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**Chongqing Machinery & Electric Co., Ltd.\***  
**重慶機電股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China)*  
(Stock Code: 02722)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**RESULTS HIGHLIGHTS**

Chongqing Machinery & Electric Co., Ltd. (the “Company” or “Chongqing Machinery & Electric”) and its subsidiaries (collectively the “Group”) announce the highlights of the consolidated results as set out below.

- Revenue of the Group for the six months ended 30 June 2019 amounted to approximately RMB2,437.4 million, representing a decrease of approximately 11.9% from the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2019 amounted to approximately RMB487.0 million, representing a decrease of approximately 19.4% from the corresponding period of last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2019 amounted to approximately RMB163.6 million, representing a decrease of approximately 28.2% from the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2019 amounted to approximately RMB0.04.

The board of directors (the “Board”) of the Company is pleased to announce the interim results of the Group for the six months ended 30 June 2019 (the “Period”). The Group’s interim results have not been audited but have been reviewed by the audit and risk management committee and the Company’s auditor, ShineWing Certified Public Accountants (Special General Partnership).

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

Items	Notes	For the six months ended 30 June	
		2019	2018
<b>1. Total operating revenue</b>	V.1	<b>2,437,375,522.67</b>	2,767,959,138.61
Including: Operating revenue		<b>2,402,962,360.09</b>	2,733,873,606.55
Interest income		<b>34,387,621.46</b>	33,870,973.44
Transaction fees and commission income		<b>25,541.12</b>	214,558.62
<b>2. Total operating cost</b>		<b>2,597,514,651.01</b>	2,770,032,300.41
Including: Operating cost	V.1	<b>1,944,134,954.38</b>	2,159,124,333.67
Interest expenses	V.1	<b>6,186,612.31</b>	4,561,659.34
Transaction cost and commission fees	V.1	<b>61,983.93</b>	54,420.31
Business taxes and surcharges		<b>28,822,102.41</b>	28,517,225.78
Selling and distribution expenses		<b>155,458,830.60</b>	142,579,113.56
Administrative expenses		<b>237,233,280.11</b>	256,083,181.28
Research and development expenses		<b>147,065,236.22</b>	116,331,772.01
Financial expenses		<b>78,551,651.05</b>	62,780,594.46
Including: Interest expenses		<b>79,918,608.69</b>	63,291,660.09
Interest income		<b>10,061,435.33</b>	12,811,729.52
Add: Other income	V.2	<b>57,606,923.79</b>	60,759,243.59
Investment income (Loss listed with “-”)	V.3	<b>158,974,553.62</b>	230,506,396.27
Including: income from investments in associates and joint ventures			
income of derecognition of financial assets measured at amortized cost (Loss listed with “-”)		<b>155,987,807.84</b>	227,196,327.78
Gain arising from the changes in fair value(Loss listed with “-”)	V.4	<b>4,808,649.57</b>	-104,916.90
Impairment loss of credit (Loss is listed by “-”)		<b>22,346,159.52</b>	-21,591,664.30
Impairment loss of assets (Loss is listed by “-”)		<b>5,412,239.96</b>	-2,178,043.43
Gain on disposal of assets (Loss listed with “-”)	V.5	<b>134,423,031.35</b>	623,652.43
<b>3. Operating profit (Loss listed with “-”)</b>		<b>223,432,429.47</b>	265,941,505.86
Add: Non-operating income	V.6	<b>3,218,045.55</b>	6,970,029.97
Less: Non-operating expenses		<b>2,944,875.04</b>	2,895,940.38
<b>4. Total profit (Loss listed with “-”)</b>		<b>223,705,599.98</b>	270,015,595.45
Less: Income tax expenses	V.7	<b>47,456,037.06</b>	26,320,717.25

Items	Notes	For the six months ended 30 June	
		2019	2018
<b>5. Net profit (Net loss listed with “-”)</b>		<b>176,249,562.92</b>	243,694,878.20
<b>(1) Classification by continuing or discontinued operation</b>		<b>176,249,562.92</b>	243,694,878.20
1. Net profit attributable to continuing operation (Net loss listed with “-”)		<b>176,249,562.92</b>	243,694,878.20
2. Net profit attributable to discontinued operation (Net loss listed with “-”)		–	–
<b>(2) Classification by ownership</b>		<b>176,249,562.92</b>	243,694,878.20
1. Net profit attributable to shareholders of the controlling company		<b>163,618,899.53</b>	227,779,287.39
2. Net profit attributable to non-controlling interests		<b>12,630,663.39</b>	15,915,590.81
<b>6. Net other comprehensive income after tax</b>		<b>-13,500,404.39</b>	1,085,663.32
Net other comprehensive income after tax attributable to shareholders of the Company		<b>-13,500,404.39</b>	1,085,663.32
<b>(1) Other comprehensive incomes that cannot be         reclassified into profit or loss</b>		<b>-13,497,388.88</b>	–
Including: 1. Changes from recalculation of defined benefit plan		<b>-479,399.50</b>	–
2. Transfer changes of defined benefit plan to retained earnings		<b>-13,017,989.38</b>	–
<b>(2) Other comprehensive income that can be reclassified         into profit or loss</b>		<b>-3,015.51</b>	1,085,663.32
Including: 1. Effective portion of net investment hedging gains and losses		<b>79,178.23</b>	1,324,807.42
2. Translation differences of financial statements in foreign currencies		<b>-82,193.74</b>	-239,144.10
<b>7. Total comprehensive income</b>		<b>162,749,158.53</b>	244,780,541.52
Total comprehensive income attributable to shareholders of the Company		<b>150,118,495.14</b>	228,864,950.71
Total comprehensive income attributable to non-controlling interests		<b>12,630,663.39</b>	15,915,590.81
<b>8. Earnings per share</b>	<i>VI.2</i>		
(1) Basic earnings per share		<b>0.0444</b>	0.0618
(2) Diluted earnings per share		<b>0.0444</b>	0.0618

## CONSOLIDATED BALANCE SHEET

As at 30 June 2019

Items	Notes	30 June 2019	31 December 2018
<b>Current assets</b>			
Cash and cash equivalents	V.8	2,177,380,722.29	2,164,670,306.18
Financial assets held for trade		305,212,452.27	5,124,292.21
Notes receivable		678,339,535.41	1,128,945,186.86
Accounts receivable		3,081,358,854.59	2,636,400,832.87
Prepayments		270,780,166.18	264,987,827.45
Other receivables		1,131,677,200.85	928,431,789.73
Including: Interests receivable		22,613,318.29	20,538,197.57
Dividends receivable		277,495,110.04	383,447,758.44
Loans and advances to customers		1,147,128,134.50	1,115,437,102.20
Inventories		2,259,308,857.79	1,949,892,938.13
Contract assets		239,249,064.53	249,077,553.98
Held-for-sale assets		–	6,039,285.98
Other current assets		259,157,839.59	81,059,064.90
<b>Total current assets</b>		<b>11,549,592,828.00</b>	<b>10,530,066,180.49</b>
<b>Non-current assets</b>			
Loans and advances to customers		56,550,000.00	38,880,000.00
Long-term receivables		30,497,910.00	33,200,000.00
Long-term equity investments		1,136,662,371.47	1,009,154,785.28
Other equity instruments investment		46,693,061.00	46,693,061.00
Investment properties		81,383,779.92	83,609,256.52
Property, plant and equipment		2,874,597,729.81	3,224,720,949.14
Construction in progress		190,060,176.10	171,249,276.77
Right-to-use assets		392,883,565.19	–
Intangible assets		549,688,400.96	617,595,163.06
Development expenditures		30,890,283.76	29,927,674.79
Goodwill		143,312,435.00	143,312,435.00
Long-term deferred expenses		210,865,953.16	224,093,001.19
Deferred tax assets		107,332,950.83	103,686,673.46
Other non-current assets		20,836,688.48	21,495,341.97
<b>Total non-current assets</b>		<b>5,872,255,305.68</b>	<b>5,747,617,618.18</b>
<b>Total assets</b>		<b>17,421,848,133.68</b>	<b>16,277,683,798.67</b>

<b>Items</b>	<i>Notes</i>	<b>30 June 2019</b>	31 December 2018
<b>Current liabilities</b>			
Short-term loans		<b>853,378,740.00</b>	911,696,617.94
Due to customers, banks and other financial institutions		<b>1,368,481,496.31</b>	1,334,738,381.17
Notes payable		<b>1,256,732,284.63</b>	1,225,850,904.13
Accounts payable		<b>1,843,851,275.07</b>	1,522,525,538.63
Contract liabilities		<b>665,084,473.13</b>	685,648,864.72
Repurchase agreements		<b>22,711,750.00</b>	–
Employee benefits payables		<b>57,856,723.43</b>	63,635,374.54
Taxes and levies payables		<b>172,150,311.31</b>	220,974,568.70
Other payables		<b>730,516,093.09</b>	599,204,267.53
Including: interests payable		–	13,156,812.78
dividends payable		<b>167,977,637.67</b>	27,519,691.51
Non-current liabilities due within one year		<b>138,451,368.42</b>	170,826,135.24
Other current liabilities		<b>1,655,268.96</b>	1,176,168.16
		<u><b>7,110,869,784.35</b></u>	<u>6,736,276,820.76</u>
<b>Total current liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans		<b>1,514,549,495.08</b>	843,184,922.99
Bonds payable		<b>826,272,934.22</b>	799,143,854.22
Lease liabilities		<b>180,157,574.55</b>	–
Long-term payables		<b>6,253,130.64</b>	147,696,759.15
Long-term employee benefits payable		<b>7,014,000.00</b>	16,294,000.00
Provisions		<b>22,963,426.45</b>	20,617,240.24
Deferred revenue		<b>412,066,682.53</b>	405,298,663.38
Deferred tax liabilities		<b>96,487,936.04</b>	79,509,594.57
		<u><b>3,065,765,179.51</b></u>	<u>2,311,745,034.55</u>
<b>Total non-current liabilities</b>			
		<u><b>10,176,634,963.86</b></u>	<u>9,048,021,855.31</u>
<b>Total liabilities</b>			

<b>Items</b>	<i>Notes</i>	<b>30 June 2019</b>	31 December 2018
<b>Shareholder's equity</b>			
Share capital		<b>3,684,640,154.00</b>	3,684,640,154.00
Capital reserves		<b>50,311,968.20</b>	50,311,968.20
Other comprehensive income		<b>17,552,022.70</b>	31,052,427.09
Surplus reserves		<b>334,373,473.12</b>	334,373,473.12
Retained profits		<b><u>2,731,634,783.93</u></b>	<u>2,708,521,621.81</u>
<b>Total equity attributable to shareholders of the Company</b>		<b><u>6,818,512,401.95</u></b>	<u>6,808,899,644.22</u>
<b>Non-controlling interests</b>		<b><u>426,700,767.87</u></b>	<u>420,762,299.14</u>
<b>Total shareholder's equity</b>		<b><u>7,245,213,169.82</u></b>	<u>7,229,661,943.36</u>
<b>Total liabilities and shareholder's equity</b>		<b><u>17,421,848,133.68</u></b>	<u>16,277,683,798.67</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2019

For the six months ended 30 June 2019

	Equity attributable to the equity holders of the controlling Company												
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
Share capital													
1. Balance at 31 December 2018	3,684,640,154.00	-	-	-	50,311,968.20	-	31,052,427.09	-	334,373,473.12	-	2,708,521,621.81	420,762,299.14	7,229,661,943.36
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-6,138,126.63	-628,860.89	-6,766,987.52
2. Balance at 1 January 2019	3,684,640,154.00	-	-	-	50,311,968.20	-	31,052,427.09	-	334,373,473.12	-	2,702,383,501.18	420,133,438.25	7,222,894,961.84
3. Increase/decrease for the period (Decrease listed with "+")													
(1) Total comprehensive income	-	-	-	-	-	-	-13,500,404.39	-	-	-	29,251,282.75	6,567,329.62	22,318,207.98
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-482,415.01	-	-	-	163,618,899.53	12,630,663.39	175,767,147.91
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	-	-	-147,385,606.16	-	-147,385,606.16
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-147,385,606.16	-	-147,385,606.16
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer	-	-	-	-	-	-	-13,017,989.38	-	-	-	13,017,989.38	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer changes of defined benefit plan to retained earnings	-	-	-	-	-	-	-13,017,989.38	-	-	-	13,017,989.38	-	-
5. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-6,063,333.77	-6,063,333.77	-6,063,333.77
4. Balance at 30 June 2019	3,684,640,154.00	-	-	-	50,311,968.20	-	17,552,022.70	-	334,373,473.12	-	2,731,634,783.93	426,700,767.87	7,245,213,169.82

For the year 2018

Equity attributable to the equity holders of the controlling Company

Item	Other equity instruments						Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves									
<b>1. Balance at 31 December 2017</b>	3,684,640,154.00	-	-	-	49,744,935.00	-	27,977,334.00	-	297,517,132.00	-	2,717,844,150.00	400,262,838.00	7,177,886,543.00	
Add: Changes in accounting policies	-	-	-	-	-	-	-2,079,985.00	-	-	-	-305,543,321.33	-6,339,889.26	-313,963,195.59	
<b>2. Balance at 1 January 2018</b>	3,684,640,154.00	-	-	-	49,744,935.00	-	25,897,349.00	-	297,517,132.00	-	2,412,300,828.67	393,922,948.74	6,864,023,347.41	
<b>3. Increase/Decrease for the period (Decrease listed with "-")</b>														
(1) Total comprehensive income	-	-	-	-	567,033.20	-	5,135,078.09	-	36,856,341.12	-	296,220,793.14	26,839,350.40	365,688,595.95	
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	5,135,078.09	-	-	-	444,060,837.39	51,470,094.63	500,686,010.11	
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
(3) Profit appropriations	-	-	-	-	-	-	-	-	36,856,341.12	-	-47,840,044.25	-22,721,152.03	-133,704,853.16	
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	36,856,341.12	-	-36,856,341.12	-	-	
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-444,698.51	-	-444,698.51	
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-110,539,204.62	-	-133,260,356.65	
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Transfer changes of defined benefit plan to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	
5. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-	
(6) Others	-	-	-	-	567,033.20	-	-	-	-	-	-	-1,909,592.20	-1,342,559.00	
<b>4. Balance at 31 December 2018</b>	3,684,640,154.00	-	-	-	50,311,968.20	-	31,052,427.09	-	334,373,473.12	-	2,706,521,621.81	420,762,299.14	7,229,661,943.36	



## CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2019

Items	Notes	For the six months ended 30 June	
		2019	2018
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		2,413,333,091.74	2,292,404,403.92
Net increase in customer deposits and interbank deposits		33,743,115.14	–
Net increase in central bank payments		-10,000,000.00	–
Net increase in interbank payments		-30,000,000.00	–
Cash received from interest, surcharges and commission fee		29,203,140.51	–
Net increase in repurchase agreements		22,711,750.00	–
Cash received from tax refund		7,327,158.72	9,344,656.79
Cash received relating to other operating activities		167,634,892.91	420,536,260.80
<b>Sub-total of cash inflows from operating activities</b>		<b>2,633,953,149.02</b>	<b>2,722,285,321.51</b>
Cash paid for goods and services		1,861,030,745.48	2,030,859,091.33
Net increase in loans and advances to customers		45,432,100.11	–
Net increase in central bank and interbank payments		-32,355,953.16	–
Cash paid for interest, surcharges and commission fee		4,160,405.50	–
Cash paid to and on behalf of employees		474,897,624.56	418,278,866.11
Payments of taxes and surcharges		183,742,405.91	149,925,870.45
Cash paid relating to other operating activities		228,201,526.54	291,923,849.45
<b>Sub-total of cash outflows from operating activities</b>		<b>2,765,108,854.94</b>	<b>2,890,987,677.34</b>
<b>Net cash flows from operating activities</b>		<b>-131,155,705.92</b>	<b>-168,702,355.83</b>
<b>2. Cash flows from investment activities</b>			
Cash received from return of investments		5,280,782.54	198,763,506.71
Cash received from investments income		137,953,615.36	159,076,955.91
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,138,376.00	926,228.00
Cash received relating to other investing activities		22,214,899.10	355,727,525.16
<b>Sub-total of cash inflows from investing activities</b>		<b>166,587,673.00</b>	<b>714,494,215.78</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		133,122,134.27	96,340,047.84
Cash paid for investments		450,000,000.00	168,597,735.85
Cash paid relating to other investing activities		7,351,503.75	39,222,569.91
<b>Sub-total of cash outflow from investing activities</b>		<b>590,473,638.02</b>	<b>304,160,353.60</b>
<b>Net cash flows from investing activities</b>		<b>-423,885,965.02</b>	<b>410,333,862.18</b>

Items	Notes	For the six months ended 30 June	
		2019	2018
<b>3. Cash flows from financing activities</b>			
Cash received from investments		–	–
Including: cash received by subsidiaries from investment of non-controlling interests		–	–
Cash received from loans granted		<b>1,420,409,465.00</b>	775,000,000.00
Cash received relating to other financing activities		<b>259,553,221.50</b>	–
<b>Sub-total of cash inflows from financing activities</b>		<b>1,679,962,686.50</b>	775,000,000.00
Cash paid for repayment of borrowings		<b>818,271,007.09</b>	584,155,743.12
Cash paid for dividends, profits or payments of interests		<b>49,724,148.69</b>	61,862,147.16
Including: dividends and profits paid to non-controlling interests by subsidiaries		–	–
Cash paid relating to other financing activities		<b>227,852,434.21</b>	134,149,408.90
<b>Sub-total of cash outflows from financing activities</b>		<b>1,095,847,589.99</b>	780,167,299.18
<b>Net cash flows from financing activities</b>		<b>584,115,096.51</b>	-5,167,299.18
<b>4. Effects of changes in exchange rate on cash and cash equivalents</b>		<b>383,269.04</b>	120,596.22
<b>5. Net increase in cash and cash equivalents</b>		<b>29,456,694.61</b>	236,584,803.39
Add: opening balance of cash and cash equivalents		<b>1,570,343,395.06</b>	1,174,539,298.00
<b>6. Balance of cash and cash equivalents at the end of this period</b>	V.8	<b>1,599,800,089.67</b>	1,411,124,101.39

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF CHONGQING MACHINERY & ELECTRIC CO., LTD.

*For the six months ended 30 June 2019*

## I. GENERAL INFORMATION

Chongqing Machinery & Electric Co., Ltd. (the “Company”) was established on 27 July 2007 as a joint share company with limited liability by Chongqing Machinery & Electronics Holding (Group) Co., Ltd. (“CQMEHG”), Chongqing Yufu Assets Management Group Co., Ltd (“Yufu company”, originally called Chongqing Yufu Assets Management Co., Ltd), China Huarong Asset Management Co., Ltd. (“Huarong Company”), and Chongqing Construction Engineering Group Co. Ltd. (“CCEG”). The address of the Company’s registered office is No. 60, Huangshan Road Central, Northern New District, Chongqing, the PRC. The Company’s headquarter is located in Chongqing, PRC. The parent company and the ultimate controlling shareholder is CQMEHG. The Group was established with a registered capital of RMB2,679,740,154 (RMB1 per share).

On 13 June 2008, the Group publicly issued 1,004,900,000 H shares to foreign investors with approval of the Circular “Zhengjian Xuke [2008] No. 285” of the China Securities Regulatory Commission, and the shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). After issuing the shares, the total share capital increased to RMB3,684,640,154.

Registered capital of the Company was RMB3,684,640,154 as of 30 June 2019. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in manufacturing and sales of clean energy equipment, high-end intelligent manufacturing and industrial services.

The consolidated financial statements have been approved for issue by the Board of Directors of the Group on 21 August 2019.

## II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

### (1) Basis of preparation

The financial statements of the Group have been prepared on a going concern basis and based on transactions and events actually incurred, in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006 and thereafter, Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reporting (revised) and other related regulations issued by the China Securities Regulatory Commission, Hong Kong’s “Companies Ordinance” and the related disclosure requirements of the “Listing Rules” on the Stock Exchange of Hong Kong, and based on the accounting policies and accounting estimates set out in “III Principal accounting policies and accounting estimates” of this notes.

## **(2) Going concern**

The financial statements are prepared on a going concern basis. The Group has a history of recent profitable operations and financial support, so it is reasonable to prepare financial statements on a going concern basis.

### **III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

Specific accounting policies and accounting estimates are formulated by the Group based on actual manufacturing and operating characteristics including business cycle, recognition and measurement of provision for bad debts of accounts receivable, measurement of goods shipped in transit, measurement of net realizable value of inventory, classification and depreciation method of fixed assets, amortization of intangible assets, capitalization of research and development expenses, recognition and measurement of revenue, etc.

#### **1. Declaration on Compliance with CAS**

The Company complied with the requirements of CAS in preparing its financial statements, which give a true and full view of the financial position, financial performance and cash flows of the Group.

#### **2. Accounting Period**

The Group's accounting period is from 1 January to 31 December.

#### **3. Business Cycle**

The Group treats 12 months as a business cycle and the criteria for classifying current and non-current assets and liabilities.

#### **4. Functional Currency**

The Group's functional currency is Renminbi (RMB). The financial statements of the Group are expressed in RMB unless otherwise stated.

The subsidiaries decide their own functional currency according to the main economic environment in which they operate. Their functional currency converts to RMB when the financial statements were prepared.

#### **5. Measurement for Business Combinations under Common Control and Business Combinations not under Common Control**

As the merging party, assets acquired and liabilities obtained by the Group through a business combination under common control shall be measured at their carrying amounts of the combined party in the ultimate controlling party's consolidated financial statements at the consolidation date. The differences between the carrying amount of the net assets acquired and the carrying amount of the consideration paid should be adjusted in the capital reserve. If capital reserve is not sufficient for offsetting, the retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liability as considerations are measured by the Group at their fair values at acquisition date. Consolidation cost is the sum of fair value of cash paid or non-cash assets paid to get control of acquiree, liabilities issued or assumed, equity securities issued and all other direct costs during business combination (for those business combination achieved in stages, the consolidation cost equals to the sum of each transaction). The excess of consolidation cost over the fair value of net identifiable assets of the acquiree shall be recognised as goodwill. It should reassess the fair value of all identifiable assets achieved through business consolidation, liabilities or contingent liabilities, non-cash assets or equity securities issued if the consolidation cost is less than the fair value of net identifiable assets. After reassessment, if the consolidation cost is still less than the fair value of net identifiable assets of the acquiree, the excess shall be recognised into non-operating income.

## **6. Preparation of Consolidated Financial Statements**

The consolidated financial statements included all subsidiaries and special purpose entities that the Company has effective control.

When preparing the consolidated financial statements, if the subsidiary's accounting policies or accounting period is not consistent with the Group, the financial statement of the subsidiaries shall be adjusted.

All major internal transactions, current balances and unrealized profits within the scope of the merger shall be offset at the time of preparation of the consolidated statements. The share of the owner's equity of a subsidiary that does not belong to the parent company and the current net profit and loss, other comprehensive income and the share of the total comprehensive income that belongs to the minority shareholders' equity shall be listed as "Minority Interests", "Non-controlling Interest" and "Other comprehensive income" attributable to "Non-controlling interest and total comprehensive income" attributable to non-controlling interest in the consolidated financial statements.

For the subsidiaries consolidated under common control, its operating results and cash flows shall be included in the consolidated financial statements from the beginning of the consolidated period. When preparing comparative consolidated financial statements, the related items of prior year's financial statements are adjusted. The reporting subject formed after the merger is always present since the time when the ultimate controlling party began to control.

For the subsidiary acquired through the business combination not under common control, operating results and cash flows should be included in the consolidated financial statements from the date on which control is transferred to the Group. When preparing consolidated financial statements, it shall adjust the financial statements of the subsidiary company on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

The Group partially disposes of the long-term equity investments in subsidiaries without loss of control. In the consolidated financial statements, the difference between the disposal price and disposal of long-term equity investments shall be subject to the share of net assets that the subsidiaries continue to calculate from the date of purchase or the date of combination shall adjust capital premium or equity premium. If the capital is not sufficient for offsetting, the retained earnings shall be adjusted.

When disposing of part of the equity investment and losing control of the entity, the Group shall re-measure the fair value of the remaining equity investment subsequent to the disposal at the date when the Group lost control when preparing the consolidated financial statements. The sum of the disposal consideration amount and the fair value of the remaining equity investment less the difference between the share of the net assets that the original subsidiary from the acquisition date or the combination date, the difference is recorded in the loss of control investment income in the current period and write down the goodwill. Other comprehensive income related to the equity investment of the original subsidiaries shall be transferred to investment profit and loss in the current period when the control was lost.

The Group disposes of the equity investment in the subsidiary through multiple transactions until it loses control. When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the difference between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognized as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognized as non-controlling interests and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealized profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the Company. Unrealized profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the Company and minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealized profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the Company and minority interests in accordance with the allocation proportion of the parent in the subsidiary.

## **7. Revenue Recognition and Measurement**

The Group's operating revenue mainly includes sales revenue of goods, revenue of providing services, revenue of EPC construction contract, interest income, revenue of leasing contract, etc.

### ***(1) Revenue recognition***

The Group shall recognize revenue when the Group satisfies the performance obligation of the contract, that is, the customer obtains control of relevant goods or services. Control of a good or service refers to the ability to direct the use of the good or service, and obtain substantially all of the benefits from the goods or services.

When the contract contains two or more performance obligations, on the inception of the contract, the transaction price is allocated to each separate performance obligation in proportion to the stand-alone price of the promised goods or services, and the revenue is recognized according to the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price confirmed by the Group does not exceed the amount that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. An entity shall recognize a refund liability if the entity expects to refund some or all of the consideration to the customer which is not included in the transaction price. Where there is significant financing component in the contract, the Group shall determine the transaction price on the basis of the amount payable in cash when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest rate method during the contract period. The Group shall not take into account the existence of a significant financing component in the contract if the Group expects, at contract inception, that the period between when the customer acquires the control of a promised good or service and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time, if one of the following criteria is met; otherwise, it satisfies a performance obligation at a point in time: ① the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; ② the customer can control the asset which is created by the Group's performance; ③ the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to receive payment in respect of performance completed to date during the whole contract period.

For a performance obligation satisfied over time, the Group shall recognize revenue over time by measuring the process towards complete satisfaction of the performance obligation. If the Group unable to reasonably measure the progress towards complete satisfaction of a performance obligation and the costs incurred by the Group can be expected to be compensated, the revenue shall be recognized according to the costs incurred until such time that it can reasonably measure the process towards complete satisfaction of the performance obligation.

For a performance obligation satisfied at a point in time, the Group shall recognize revenue when the customer obtains control of relevant goods or services. In judging whether customers obtain control of promised goods or services, the Group considers the following indications: ① the Group has a present right to receive the payment in respect of the goods or services; ② the Group has transferred the legal title of the goods to customers; ③ the Group has transferred physical possession of the goods to customers; ④ the group has transferred the significant risks and rewards of the ownership of the goods to the customers; ⑤ customers have accepted the goods or services.

**(2) *Specific accounting policies related to the Group's main revenue-generating activities are described below:***

**(a) *Sales contracts***

Sales contracts between the Group and its customers usually contain only the performance obligation to transfer goods. The Group usually takes into consideration the following factors and recognize revenue at the time when the customer accepts the goods: the present right to the receive payment in respect of goods; transfer of substantial risks and returns in respect of the title to the goods; the transfer of legal title in respect of the goods; the transfer of physical asset of the goods, and the acceptance of goods by customers.



(b) *Service contracts*

Services contracts between the Group and its customers usually include performance obligations such as technical services, product after-sales maintenance services, etc. Because the Group's customers simultaneously receive and consume the benefits provided by the Group's performance, and the Group has an enforceable right to receive payment in respect of performance completed to date during the whole contract period, the Group will recognize it as a performance obligation satisfied over time and recognize revenue according to the progress of performance, except that the progress of performance cannot be reasonably determined. The Group determines progress of performance in respect of the provision of services using the input method. When the progress of performance cannot be reasonably determined, if the costs incurred are expected to be compensated, the Group recognizes revenue based on the amount of costs incurred, until the progress of performance can be reasonably determined.

(c) *Construction contract – (only apply to a situations when the control is transferred within such period)*

For the project business contracts between the Group and its customers, the Group recognizes revenue according to progress of performance within such period for satisfying such performance obligations during a period of time. Progress of performance refers to the contract cost actually incurred on a cumulative basis as of the balance sheet date as a percentage of the expected total cost under contract (the input method). Based on the progress of performance of the project, revenue from project business contracts is recognized as the contract cost actually incurred plus the gross profit margin under contract. If the total contract cost is likely to exceed total contract revenue, the expected loss is recognized as expenses for the current period immediately. If the sum of the cost actually incurred and the recognized gross profit margin under contract exceed the contract settlement fee, the excess is taken to contract assets. Where the contract settlement fee exceeds the sum of the cost actually incurred and the recognized gross profit margin under contract, the excess is taken to contract liabilities. When the progress of performance of project business contracts cannot be reasonably determined, if the costs incurred are expected to be compensated, the Group recognizes revenue based on the amount of costs incurred, until the progress of performance can be reasonably determined. If the costs incurred are not expected to be recovered, it is recognized as expenses for the current period immediately when the contract cost is incurred. For changes, claims and awards under contract, revenue is recognized only when it is likely to happen and the amount can be reliably estimated.

(d) *Warranty obligations*

In accordance with contractual arrangements and legal requirements, the Group provides warranty for goods that it sells and assets that it builds. For the guarantee-type warranties under which the Group warrants to the customers that the goods sold satisfy certain pre-set criteria, accounting treatments are as set out in Note IV.23. For the service-type warranties under which the Group provides a separate service in addition to the warranty to the customers that the goods sold satisfy certain pre-set criteria, it is treated as a standalone performance obligation and part of the transaction price is apportioned to the service-type warranty based on the proportion of the separate selling prices under the guarantee-type and service-type warranties, and revenue is recognized when the customer acquires control of the service. In assessing whether a separate service is provided to the customer in addition to the warranty that the goods sold satisfy certain pre-set criteria, the Group considers whether the warranty is a statutory requirement, the validity period of the warranty and the nature of the Group's commitment to perform.



(e) *Principal/Agent*

For the Group, after acquiring control of the goods from a third party, it transfers them to customers or integrates the purchased goods with other goods into a portfolio of output through the provision of significant services. The Group has the right to decide the price of the goods or services it trades independently, that is, it can control the goods or services before transferring them to customers. Therefore, the Group is the main principal, and revenue is recognized by the total consideration received or receivable. Otherwise, the Group, as an agent, shall recognize revenue in the amount of any fee or commission to which it expects to be entitled. The amount shall be determined based on net amount of total consideration received or receivable less amounts payable to other interested parties, or based on the established amount or proportion of commission.

(f) *Interest income*

It is calculated and determined according to the time when other people use the Group's monetary fund and the actual interest rate.

(g) *Rental income*

The rental income of operating lease is recognized by the straight line method during each period of the lease term, and the contingent rental is included in the profits and losses of the current period when it actually occurs.

## **8. Deferred Tax Assets and Deferred Tax Liabilities**

Deferred tax assets and deferred tax liabilities are recognized based on the temporary differences between the tax bases and the carrying amount of assets and liabilities. A deferred tax asset shall be recognized for deductible losses to the extent that it is probable that tax profit will be available against which the deductible losses can be utilized in accordance with tax law. Deferred tax liabilities for temporary taxable differences relating to goodwill are not recognized to the extent they arise from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognized if the temporary differences arise 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. As at balance sheet date, deferred tax assets and deferred tax liabilities are determined using the applicable tax rates that are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

## 9. Critical Accounting Estimates and Judgments

Estimates and judgments 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.

### (1) Taxation

The Group is subject to various taxes in many countries, such as income tax and VAT. Significant judgment is required in determining the account for such taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Based on the estimates of anticipated tax items, the Group determines whether additional taxes are required in the future to recognize the liabilities of tax items. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax amount for the period in which the judgment is made.

Deferred tax assets are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax in the periods in which such estimate is changed.

## 10. Changes in Critical Accounting Policies and Estimates

### (1) Changes in critical accounting policies

The Ministry of Finance issued “CAS 21 – Lease” (hereinafter referred to as “New Lease Standards”) on 13 December 2018. It issued ““The Notice of Revising and Issuing the Format of General Enterprise Financial Statements in 2019” (Caikuai [2019] No. 6)” and its interpretation. The Group has prepared its financial statements for 30 June 2019 in accordance with the above-mentioned standard and notice.

#### 1) The impact of New Lease Standard

The Ministry of Finance issued “CAS 21 – Lease” (hereinafter referred to as “New Lease Standards”) on 13 December 2018. The New Lease Standard adopt a single model similar to the current financial lease accounting treatment. The lessee has been required to recognize all leases except short-term leases and low-value leases, and recognize depreciation and interest costs separately. The Group has been carrying out accounting treatment since 1 January 2019 in accordance with the New Lease Standard. According to the cohesion rules, the information during the comparable period is not adjusted. The difference between the first implementation of the New Lease Standard and the current lease standard retrospectively adjusts the retained earnings at the beginning of the reporting period. There is RMB6,766,981.52 retained earnings at the beginning of the period has been reduced due to the change of lease standard, among them, total equity attributable to shareholders of the Company decreased by RMB6,138,120.63 and non-controlling interests decreased by RMB628,860.89.

The main impact of the changes in accounting policies caused by the above New Lease Standard on the Group's financial statements as at 1 January 2019 is as follows (unaffected items are not listed):

(a) Consolidated financial statement

Items	Carrying amount	Reclassification	Recalculation	Carrying amount
	applying original standards			applying new standards
	31 Dec 2018			1 Jan 2019
Prepayments	264,987,827.45	-	-1,258,054.66	263,729,772.79
Other receivables	928,431,789.73	-	-511.50	928,431,278.23
Property, plant and equipment	3,224,720,949.14	-327,937,170.14	-	2,896,783,779.00
Right-to-use assets	-	327,937,170.14	94,363,094.76	422,300,264.90
Long-term deferred expenses	224,093,001.19	-	-15,749,679.22	208,343,321.97
Non-current assets due within one year	170,826,135.24	-	37,982,769.74	208,808,904.98
Accounts payable	1,522,525,538.63	-	968,260.26	1,523,493,798.89
Lease liabilities	-	141,946,600.86	45,170,800.90	187,117,401.76
Long-term payables	147,696,759.15	-141,946,600.86	-	5,750,158.29
Total equity attributable to shareholders of the Company	2,708,521,621.81	-	-6,138,120.63	2,702,383,501.18
Non-controlling interests	420,762,299.14	-	-628,860.89	420,133,438.25

(b) Financial statement of the Company

Items	Carrying amount	Reclassification	Recalculation	Carrying amount
	applying original standards			applying new standards
	31 Dec 2018			1 Jan 2019
Right-to-use assets	-	-	5,373,171.48	5,373,171.48
Non-current assets due within one year	53,500,000.00	-	5,373,171.48	58,873,171.48

2) *Financial statement reporting adjustment*

According to “The Notice of Revising and Issuing the Format of General Enterprise Financial Statements in 2019” (Caikuai [2019] No. 6)” and its interpretation issued by the Ministry of Finance, in addition to the changes in presentation of the implementation of the New Lease Standard, the Group divides the “notes receivable and accounts receivable” item into “notes receivable” and “accounts receivable”, divides the “notes payable and accounts payable” item into “notes payable” and “accounts payable”, adjusts “less: impairment loss of assets” to “add: impairment loss of assets” (loss is listed by “-”), adjusts “less: impairment loss of credit” to “add: impairment loss of credit” (loss is listed by “-”), and moves the above two items behind the “Gain arising from the changes in fair value”, adding one subitem of investment income, which is “the income of derecognition of financial assets measured at amortized cost”. Interest receivable on the balance sheet date when the relevant financial instruments are due is reported as “interest receivable”. Interest on the financial instruments based on the real interest rate method should be included in the book balance of the relevant financial instruments.

The impact of retrospective restatement of financial statements due to changes in the format of the new financial statements on the consolidated and the Parent company's balance sheet as at 31 December 2018 is as follows:

(a) Consolidated balance sheet

Items	31 Dec 2018	Reclassification	1 Jan 2019
Notes receivable	–	1,128,945,186.86	1,128,945,186.86
Accounts receivable	–	2,636,400,832.87	2,636,400,832.87
Notes receivable and accounts receivable	3,765,346,019.73	-3,765,346,019.73	–
Other receivables	928,431,789.73	-2,148,080.34	926,283,709.39
Loans and advances to customers	1,154,317,102.20	2,148,080.34	1,156,465,182.54
Notes payable	–	1,225,850,904.13	1,225,850,904.13
Accounts payable	–	1,522,525,538.63	1,522,525,538.63
Notes payable and accounts payable	2,748,376,442.76	-2,748,376,442.76	–
Short-term loans	911,696,617.94	1,821,232.74	913,517,850.68
Due to customers banks and other financial institutions	1,334,738,381.17	2,074,280.04	1,336,812,661.21
Other payables	599,204,267.53	-13,156,812.78	586,047,454.75
Bonds payable	799,143,854.22	9,261,300.00	808,405,154.22

(b) Balance sheet of the Parent company

Items	31 Dec 2018	Reclassification	1 Jan 2019
Other payables	62,986,536.29	-9,261,300.00	53,725,236.29
Bonds payable	799,143,854.22	9,261,300.00	808,405,154.22

(2) *There are no significant changes in accounting estimates in the current period.*

(3) *There are no major adjustments of prior accounting errors in the current period.*

## IV. TAXATION

### 1. Main categories of tax and corresponding tax rate

Category of tax	Tax base	Tax rate
<b>Chinese enterprise</b>		
Enterprise income tax	Taxable income	15%, 25% and 0%
Value-added tax (“VAT”)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	16%, 13%, 10%, 9%, 6%
VAT (easy to collect)	Taxable value-added amount multiplied by VAT collection rate	5%, 3%
City maintenance and construction tax	Taxable amounts of VAT	5% and 7%
Educational surcharge	Taxable amounts of VAT	2% and 3%
Property tax	70% of the original value of the property or rental income	1.2%, 12%
Land use tax	Land occupation area	RMB10/square metre/year, RMB20/square metre/year, RMB16/square metre/year, RMB14/square metre/year, RMB8/square metre/year
<b>Profit tax in Hong Kong</b>	—	16.5%
<b>Profit tax for other regions/countries</b>	—	15.2%, 20%, 34%, 39%

*Note:* According to the announcement (Ministry of Finance, State Taxation Administration and General Administration of Customs [2019] No.39) jointly issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs on 20 March 2019, VAT on sales or imported goods originally applicable to 16% and 10% will be adjusted to 13% and 9% respectively from 1 April 2019.

### 2. Tax preference

#### *Income tax preference*

- a. According to announcement of in-depth implementing the western development strategy on the problem of enterprise income tax which was issued by the State Taxation Administration on April 6, 2012 (The State Taxation Administration announcement No.12, 2012), management of the Group believes that its subsidiaries which were approved by Chongqing State Taxation Administration to enjoy 15% preferential enterprise income tax rate from 2001 to 2011, is still eligible to enjoy 15% preferential enterprise income tax rate from 2012 to 2020.

- b. According to the relevant tax preferential policies of the state for high-tech enterprises, certified high-tech enterprises can enjoy preferential policies of enterprise income tax and pay enterprise income tax at a reduced rate of 15%.

The following companies in this Group enjoy a preferential tax rate of 15% in this period because they have obtained the Certificate of High-tech Enterprises, including Chongqing General Industry (Group) Co.,Ltd (certificate of high-tech enterprises No. GR201751100440), Jilin Chongtong Chengfei New Material Co., Ltd. (certificate of high-tech enterprises No. GF201522000016), Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd. (certificate of high-tech enterprises No. GR201751100272), Chongqing Industrial Enabling Innovation Center Co., Ltd. (certificate of high-tech enterprises No. GR201851100040), Chong Tong Chengfei Wind Power Equipment Jiangsu Co., Ltd. (certificate of high-tech enterprises No. GR201832003842).

- c. Since the urban sewage treatment program engaged by Chongqing General Industry (Group) Tong Kang Water Affairs Co., Ltd. meets the requirements of document (Cai shui [2009] No. 166), the corporate income tax shall be exempted from the first year to the third year and halved from the fourth year to the sixth year starting from the tax year in which the first production and operation income is obtained by the program. The preference period is from 1 January 2014 to 31 December 2019. The Company has filed the corporate income tax preference on July 12, 2016.
- d. The Group's subsidiary, Xinjiang Fubaotian Cotton-picking Service Co., Ltd. ("Fubaotian") is engaged in agricultural machinery operations and its income is exempted from enterprise income tax.

## V. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Operating Revenue & Operating Cost

#### (1) Operating revenue & operating cost

Items	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Revenue	Cost	Revenue	Cost
Main operations	2,348,732,016.32	1,920,196,374.57	2,679,037,789.71	2,127,846,900.73
Other operations	54,230,343.77	23,938,579.81	54,835,816.84	31,277,432.94
Interest	34,387,621.46	6,186,612.31	33,870,973.44	4,561,659.34
Transaction fees and commission income	25,541.12	61,983.93	214,558.62	54,420.31
Total	<u>2,437,375,522.67</u>	<u>1,950,383,550.62</u>	<u>2,767,959,138.61</u>	<u>2,163,740,413.32</u>

*Note:* Interest income, transaction fees and commission income are derived from the Finance Company. Interest expense, transaction fees and commission expense are related to costs of Finance Company.

#### (2) Income from contracts

Classification of contract	High-end intelligent equipment business	Clean energy equipment business	Industrial service business	Total
Types of goods	674,586,701.10	1,702,556,946.47	60,231,875.10	2,437,375,522.67
Including: standardized product	96,924,555.16	1,052,483,668.17	–	1,149,408,223.33
Non-standardized product	577,662,145.94	650,073,278.30	60,231,875.10	1,287,967,299.34
Classified by region	674,586,701.10	1,702,556,946.47	60,231,875.10	2,437,375,522.67
Including: mainland of China	609,519,832.55	1,631,204,736.55	60,231,875.10	2,300,956,444.20
Others	65,066,868.55	71,352,209.92	–	136,419,078.47
Types of contracts	674,586,701.10	1,702,556,946.47	60,231,875.10	2,437,375,522.67
Including: Equipment sales contract	643,231,302.53	940,664,109.82	3,357,718.63	1,587,253,130.98
Service contract	6,415,732.48	21,650,213.85	56,874,156.47	84,940,102.80
Materials sales contract	24,939,666.09	740,242,622.80	–	765,182,288.89
Classified by time of revenue recognition	674,586,701.10	1,702,556,946.47	60,231,875.10	2,437,375,522.67
Including: Recognizes revenue at a point in time	674,586,701.10	1,649,683,853.17	59,448,248.85	2,383,718,803.12
Recognizes revenue over time	–	52,873,093.30	783,626.25	53,656,719.55
Classified by sales channel	674,586,701.10	1,702,556,946.47	60,231,875.10	2,437,375,522.67
Including: direct sales	669,174,255.10	1,317,353,527.41	60,231,875.10	2,046,759,657.61
Distribution	5,412,446.00	384,863,137.62	–	390,275,583.62
Internet sales	–	340,281.44	–	340,281.44

### (3) *Information related to performance obligations*

The Group's transaction types involving performance obligations are sales of goods, provision of services and sales of materials. The Group fulfills its performance obligations under the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized.

The performance obligations of contract of providing of hydropower stations EPC is satisfied over time, the Group recognizes revenue over time. That is, according to the progress of the performance, the Group recognizes the contract revenue of the project with the actually occurred contract cost plus contract gross profit.

The usual time of performance is about 3-4 days to 2 years. According to the type of customer and the relevant terms of performance, the Group required to collect part of contract price for inputting production materials. When the goods are completed, the Group collect part of the contract price for shipping the goods. Usually, the control of the goods has been transferred after the goods has been delivered to the carrier.

The hydropower station EPC project has a long contractual performance period. The contract stipulates the term of payment by stages. The two parties of the contract will confirm the settlement according to the progress of completion of the contract. The warranty period is usually 2 years after the completion of the project.

### (4) *Information related to the transaction price allocated to the remaining performance obligation*

The amount of revenue corresponding to the performance obligation that has been signed but has not been fulfilled or has not been fulfilled is RMB3,264,681,947.92 at the end of the current period.

## 2. Other income

Items	For the six months ended 30 June	
	2019	2018
Innovative development project grants	29,300,070.00	10,000,000.00
Amortization of relocation compensation	7,699,204.18	9,815,489.62
Special funds for industry and informatization	4,190,000.00	4,100,000.00
Finance subsidy fund for suppliers of intelligent manufacturing system solutions of Chongqing Economic and Information Commission	2,000,000.00	–
Stable subsidy	1,755,195.12	571,570.00
Subsidy income of intelligent manufacturing projects	1,497,549.12	211,178.86
Subsidy income for other projects	2,470,667.62	817,397.51
Tax returns	7,327,158.72	3,196,579.96
Jiangjin District innovation incentive support subsidy fund	1,220,100.00	280,000.00
Innovation subsidy fund for gear grinding machine	–	8,000,000.00
New model of digital workshop for manufacturing core components of super-high head impulse turbine	–	7,000,000.00
Industrial development fund	–	2,302,000.00
Others	146,979.03	14,465,027.64
Total	<u>57,606,923.79</u>	<u>60,759,243.59</u>



### 3. Investment Income

Items	For the six months ended 30 June	
	2019	2018
Investment income from long-term equity investments under equity method	155,987,807.84	227,196,327.78
Investment income from disposals of financial assets held for trade	280,782.54	–
Investment income from disposals of available-for-sale financial assets	–	3,310,068.49
Investment income from Capital-Guaranteed financial assets	2,983,068.49	–
Others	<u>-277,105.25</u>	<u>–</u>
Total	<u>158,974,553.62</u>	<u>230,506,396.27</u>

### 4. Gain and loss arising from the changes in fair value

Item	For the six months ended 30 June	
	2019	2018
Financial assets held for trade		
Financial assets at fair value through profit or loss	<u>4,808,649.57</u>	<u>-104,916.90</u>
Total	<u>4,808,649.57</u>	<u>-104,916.90</u>

### 5. Gains on Disposals of Assets

Items	For the six months ended 30 June		Amount recognized in extraordinary profit and loss for the six months ended June 30, 2019
	2019	2018	
Gains on disposals of non-current assets which are not classified as held for sale	129,750,870.38	623,652.43	129,750,870.38
Including: Gains on disposals of property, plant and equipment	77,703,336.53	623,652.43	77,703,336.53
Gains on disposals of intangible assets	52,047,533.85	–	52,047,533.85
Gains on disposals of non-current assets which are classified as held for sale	4,672,160.97	–	4,672,160.97
Including: Gains on disposals of property, plant and equipment	3,947,342.13	–	3,947,342.13
Gains on disposals of intangible assets	<u>724,818.84</u>	<u>–</u>	<u>724,818.84</u>
Total	<u>134,423,031.35</u>	<u>623,652.43</u>	<u>134,423,031.35</u>

## 6. Non-operating income

Items	For the six months ended 30 June		Amount recognized in extraordinary profit and loss for the six months ended June 30,
	2019	2018	2019
Income of debt restructuring	–	1,155,518.94	–
Penalty incomes, default compensation	<b>445,013.86</b>	–	445,013.86
Government grants	<b>347,750.02</b>	3,143,100.00	347,750.02
Others	<b>2,425,281.67</b>	2,671,411.03	2,425,281.67
Total	<b><u>3,218,045.55</u></b>	<b><u>6,970,029.97</u></b>	<b><u>3,218,045.55</u></b>

## 7. Income Tax Expense

Items	For the six months ended 30 June	
	2019	2018
Current income tax calculated according to tax law and relevant provision	<b>32,426,979.07</b>	27,312,203.70
Adjustment of Differences in Settlement and Settlement	<b>1,595,393.88</b>	–
Deferred income tax	<b>13,433,664.11</b>	-991,486.45
Total	<b><u>47,456,037.06</u></b>	<b><u>26,320,717.25</u></b>

## 8. Cash and Cash Equivalents

Items	30 June 2019	31 December 2018
Cash	1,158,025.55	879,802.59
Deposit at bank	<u>1,598,642,064.12</u>	<u>1,569,463,592.47</u>
Balance of cash and cash equivalents at the end of this period	<b>1,599,800,089.67</b>	1,570,343,395.06
Other currency equivalents	<u>577,580,632.62</u>	<u>594,326,911.12</u>
Total	<u><b>2,177,380,722.29</b></u>	<u>2,164,670,306.18</u>
Include: Amount deposit in the overseas	<u><b>4,371,582.97</b></u>	<u>13,349,574.40</u>

### *Restricted cash at the end of the period*

Items	30 June 2019
Deposits for bank acceptance bills	255,066,269.38
Deposits for letters of credit	620,000.00
Deposits for letters of guarantee	95,318,892.52
Time deposit of restricted right of use	101,057,907.20
Statutory reserve	<u>125,517,563.52</u>
Total	<u><b>577,580,632.62</b></u>

## VI. SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

### 1. Details of Extraordinary Profit or Loss for the Period

- (1) In accordance with the requirements of the “Explanatory Announcement on Information Disclosure for Companies Offering Securities to the Public No.1 – Extraordinary Profit or Loss (2008)” issued by the China Securities Regulatory Commission, extraordinary profit or loss of the Group in January-June 2019 are as follows:

Item	For the six months ended June 30, 2019
Gains and losses from disposal of non-current assets	134,423,031.35
Tax rebate occasionally	7,327,158.72
Government grants included in the profit or loss for the period	50,279,765.07
Devaluation of receivables prepared to be reversed for impairment testing alone	12,500,667.75
The Impact of Social Security Policy Change on the Expenses of Retired Personnel	9,969,000.00
Fair Value Change Gains and Losses	4,808,649.57
Interest earnings during purchasing and financing Holdings	2,983,068.49
Other non-operating income and expenses apart from the above	<u>273,170.51</u>
Sub-total	<u>222,564,511.46</u>
Impact on income tax	30,630,275.31
Impact on non-controlling interest (after tax)	<u>5,015,645.91</u>
Total	<u><u>186,918,590.24</u></u>

## 2. Return on Net Assets and Earnings Per Share

In accordance with the requirements of the “Preparation Rules for Information Disclosures by Companies Offering Securities to the Public No.9 – Calculations and Disclosures for Return on Net Assets and Earnings Per Share (Revised in 2010)” issued by the China Securities Regulatory Commission, the weighted average return on net assets, basic earnings per share and diluted earnings per share of the Group in January-June 2019 are as follows:

Profit for the reporting period	Amount	Weighted average return on net assets (%)	Earnings per share	
			Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of parent company	163,618,899.53	2.40	0.0444	0.0444
Weighted average net asset amount	6,813,706,023.08	—	—	—
Number of Common Shares Issued Outside	3,684,640,154.00	—	—	—
Net profit attributable to the shareholders of the Company	186,918,590.24	—	—	—
Net profit attributable to the shareholders of the Company (excluding: extraordinary profit and loss)	<u>-23,299,690.71</u>	<u>-0.34</u>	<u>-0.0063</u>	<u>-0.0063</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **RESULTS OVERVIEW**

#### **Sales**

For the six months ended 30 June 2019, the Group's total revenue amounted to approximately RMB2,437.4 million, a decrease of approximately 11.9% as compared with approximately RMB2,768.0 million for the same period of last year.

Overall, revenue of the clean energy equipment segment was approximately RMB1,702.6 million (accounting for approximately 69.9% of the total revenue), a decrease of approximately 8.9%; revenue of the high-end intelligent manufacturing segment was approximately RMB674.6 million (accounting for approximately 27.7% of the total revenue), a decrease of approximately 16.0%; revenue of the industrial service segment was approximately RMB59.6 million (accounting for approximately 2.4% of the total revenue), a decrease of approximately 37.5%.

During the Period, the sales revenue of the clean energy equipment segment declined, mainly due to the decrease in sales revenue of the wind power blade business affected by the short supply of raw materials. The sales revenue of the high-end intelligent manufacturing segment declined, mainly due to the insufficient market demand affected by domestic and international economic downturns. The industrial service segment business was affected by the downturn of foreign trade business. It is expected that the Group will be under steady operation as a whole in 2019.

There has been no significant change in the possible future development of the Group's business and the Group's outlook for the financial year of 2019 since the publication of the Group's annual report for the year ended 31 December 2018.

#### **Gross Profit**

The gross profit for the six months ended 30 June 2019 was approximately RMB487.0 million, a decrease of approximately RMB117.2 million or approximately 19.4% as compared with approximately RMB604.2 million for the same period of last year mainly because of the decrease in operating revenue of the wind power blade business and CNC machine tool business of the Group, resulting in the decrease in gross profit. The Group's gross profit is expected to remain stable in the second half of 2019.

#### **Other Income**

Other income for the six months ended 30 June 2019 were approximately RMB57.6 million, a decrease of approximately RMB3.2 million or approximately 5.2% as compared with approximately RMB60.8 million for the same period of last year.

## **Gain on Disposal of Assets**

Gain on disposal of assets for the six months ended 30 June 2019 were approximately RMB134.4 million, a significantly increase of approximately RMB133.8 million as compared with approximately RMB0.6 million for the same period of last year, which was mainly attributable to the income from land disposal during the Period.

## **Selling and Administrative Expenses**

The selling and administrative expenses for the six months ended 30 June 2019 were approximately RMB392.7 million, a decrease of approximately RMB6.0 million or approximately 1.5% as compared with approximately RMB398.7 million for the same period of last year. The ratio of selling and administrative expenses to sales increased from approximately 14.4% in the same period last year to approximately 16.1%, mainly due to an increase in sales, transportation and after-sales service expenditures of approximately RMB13.1 million compared to the same period last year. Conversely, the administrative expenses decreased by approximately RMB18.8 million compared to the same period last year, mainly due to a decrease in staff cost and office expense.

## **Operating Profit**

The operating profit for the six months ended 30 June 2019 was approximately RMB223.4 million, a decrease of approximately RMB42.5 million or approximately 16.0% as compared with approximately RMB265.9 million for the same period of last year, mainly due to a decrease in business operating revenue.

## **Net Finance Costs**

The net interest expenses for the six months ended 30 June 2019 was approximately RMB78.6 million, an increase of approximately RMB15.8 million or approximately 25.2% as compared to approximately RMB62.8 million for the same period of last year, mainly due to an increase in scale of financing for the Period.

## **Investment Income**

For the six months ended 30 June 2019, the Group's investment income was approximately RMB159.0 million, representing a decrease of approximately RMB71.5 million as compared with approximately RMB230.5 million for the same period of 2018. Of which, the Group's share of investment income from associates and joint ventures was approximately RMB156.0 million, representing a decrease of approximately RMB71.2 million, which was due to the decrease in the sales of the high-horsepower product of Chongqing Cummins Engine Co., Ltd. in the market, resulting in a decrease of approximately RMB35.5 million of investment income compared to the same period last year. Additionally, the performance of Chongqing ABB Transformer Co., Ltd. and Chongqing Hongyan Fangda Automotive Suspension Co., Ltd. decreased by approximately RMB14.9 million and approximately RMB8.8 million respectively compared to the same period last year.

## **Income Tax Expenses**

The income tax expenses for the six months ended 30 June 2019 were approximately RMB47.5 million, an increase of approximately RMB21.2 million or approximately 80.3% as compared with approximately RMB26.3 million for the same period of last year, which was mainly due to an increase in current income tax payable and deferred income tax.

## **Profit Attributable to Shareholders**

Profit attributable to shareholders for the Period was approximately RMB163.6 million, a decrease of approximately RMB64.2 million or approximately 28.2% as compared with approximately RMB227.8 million for the same period of last year. Earnings per share decreased from approximately RMB0.06 in the same period last year to approximately RMB0.04 in the current Period.



## BUSINESS PERFORMANCE

The table below sets forth the revenue, gross profit and segment results attributable to our major business segments for the periods indicated:

	<u>Revenue</u>		<u>Gross Profit</u>		<u>Segment Results</u>	
	<u>Period ended</u>		<u>Period ended</u>		<u>Period ended</u>	
	<u>30 June</u>		<u>30 June</u>		<u>30 June</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<i>(RMB in millions, except for percentage)</i>					
						<i>Note</i>
<b>Clean energy equipment business</b>						
Hydropower equipment	<b>289.8</b>	260.4	<b>63.5</b>	38.7	<b>11.7</b>	(11.2)
Electrical wires and cables	<b>710.4</b>	728.5	<b>104.1</b>	107.5	<b>78.4</b>	51.2
General machinery	<b>331.9</b>	547.2	<b>47.5</b>	102.0	<b>(80.8)</b>	3.5
Other products	<b>370.5</b>	333.2	<b>134.9</b>	132.7	<b>122.4</b>	28.4
Total	<b><u>1,702.6</u></b>	<u>1,869.3</u>	<b><u>350.0</u></b>	<u>380.9</u>	<b><u>131.7</u></b>	<u>71.9</u>
% of total	<b>69.9%</b>	67.5%	<b>71.9%</b>	63.0%	<b>58.9%</b>	27.0%
<b>High-end intelligent manufacturing business</b>						
CNC machine tools	<b>305.4</b>	418.5	<b>48.7</b>	105.3	<b>(76.3)</b>	(22.1)
Steering systems	<b>237.2</b>	222.7	<b>40.5</b>	42.6	<b>10.4</b>	7.1
Other products	<b>132.0</b>	161.5	<b>15.6</b>	38.0	<b>17.1</b>	17.3
Total	<b><u>674.6</u></b>	<u>802.7</u>	<b><u>104.8</u></b>	<u>185.9</u>	<b><u>(48.8)</u></b>	<u>2.3</u>
% of total	<b>27.7%</b>	29.0%	<b>21.5%</b>	30.8%	<b>(21.8%)</b>	0.9%
<b>Industrial services business</b>						
Trade	<b>25.0</b>	56.7	<b>3.3</b>	3.9	<b>0.5</b>	3.8
Financial	<b>34.4</b>	33.9	<b>28.1</b>	29.3	<b>26.8</b>	21.6
Other services	<b>0.2</b>	4.8	<b>0.2</b>	3.6	<b>(2.5)</b>	–
Total	<b><u>59.6</u></b>	<u>95.4</u>	<b><u>31.6</u></b>	<u>36.8</u>	<b><u>24.8</u></b>	<u>25.4</u>
% of total	<b>2.4%</b>	3.5%	<b>6.5%</b>	6.1%	<b>11.1%</b>	9.6%
<b>Headquarters</b>						
Total	<b><u>0.6</u></b>	<u>0.6</u>	<b><u>0.6</u></b>	<u>0.6</u>	<b><u>115.7</u></b>	<u>166.3</u>
% of total	<b>–%</b>	–%	<b>0.1%</b>	0.1%	<b>51.8%</b>	62.5%
<b>Total</b>	<b><u>2,437.4</u></b>	<u>2,768.0</u>	<b><u>487.0</u></b>	<u>604.2</u>	<b><u>223.4</u></b>	<u>265.9</u>

*Note:* figures of segment results were adjusted to include finance costs and investment income.

## **CLEAN ENERGY EQUIPMENT**

Revenue from the clean energy equipment segment for the six months ended 30 June 2019 was approximately RMB1,702.6 million, a decrease of approximately RMB166.7 million or approximately 8.9% as compared with approximately RMB1,869.3 million for the six months ended 30 June 2018, which was primarily due to the short supply of raw materials of wind power blade globally, directly resulting in a significant decrease in product delivery and a decrease in sales revenue in the first half of the year.

During the Period, the gross profit for the clean energy equipment segment was approximately RMB350.0 million, a decrease of approximately RMB30.9 million or approximately 8.1% as compared with approximately RMB380.9 million for the six months ended 30 June 2018, which was primarily due to the decrease in sales revenue and gross profit of the wind power blade business.

The results for the clean energy equipment segment for the six months ended 30 June 2019 were approximately RMB131.7 million, a significant increase of approximately RMB59.8 million or approximately 83.2% as compared with the results of approximately RMB71.9 million for the six months ended 30 June 2018, which were primarily because there was land disposal income in this operating segment.

## **HIGH-END INTELLIGENT MANUFACTURING**

Revenue from the high-end intelligent manufacturing segment for the six months ended 30 June 2019 was approximately RMB674.6 million, a decrease of approximately RMB128.1 million or approximately 16.0% as compared with approximately RMB802.7 million for the six months ended 30 June 2018, which was mainly due to the insufficient market demand affected by the downward trend of domestic and overseas economy, resulting in a decrease in sales revenue of the smart gear machine tools and smart screw machine tools businesses.

During the Period, gross profit for the high-end intelligent manufacturing segment was approximately RMB104.8 million, a decrease of approximately RMB81.1 million or 43.6% as compared with approximately RMB185.9 million for the six months ended 30 June 2018, primarily due to the decrease of approximately RMB113.1 million in the revenue of the smart gear machine tool business and the decrease of its gross profit margin from 25.2% in the same period last year to 15.7%.

For the six months ended 30 June 2019, the results for the high-end intelligent manufacturing segment recorded a loss of approximately RMB48.8 million, an increase in loss of approximately RMB51.1 million as compared with a profit of approximately RMB2.3 million for the six months ended 30 June 2018, primarily due to the increase in loss of the smart gear machine tool business.

## **INDUSTRIAL SERVICE**

Revenue from the industrial service segment for the six months ended 30 June 2019 was approximately RMB59.6 million, a decrease of approximately RMB35.8 million or approximately 37.5% as compared with approximately RMB95.4 million for the six months ended 30 June 2018, mainly due to the decrease in revenue from the foreign trade business.

During the Period, gross profit for the industrial service segment was approximately RMB31.6 million, a decrease of approximately RMB5.2 million or approximately 14.1% as compared with approximately RMB36.8 million for the six months ended 30 June 2018.

For the six months ended 30 June 2019, the results for the industrial service segment amounted to approximately RMB24.8 million, a decrease of approximately RMB0.6 million or approximately 2.4% as compared with approximately RMB25.4 million for the six months ended 30 June 2018.

## **CASH FLOW**

As at 30 June 2019, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB2,177.4 million (31 December 2018: approximately RMB2,164.7 million), representing an increase of approximately RMB12.7 million or approximately 0.6%.

During the Period, the Group had a net cash flow generated from operating activities of approximately RMB-131.2 million (for the six months ended 30 June 2018: net cash flow generated from operating activities of approximately RMB-168.7 million), a net cash flow generated from investing activities of approximately RMB-423.9 million (for the six months ended 30 June 2018: a net cash flow generated from investing activities of approximately RMB410.3 million), and a net cash flow generated from financing activities of approximately RMB584.1 million (for the six months ended 30 June 2018: a net cash flow generated from financing activities of approximately RMB-5.2 million).

## **FINANCIAL ASSETS HELD FOR TRADE**

As at 30 June 2019, the total amount of financial assets held for trade of the Group was approximately RMB305.2 million, an increase of approximately RMB300.1 million as compared with approximately RMB5.1 million as at 31 December 2018, primarily due to the structural deposit transaction agreement between the Company and banks during the Period.

## **TRADE AND OTHER RECEIVABLES**

As at 30 June 2019, the total trade and other receivables of the Group amounted to approximately RMB4,213.0 million, an increase of approximately RMB648.2 million as compared with approximately RMB3,564.8 million as at 31 December 2018. The increase in trade receivables of the Company of approximately RMB445.0 million was primarily due to the increase in hydropower, cables and wires and pump businesses of approximately RMB325.0 million, the increase in high-end intelligent manufacturing business of approximately RMB99.0 million, and the increase in other receivables of approximately RMB203.2 million was primarily attributable to the receivables from land disposal of approximately RMB234.0 million.

## **TRADE AND OTHER PAYABLES**

As at 30 June 2019, the total trade and other payables of the Group amounted to approximately RMB2,574.4 million, an increase of approximately RMB452.7 million as compared with approximately RMB2,121.7 million as at 31 December 2018. The increase in trade payables of the Company of approximately RMB321.4 million was primarily due to the increase in raw materials procured for general machinery, hydropower, cables and wires businesses, and the increase in other receivables of approximately RMB131.3 million was primarily attributable to the outstanding dividend payables to the shareholders of 2018.

## **ASSETS AND LIABILITIES**

As at 30 June 2019, the total assets of the Group amounted to approximately RMB17,421.8 million, an increase of approximately RMB1,144.1 million as compared with approximately RMB16,277.7 million as at 31 December 2018. The total current assets amounted to approximately RMB11,549.6 million, an increase of approximately RMB1,019.5 million as compared with approximately RMB10,530.1 million as at 31 December 2018, accounting for approximately 66.3% of the total assets (31 December 2018: approximately 64.7%). However, the total non-current assets amounted to approximately RMB5,872.3 million, an increase of approximately RMB124.7 million as compared with approximately RMB5,747.6 million as at 31 December 2018, and accounting for approximately 33.7% of the total assets (31 December 2018: approximately 35.3%).

As at 30 June 2019, the total liabilities of the Group amounted to approximately RMB10,176.6 million, an increase of approximately RMB1,128.6 million as compared with approximately RMB9,048.0 million as at 31 December 2018. The total current liabilities amounted to approximately RMB7,110.9 million, an increase of approximately RMB374.6 million as compared with approximately RMB6,736.3 million as at 31 December 2018, accounting for approximately 69.9% of the total liabilities (31 December 2018: approximately 74.5%). However, the total non-current liabilities amounted to approximately RMB3,065.8 million, an increase of approximately RMB754.1 million as compared with approximately RMB2,311.7 million as at 31 December 2018, and accounting for approximately 30.1% of the total liabilities (31 December 2018: approximately 25.5%).

As at 30 June 2019, the net current assets of the Group amounted to approximately RMB4,438.7 million, an increase of approximately RMB644.9 million as compared with approximately RMB3,793.8 million as at 31 December 2018.

## **CURRENT RATIO**

As at 30 June 2019, the current ratio (the ratio of current assets over current liabilities) of the Group was 1.62:1 (31 December 2018: 1.56:1).

## **GEARING RATIO**

As at 30 June 2019, by dividing borrowings by total capital, the gearing ratio of the Group was 33.8% (31 December 2018: 29.5%).

## **INDEBTEDNESS**

As at 30 June 2019, the Group had an aggregate bank and other borrowings (including bonds payable) of approximately RMB3,201.2 million, an increase of approximately RMB579.6 million as compared with approximately RMB2,621.6 million (including bonds payable) as at 31 December 2018.

Borrowings repayable by the Group within one year amounted to approximately RMB886.6 million, a decrease of approximately RMB91.8 million as compared with approximately RMB978.4 million as at 31 December 2018. Borrowings repayable after one year (including bonds payable) amounted to approximately RMB2,314.6 million, an increase of approximately RMB671.4 million as compared with approximately RMB1,643.2 million as at 31 December 2018.

## **SIGNIFICANT EVENTS**

### **Events in the Period**

On 26 June 2019, the Company held the annual general meeting to consider and approve the following matters:

- (1) Re-election of the members of the fifth session of the Board: Mr. Wang Yuxiang, Ms. Chen Ping and Mr. Yang Quan as executive Directors, Mr. Huang Yong, Mr. Zhang Yongchao, Mr. Dou Bo and Mr. Wang Pengcheng as non-executive Directors, Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei as independent non-executive Directors of the Company. The term of the aforesaid Directors commences from the date of the meeting until expiry of the term of the fifth session of the Board. The Board was authorized to fix the remuneration of each Director pursuant to the remuneration standard for Directors passed at the 2018 annual general meeting and to enter into a service agreement with each of them on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters.

(II) Re-election of the members of the fifth session of the supervisory committee of the Company, and Mr. Sun Wenguang, Ms. Wu Yi and Mr. Wang Haibing were appointed as the supervisors. Mr. Xia Hua and Mr. Li Fangzhong were democratically elected as employee representative supervisors. The term of aforesaid supervisors commences from the date of the meeting until expiry of the term of the fifth session of the supervisory committee. The Board was authorized to fix the remuneration of each supervisor pursuant to the remuneration standard for supervisors passed at the 2018 annual general meeting and to enter into a service agreement with each of them on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters.

Save as disclosed above, the Company did not have any other material events that were subject to disclosure during the Period.

## **SUBSEQUENT EVENTS**

The Group had no significant subsequent event.

## **CONTINGENT LIABILITIES**

As at 30 June 2019, the Group had no significant contingent liabilities.

## **CAPITAL EXPENDITURE**

During the Period, the total capital expenditure of the Group was approximately RMB87.5 million, which was principally used for plant expansion, production technology improvement and production equipment intelligentization upgrade (for the six months ended 30 June 2018: approximately RMB217.0 million).

## **TREASURY POLICIES**

The Group has adopted treasury policies, which concentrate the financial resources available to its different subsidiaries to meet the business needs of its different subsidiaries through the subsidiaries involved with financial services qualifications of the Group. For example, the Group has adopted a centralised approach in managing the funds available to subsidiaries involved, including cash, bank deposits, securities, bills and other financial instruments. These assets, such as bills and financial instruments, are managed and arranged as short-term financing amongst subsidiaries with financial services qualifications of the Group through proper endorsements or transfers so that they can be fully utilized to meet payment obligations of the Group's relevant subsidiaries with minimal financing cost. The Group closely monitors the level of use and the financial guarantees given by the Group at the time of financing and the value of each of these transactions only represents an immaterial part of its total assets and undertakings.

## **RISK OF FOREIGN EXCHANGE**

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollar and US dollar. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functioning currency. Management has set up a management system of foreign exchange hedges, requiring all subsidiaries of the Group to manage the foreign exchange risk against their functional currency and adopt foreign exchange tools recognized by the Group.

## **EMPLOYEES**

As at 30 June 2019, the Group had a total of 8,124 employees (30 June 2018: a total of 7,960 employees). The Group will continue the upgrade of its technical talent base, foster and recruit technical and management personnel possessed with extensive professional experiences, optimise the distribution system that links with the remunerations and performance reviews, improve training supervision on safety so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

## OTHER INFORMATION

### Interests of Substantial Shareholders and Other Persons in Shares and Underlying Shares

As at 30 June 2019, so far as the Directors are aware, the following persons (not being a director, chief executive or supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (“SFO”):

#### *Long positions in domestic shares of the Company with par value of RMB1.00 each*

Name of shareholders	Number of shares	Stock category	Status	Note	Percentage of total issued domestic shares (%)	Percentage of total issued H shares (%)	Percentage of total issued shares (%)
Chongqing Machinery and Electronic Holding (Group) Co., Ltd.	1,924,225,189	Domestic shares	Beneficial owner	(1)	74.46 (L)	-	52.22
	73,978,000	H shares	Beneficial owner	(1)	-	6.72 (L)	2.01
Chongqing Yufu Assets Management Group Co., Ltd.	232,132,514	Domestic shares	Beneficial owner	(1)	8.98 (L)	-	6.30
Chongqing Construction Engineering Group Corporation Limited	232,132,514	Domestic shares	Beneficial owner	(2)	8.98 (L)	-	6.30
China Huarong Asset Management Co., Ltd.	195,962,467	Domestic shares	Beneficial owner	(3)	7.58 (L)	-	5.32
Chongqing State-owned Assets Supervision and Administration Commission	2,388,490,217	Domestic shares	Controlled corporation interest	(1)	92.42 (L)	-	64.82
	73,978,000	H shares	Beneficial owner	(1)	-	6.72 (L)	2.01
Ministry of Finance of the PRC	195,962,467	Domestic shares	Controlled corporation interest	(3)	7.58 (L)	-	5.32

(L) Long Position



*H shares of the Company with par value of RMB1.00 each*

Name of shareholders	Number of		Note	Percentage of	Percentage of
	shares	Status		total issued H shares	total issued shares
The Bank of New York Mellon (formerly known as “The Bank of New York”)	87,276,000 (L) 0 (P)	Custodian		7.93(L) 0(P)	2.37 (L) 0 (P)
The Bank of New York Mellon Corporation	87,276,000 (L) 87,276,000 (P)	Corporation controlled by substantial shareholders	(4)	7.93 (L) 7.93 (P)	2.37 (L) 2.37 (P)
GE Asset Management Incorporated	75,973,334 (L)	Investment manager		6.91 (L)	2.06 (L)

(L) Long Position

(S) Short Position

(P) Lending Pool

*Notes:*

- (1) As Chongqing Machinery and Electronics Holding (Group) Co., Ltd. and Chongqing Yufu Assets Management Group Co., Ltd. are wholly owned by Chongqing State-owned Assets Supervision and Administration Commission, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 1,924,225,189 domestic shares and 73,978,000 H shares as well as 232,132,514 domestic shares of the Company held by the two companies respectively.
- (2) Chongqing Construction Engineering Group Corporation Limited is held as to 76.53% by Chongqing State-owned Assets Supervision and Administration Commission through its wholly-owned Chongqing Construction Investment Holding Co., Ltd. Therefore, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 232,132,514 domestic shares of the Company held by Chongqing Construction Engineering Group Corporation Limited.
- (3) China Huarong Asset Management Co., Ltd.\* (中國華融資產管理股份有限公司) is held as to 63.36% directly by the Ministry of Finance of the People’s Republic of China and as to 4.22% indirectly by the Ministry of Finance of the People’s Republic of China through China Life Insurance (Group) Company, its wholly-owned subsidiary. Therefore, the Ministry of Finance of the People’s Republic of China is deemed to be interested in 195,962,467 domestic shares of the Company held by China Huarong Asset Management Co., Ltd.
- (4) The Bank of New York Mellon Corporation holds 100% interest in The Bank of New York Mellon (formerly known as “The Bank of New York”), which holds 87,276,000 H shares of the Company. The interest in 87,276,000 H shares relates to the same block of shares in the Company and includes a lending pool of 87,276,000 H shares of the Company.

Save as disclosed above, the Directors of the Company are not aware of any persons holding any interests or short positions in the shares or underlying shares which were required to be recorded in the register pursuant to Section 336 of the SFO as at 30 June 2019.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the Period, the Company has adopted and complied with the code provisions under the Corporate Governance Code set out in the Appendix 14 of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has complied with and adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. The Company has obtained the respective confirmations by all of its directors that they have strictly complied with the provisions set out in the Model Code for the six months ended 30 June 2019.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY**

During the six months ended 30 June 2019, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividends.

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

The audit and risk management committee, the management and the Company’s auditor ShineWing Certified Public Accountants (Special General Partnership) have jointly reviewed the accounting standards, laws and regulations adopted by the Company and discussed internal control and financial reporting matters (including the review of the interim results) of the Group. The audit and risk management committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## **BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE**

As at the date of this announcement, the executive Directors of the Company are Mr. Wang Yuxiang, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Zhang Yongchao, Mr. Dou Bo and Mr. Wang Pengcheng; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.

As at the date of this announcement, the members of the Supervisory Committee of the Company are Mr. Sun Wenguang, Ms. Wu Yi, Mr. Wang Haibing, Mr. Xia Hua and Mr. Li Fangzhong.

**PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The interim results announcement has been published on the websites of the Company (<http://www.chinacqme.com>) and the Stock Exchange. The interim report will also be available on the websites of the Company and the Stock Exchange on or around 6 September 2019 and will be dispatched to the shareholders of the Company thereafter by the means of receipt of corporate communications they selected.

By Order of the Board  
**Chongqing Machinery & Electric Co., Ltd.\***  
**Wang Yuxiang**  
*Executive Director and Chairman*

Chongqing, the PRC  
21 August 2019

*As at the date of this announcement, the executive Directors of the Company are Mr. Wang Yuxiang, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Zhang Yongchao, Mr. Dou Bo and Mr. Wang Pengcheng; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.*

\* *For identification purposes only*