*13*	**4,287,778**	3,396,014
Bills payables	*13*	**5,084,115**	3,950,352
Other payables	*13*	**1,816,485**	1,393,772
Contract liabilities		**1,613,686**	1,729,685
Borrowings	*14*	**4,237,783**	5,036,621
Deferred income		**69,533**	42,925
Income tax payable		**134,799**	137,640
Warranty provision		**908,794**	1,144,479
Written put option liability		**–**	4,772,175
		18,152,973	21,603,663
Net current assets		**6,033,783**	7,553,195
Total assets less current liabilities		**19,556,314**	20,096,732
Non-current liabilities			
Borrowings	*14*	**4,928,562**	4,457,964
Deferred income		**675,359**	475,164
Warranty provision		**1,260,019**	1,124,470
Deferred tax liabilities		**133,089**	126,910
		6,997,029	6,184,508
Net assets		**12,559,285**	13,912,224
Capital and reserves			
Share capital		**119,218**	119,218
Reserves		**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

NOTES

1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company on 22 March 2005 and its shares are listed on The Stock Exchange of Hong Kong Limited with effect from 4 July 2007.

2. BASIS OF PREPARATION AND CHANGES IN 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 ("**Listing Rules**") 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.

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.

(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 lFRS 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.

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

(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 7)*					(610,766)
Dividend income *(Note 4)*					3,712
Foreign exchange gains, net *(Note 5)*					28,239
Net fair value gains on financial assets at FVPL *(Note 5)*					7,736
Share of results of associates					(1,361)
Corporate and other unallocated expenses					(250,634)
Loss before income tax					(5,753,245)
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 loss on property, plant and equipment	(6,110)	–	–	–	(6,110)
Impairment losses (reversed)/ recoginised 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	2,331,899	9,081	23	4	2,341,007
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

	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 7)*					(640,473)
Dividend income *(Note 4)*					1,105
Interest income from other financial assets at amortised cost *(Note 4)*					5,254
Gain on disposal of a subsidiary *(Note 5)*					2,449
Loss on disposal of an associate *(Note 5)*					(8,087)
Loss on early redemption of other financial assets at amortised cost *(Note 5)*					(34,075)
Foreign exchange gains, net *(Note 5)*					77,800
Net fair value gains on financial assets at FVPL *(Note 5)*					25,123
Share of results of associates					(2,639)
Corporate and other unallocated expenses					(327,734)
Profit before income tax					727,709
Other segment information					
Write-down of inventories	62,311	287	–	–	62,598
Net impairment losses (reversed)/recognised on financial assets	(17,934)	(242)	6,445	(215)	(11,946)
Impairment losses on property, plant and equipment	4,931	–	–	–	4,931
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

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December	
	2024	2023
	RMB'000	*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	2023
	RMB'000	*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

(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.

4. 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	**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

5. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2024	2023
	RMB'000	*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	**–**	(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	**7,736**	25,123
Reversal of/(provision for) impairment losses on property, plant and equipment	**6,110**	(4,931)
Impairment loss on goodwill	**(272)**	–
Impairment losses on prepayments		
– Prepayments for purchases of bulk commodities *(Note 18)*	**(3,450,531)**	–
– Other prepayments	**625**	–
	(3,398,432)	57,499

6. EXPENSES BY NATURE

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Cost of inventories sold	**16,733,532**	18,976,570
Employee benefit expenses	**2,096,969**	1,984,982
Depreciation of property, plant and equipment	**740,135**	522,883
Depreciation of right-of-use assets	**18,741**	17,993
Auditor's remuneration		
– Audit services	**3,600**	3,638
– Non-audit services	**1,400**	1,494
Write-down of inventories	**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

7. 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	**(258,000)**	(258,000)
	(726,262)	(763,559)
Finance costs – net	**(610,766)**	(640,473)

8. 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

(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.	31 December 2024	31 December 2026
NGC (Baotou) Transmission Equipment Co., Ltd.	31 December 2024	31 December 2026
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2023	31 December 2025
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2023	31 December 2025
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2023	31 December 2025

(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.

9. (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 years ended 31 December 2024 and 2023 as there were no potential dilutive share in issue.

10. DIVIDENDS

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

11. 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 18		**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 18		**(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.

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 investments was RMB612,600 thousands. In November 2023, the Group initiated a legal proceeding against the insurance company at Nanjing Intermediate People's Court to enforce the insurance company's repayment obligation as the amount due is not yet received by the Group. As at the date of this report, the case is still ongoing, currently under the second trail 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 Import and Export Trade Co., Ltd. ("**Nanjing Handa**"), a wholly-owned subsidiary of the Company, entered into a loan agreement, pursuant to which RMB250,000,000 was lent to a fellow subsidiary (the "**Loan**") at an interest of 3% per annum with a term of 5 years. 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.

(i) Fair values of trade and other receivables

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

(ii) Impairment and risk exposure

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

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

	As at 31 December	
	2024	2023
	RMB'000	*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	**315,949**	270,275
Over 2 years	**129,410**	130,252
	6,159,052	8,489,248

12. PREPAYMENTS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Prepayments		
– Prepayments for purchases of bulk commodities *(Note 18)*	**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 18)*	**(3,450,531)**	–
– Other prepayments	**(55,331)**	(56,285)
	380,470	1,596,936

Note:

(a) Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("**Nanjing Drive**"), a wholly-owned subsidiary of the Company, acted as the main contractor of an EPC project since prior years and subcontracted the project work 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.

13. 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	**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

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	2023
	RMB'000	*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.

14. BORROWINGS

	As at 31 December			
	2024		2023	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	*%*	*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

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 17. 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) High Speed Gear Manufacturing Co., Ltd.

15. 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.

16. 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

17. 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

18. IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND PREPAYMENTS IN TRADING BUSINESS

The Company's wholly owned subsidiaries, Nanjing Drive, Nanjing Handa and Nanjing Shengzhuang Supply Chain Co., Ltd. ("**Nanjing Shengzhuang**", together with Nanjing Drive and Nanjing Handa, collectively the "**Relevant Subsidiaries**") carried out transactions in trading business (see Note 3) mainly with 13 customers (the "**Customers**") and 3 suppliers (the "**Suppliers**"). Also refer to Notes 11 and 12 for the Group's trade receivables and prepayments 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.

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 carried 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 – net" line items respectively in the Group's consolidated income statement for the year ended 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the research, design, development, manufacture and sales of a broad range of mechanical transmission equipment that are widely used in wind power and industrial applications and trade of goods. 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 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 Renewable Energy, Siemens Energy Wind Power, Suzlon, Nordex, Adani, etc. Global market layout will facilitate diversification of operational risks. The Group also seeks to have closer communication, cooperation and development with existing and potential overseas customers through its subsidiaries in the United States (the "**U.S.**"), Canada, Germany, Singapore and India.

The wind gear transmission equipment is a major product that has been developed by the Group. During the 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.

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	2023	**Change**
	RMB'000	*RMB'000*	
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 18 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, refer to Note 18 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 the above note 17, the Group has made no further pledge of assets as at 31 December 2024.

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.

OTHER SUPPLEMENTARY INFORMATION

FINAL DIVIDEND

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

FOREIGN EXCHANGE RISK

The Group's operations are mainly conducted in the PRC. With the exception of export sales and imported equipment which are mainly denominated in U.S. dollars and Euro, the Group's domestic revenue and expenses are denominated in Renminbi. Therefore, the Board is of the view that the Group's operating cash flow and liquidity during the year were likely to face certain exchange rate risks. The Group does not use any foreign currency derivatives to hedge against the exposure in foreign exchange.

During the year, the net gains of foreign exchange (included in "Other (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.

EMPLOYEES AND REMUNERATION

As at 31 December 2024, the Group employed approximately 8,039 employees (31 December 2023: 8,030). Staff cost of the Group for the year 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.

SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE YEAR

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

IMPORTANT EVENTS AFTER THE END OF THE REPORTING YEAR

Save as disclosed in this announcement, there has been no important event which affects the Company and its subsidiaries occurring after the Reporting Period and up to the date of this announcement.

SCOPE OF WORK OF BAKER TILLY

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed with the Company's auditor, Baker Tilly Hong Kong Limited (the "**Auditor**", or "**Baker Tilly**"), which is consistent with the figures set out in the Group's consolidated financial statements for the year ended 31 December 2024. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly on this announcement.

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**"), 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 of RMB3,178,115,000 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 – 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 assist with and facilitate the Ongoing Investigations, and is actively taking steps with a view to pursue 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 cost incurred and reconcile the accounts with the subcontractors and project owner. Management believes that the results of investigation and reconciliation will be helpful for 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 required materials and information for valuation, and believes that the completion of valuation work will be helpful for addressing the qualification.

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

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

Hong Kong, 28 March 2025

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