



# 重慶機電股份有限公司

CHONGQING MACHINERY & ELECTRIC CO., LTD.\*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 02722



# 2019

## INTERIM REPORT

\* For identification purposes only

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Wang Yuxiang (*Chairman*)  
Ms. Chen Ping  
Mr. Yang Quan

### Non-executive Directors

Mr. Huang Yong  
Mr. Zhang Yongchao  
Mr. Dou Bo  
Mr. Wang Pengcheng

### Independent Non-executive Directors

Mr. Lo Wah Wai  
Mr. Ren Xiaochang  
Mr. Jin Jingyu  
Mr. Liu Wei

## SUPERVISORS

Mr. Sun Wenguang (*Chairman*)  
Ms. Wu Yi  
Mr. Wang Haibing  
Mr. Xia Hua  
Mr. Li Fangzhong

## COMMITTEES UNDER BOARD OF DIRECTORS

### Members of the Audit and Risk Management Committee

Mr. Lo Wah Wai (*Chairman*)  
Mr. Jin Jingyu  
Mr. Liu Wei  
Mr. Dou Bo

### Members of the Remuneration Committee

Mr. Ren Xiaochang (*Chairman*)  
Mr. Lo Wah Wai  
Mr. Jin Jingyu  
Mr. Huang Yong

### Members of the Nomination Committee

Mr. Wang Yuxiang (*Chairman*)  
Mr. Ren Xiaochang  
Mr. Jin Jingyu  
Mr. Liu Wei

### Members of the Strategic Committee

Mr. Wang Yuxiang (*Chairman*)  
Ms. Chen Ping  
Mr. Yang Quan  
Mr. Huang Yong  
Mr. Ren Xiaochang  
Mr. Jin Jingyu  
Mr. Liu Wei

# Corporate Information (Continued)

## LEGAL REPRESENTATIVE

Mr. Wang Yuxiang

## COMPANY SECRETARY

Ms. Chiu Hoi Shan (*Practicing Solicitor*)

## QUALIFIED ACCOUNTANT

Mr. Kam Chun Ying, Francis (*Certified Public Accountant*)

## AUTHORIZED REPRESENTATIVES AND CONTACT INFORMATION

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Tel.: 852-2155 4820

## ALTERNATE AUTHORIZED REPRESENTATIVE AND CONTACT INFORMATION

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Hong Kong  
Tel.: 852-2802 2191

## REGISTERED OFFICE

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Huangshan Avenue, New North Zone,  
Chongqing City, the PRC

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## AUDITOR

ShineWing Certified Public Accountants  
(*Special General Partnership*)  
9th Floor, Block A, Fuhua Mansion, No. 8  
Chaoyangmen Beidajie, Dongcheng District,  
Beijing, PRC

## LEGAL ADVISORS

Chiu & Co. (趙凱珊律師行)  
(*As to Hong Kong Laws*)  
Beijing Zhong Lun (Chongqing) Law Firm  
(*As to Chinese Law*)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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The Chinese Bank Building,  
61 Des Voeux Road Central,  
Central, Hong Kong

## WEBSITE OF THE COMPANY

[www.chinacqme.com](http://www.chinacqme.com)

## PRINCIPAL BANKER

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No.162 Zhongshan Third Road  
Yuzhong District  
Chongqing City, the PRC

## SHARE INFORMATION

### Listing Place

The Stock Exchange of Hong Kong Limited  
(the "Stock Exchange")

### Stock Code

02722

## FINANCIAL YEAR END

31 December

# Results Highlights

Chongqing Machinery & Electric Co., Ltd. (the “Company” or “Chongqing Machinery & Electric”) and its subsidiaries (hereinafter 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.

# Chairman's Statement

Dear shareholders,

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).

## RESULTS

Total turnover 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 approximately RMB2,768.0 million for the corresponding period of last year, mainly affected by the downward of domestic and overseas economies, the slowdown of project investment and declining market demand, resulted in a decrease in revenue of the Group as a whole.

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 approximately RMB227.8 million for the corresponding period of last year.

For the six months ended 30 June 2019, earnings per share amounted to approximately RMB0.04 (for the first half of 2018: RMB0.06). Total assets of the Group as at 30 June 2019 amounted to approximately RMB17,421.8 million (as at 31 December 2018: approximately RMB16,277.7 million), while total liabilities amounted to approximately RMB10,176.6 million (as at 31 December 2018: approximately RMB9,048.0 million); total equity was approximately RMB7,245.2 million (as at 31 December 2018: approximately RMB7,229.7 million); net asset value per share was approximately RMB1.97 (as at 31 December 2018: approximately RMB1.96).

In the first half of 2019, under the influence of tightened monetary policy by US Federal Reserve System, tightening global liquidity of US dollar, fluctuation in the crude oil market and other factors, as well as Sino-US trade frictions continued to intensify, the global economic recovery has been affected to some extent, along with the slowdown of European economy, the political conflicts in the Middle East have deteriorated significantly, international capital markets will face volatility concerns, and global economic growth begins to decline. The Chinese government adhered to supply side structural reform and sound fiscal and monetary policies, insisted on deepening market-oriented reform and expanding high level openness, focused on stimulating vibrancy of micro-entity, innovating

## Chairman's Statement (Continued)

and improving macro-control, and coordinating promotion of growth-stabilizing, reform-promoting, structure-adjusting, livelihood benefiting and risk-preventing, and further stabilized employment, finance, foreign trade, foreign capital, investment and expectations, so as to boost market confidence. The GDP growth rate in the first half of the year was approximately 6.3%. Benefiting from investment opportunities in the national clean energy, smart grid, environmental protection, urban rail transit and smart manufacturing, the Group accelerated product technology research and development and optimized production capacity upgrading, and promoted the Group's efficient and high-quality development. Centering on the main work task of "one focus, three guarantees, three reductions and four enhancements (一抓三保三降四增强)" and by virtue of "one corporation with one policy", the Group strived to ensure its objectives and tasks, strengthened its confidence, comprehensively implemented its work measures, paid close attention to domestic and international markets, continuously improved the quality and profitability of its operations, promoted technological innovation, management innovation and talent accumulation to lay the foundation for the Group's healthy development. However, affected by the downward economy, slowdown in investment and the lack of orders, the overall business performance of the Group in the first half of the year was lower than expected target.

By adjusting production organization model, supporting cooperation mode, quality control and marketing model, the Group promoted its transformation to "manufacturing + service". The product delivery rate reached 89% in the first half of the year, representing a year-on-year increase of three percentage points. The customer satisfaction reached 93%, representing a year-on-year increase of three percentage points. The quality loss of RMB100 sales income fell to RMB0.79, representing a year-on-year decrease of 1%.

### **BUSINESS REVIEW AND OUTLOOK**

**Clean energy equipment (hydroelectric generation equipment, electrical wires and cables, materials, wind power blades, industry blower, industrial pumps, gas compressors and other businesses)**

In the first half of 2019, when countries continued to advocate environmentalism, the wind power market has recovered, but due to the complicated domestic and international economic downturn and weak global investment, the global hydropower demand has slowed down, which brought opportunities and challenges to such segment of the Group.

In the first half of the year, the Group grasped the opportunity of warming up in the wind power market. The orders of wind turbine blades business reached RMB1.2 billion, representing a year-on-year increase. Stimulated by high speed variable frequency direct

## Chairman's Statement (Continued)

drive single stage centrifugal blowers, Generation IV nuclear lead cold reactor transfer pump, large high efficiency low head tubular unit, stick prop porcelain insulator used for high speed railway, high pressure oil-free lubricated natural gas compressor and other products, the orders of business such as wire and cable, industrial fans, industrial pumps and gas compressors achieved stable growth. However, affected by domestic policy regulation, contraction of overseas market project investment and reduction of newly developed EPC projects, the orders of hydropower equipment business fell year-on-year. In particular, the global supply shortage of main raw materials of wind power blades directly led to a sharp drop in product delivery in the first half of the year, which caused a decrease in the operating performance of clean energy equipment segment.

In the second half of the year, according to the new orders of various businesses in this segment, it is expected that wire and cable, hydropower equipment, industrial fans, industrial pumps and gas compressors business will be rising steadily. Meanwhile, with the easing of raw material shortage of wind power blade and the acceleration of product delivery, it is expected that the segment for the year will remain stable in 2019 in general.

In addition, Chongqing Cummins Engine Company Limited ("Chongqing Cummins"), a joint venture of the Company, is mainly engaged in the production of high horsepower diesel engines. Chongqing Cummins actively increased its marketing in power equipment, construction machinery, petroleum machinery and ships, and highlighted quality control. Sales of engines above 500 horsepower still maintained market leading position. In the first half of 2019, operating performance was slightly affected by the complicated domestic and international economic downturn. The construction project of the high-power engine technology R&D center has completed the main project, and the new high-power engine plant project commenced construction. It is expected that the business will remain stable throughout the year of 2019.

### **High-end intelligent equipment (intelligent manufacturing, intelligent machine tool and other businesses)**

In the first half of 2019, the State launched "3-Years Action Plan to Accelerate the New Generation of Artificial Intelligence Industry (2018-2020)", providing a good development opportunity for the Group's development of intelligent manufacturing business.

In the first half of the year, the Group actively developed in-depth coordination and integration of intelligent manufacturing and industrial informatization, actively promoted the rapid development of intelligence level for key equipment, information technology, management software, platform software, industrial Internet and system solutions, and accelerated the implementation of six intelligent manufacturing projects such as industrial pumps, industrial fans, hydropower equipment and commercial vehicle steering systems.

## Chairman's Statement (Continued)

However, affected by the downward trend of the domestic and international economy, as well as the market demand of the automotive industry continued to decline, the market demand was insufficient, and orders of smart gear machine tools and smart screw machine tools declined, and operating income decreased. As a result, the operating performance of the high-end intelligent equipment segment has declined.

In the second half of the year, with the possible improvement of external environment and automobile demand and the acceleration of the implementation of six intelligent manufacturing projects, it is expected that the segment for the year will remain stable or slightly decline in 2019 in general.

### **Industrial service business (industrial empowerment, financing, trading and other businesses)**

In the first half of 2019, the “Industrial Internet Development Action Initiative (2018-2020)” and the “Guidance for Industrial Internet Network Construction and Promotion” were issued successively by the PRC. The Group sped up the construction of the intelligent manufacturing ecosystem of the empowerment center, completed the partner confirmation with SAP, entered into strategic cooperation agreements with Shanghai PLM and other domestic and foreign partners, and accelerated the implementation of digital upgrade demonstration projects for hydropower equipment; the centralized procurement of bulk materials directly reduced the procurement cost of the Group by approximately RMB4.2 million; the financial business maintained a stable operation. However, the downward of foreign trade business led to a slight decrease in operating results of the segment in the first half of the year. It is expected that the segment for the whole year of 2019 may remain stable in general.

## **DEVELOPMENT STRATEGIES**

By continuously centering on the main work task of “focus on market, quality guarantee, delivery guarantee and service guarantee, reduction of costs, reduction of ‘accounts receivable and inventory’, reduction of liabilities, enhancement of technological innovative force, enhancement of reformation innovation force and enhancement of risk prevention and control capabilities (抓市場、保質量、保交付、保服務、降成本、降「兩金」、降負債、增強技術創新能力、增強改革創新能力、增強防控風險能力)” (collectively as one focus, three guarantees, three reductions and three enhancements), the Group will accelerate the upgrade and transformation of industrial structure and the quality and efficiency transformation, continue to improve the quality of operation and profitability of the Group, to fully implement the work priorities in the second half of the year.

# Chairman's Statement (Continued)

## Work priorities of the second half of the year

### (I) Deepen emerging market and implement the growth and increment value

The Company will procure all business segments to make every endeavor to grasp the market, promote the cooperation with large-size groups, to gain large orders and promote incremental projects. In respect to wind power blade business, we will grasp opportunities during the industry recovery and expand overseas and offshore orders; in respect to industrial pump business, we will further keep track of large nuclear pump projects; in respect to intelligent manufacturing business, we will accelerate mass production of products of large customers and HDK; in respect to wire and cable business, we will strengthen the expansion of railway system and the bid of national network; in respect to hydropower equipment business, we will procure to gain EPC projects; in respect to gas compressor business, we will put greater effort in visiting key customers; and in respect to intelligent gear machine tool business, we will further keep track of domestic large-scale automobile industry so as to achieve the expected target of orders.

### (II) Strictly grasp the “three guarantees” to improve the quality of business operations

Firstly, to guarantee the quality: we will continue to carry out construction of quality culture of the Company, promote QC activities in a high quality and high standard manner; we will strengthen the quality control throughout the whole process, to ensure that the reduced quality loss of RMB100 product sales revenue will meet the expected goals.

Secondly, to guarantee the delivery: we will make adjustments in production and organization mode and supporting coordination mode of hydropower equipment, industrial pumps, compressors, etc., to ensure that the product delivery rate reaches the expected goals.

Thirdly, to guarantee the service: we will optimize the marketing and after-sales service system, attach importance to the follow-up of customer satisfaction and after-sales opinion, in order to ensure that customer satisfaction meets the expected goals.

## Chairman's Statement (Continued)

### **(III) Adhere to the principle of “three reductions” to improve the Company's profitability**

Firstly, to reduce costs: we will make great effort in the cost control, optimizing the centralized procurement model, and deepening the construction of electronic centralized procurement platform. We will strengthen the control of every step during the course of production and supply, optimize the design and procedures in order to reduce the waste of materials and energy in the manufacturing process. We will enhance the training of operational skills, improve the labor productivity, so as to reduce the working hours and labor costs, ensuring the satisfaction of the expected goals via reduction of costs.

Secondly, to reduce the “accounts receivable and inventory”: we will intensify the management and control of receivables, keep an eye on and prevent the aging risk of long-term receivables, and strictly manage the agreements on contract payables and receivables. We will strengthen the inventories and inbound and outbound management, control new backlog arising from pre-investment, track the progress of customers' projects in a timely manner, closely communicate with customers, in order to timely deliver goods and reduce inventories. Meanwhile, we will do a good job in the integrated construction of financial information system. We will intensify assessment of the “accounts receivable and inventory” to ensure that the proportion of “accounts receivable and inventory” will reach a reasonable level.

Thirdly, to reduce the liabilities: we will control the scale of financing, adjust term of loans, channels and methods of financing with an aim to improve long-term investment in short-term loans, mitigate debt repayment pressure, lower the financial risk, reduce financial costs, and maintain a reasonable level of gear ratio of the Group.

### **(IV) Enhance the technological innovation force**

Firstly, we will accelerate a batch of new product development projects, including the high-speed variable-frequency direct-drive single-stage centrifugal blowers, four-generation nuclear power lead-cooled reactors, large high-efficiency low-head tubulars, rod-shaped pillar porcelain insulator for G-series high-speed train insulator and high-pressure oil-free series lubricating natural gas compressors, etc.

## Chairman's Statement (Continued)

Secondly, we will accelerate the promotion of a batch of intelligent manufacturing projects, including setting up a three-dimensional design database and experimental database for life cycle management intelligent platform of the industrial pump products, realize the closed-loop management during the life cycle of products; completing the construction of intelligent warning and diagnosis system for ultrahigh-head impact-type hydroelectric turbine generators; conducting research and development and application and development of operation system of artificial intelligent gear hobbing machine tools; developing a cloud platform for intelligent manufacturing digital operation and management and control; realizing the remote online monitoring of operation data of general machinery and equipment such as gas compressor and industrial fan for big data operation and maintenance platform projects; and increasing 14 new intelligent manufacturing projects.

Thirdly, to follow up the progress of a batch of key construction projects, the construction of phase II of the new base project of high-powered engine of Chongqing Cummins is promoted as scheduled, and the relocation projects of the ultra high voltage transformer business and commercial vehicle suspension business will be promoted as scheduled.

Meanwhile, the Group will increase investment in technological innovation and research and development, accelerate the registration of new patents, and continue to promote the information construction.

### **(V) Enhance the reform and innovation force**

#### ***Firstly, to push ahead investment, reorganization and mergers and acquisitions***

We will, based on the actual situation of subsidiaries, strive to find suitable potential partners, and promote investment, mergers and acquisitions in intelligent manufacturing, industrial pumps and other related industries in an orderly manner; for industrial empowerment center, we will propose to introduce new strategic investors, and orderly conduct capital and share increase works.

## Chairman's Statement (Continued)

### ***Secondly, to forge ahead mixed reforms***

We will comprehensively implement the work plan for mixed reform, and carry out investment promotion in various ways and channels to identify external partners. We will actively urge the entities with relative mature mixed reform conditions to firstly carry out mixed reform work in accordance with the principle of starting with the easy ones and followed by those which are difficult step by step. Divestment or other methods will be taken for those inefficient and ineffective equity interests.

### ***Thirdly, to carry out the reform of human resources***

We will deepen the strategy of strengthening the Company through talent, intensify the introduction and training of high-level talents and scarce talents, further explore and establish a market-based compensation incentive mechanism; we will benchmark the advanced level in the industry, continuously optimize the structure and quantity of existing talents of the Company and improve the labor productivity of all employees.

### ***Fourthly, to dispose the inefficient and ineffective assets***

We will analyze the inefficient and ineffective assets of the Company, formulate the asset disposal plan, and make good effort in asset disposal income, tax and financial budget and measurement.

We will proactively communicate with competent government authorities and completed the transfer of assets in accordance with the principle of maximizing profits.

## **(VI) Enhance the risk prevention and control capability**

### ***Operation risk***

We will pay attention to the macroeconomic condition, make judgment on future economic trend of the Company in a timely manner, and take decisive and effective measures to adapt to market changes. We will follow up the target in real time, promptly provide early warning for the deviation implementation of "one corporation with one policy" and abnormal production and operation, and adjust the response measures. We will conduct in-depth research, assist the enterprises to find out the issues arising in the production and operation, and offer optimization and rectification proposals. We will implement targeted poverty support, especially for enterprises

## Chairman's Statement (Continued)

that have difficulties in production and operation in the current period, we will assist to find the problems, urge to implement and take rectification measures. We attach importance to both safety and production. While organizing production and operation, we will strengthen safety management and take the main tasks of "adhering to the red line, governing according to laws, and implementing the main responsibility of the Company", to promote the establishment of safety production culture of all enterprises so as to avoid personnel safety and environmental risks.

### **Financial risk**

We will enhance the risk identification capabilities, and identify risks by combining existing financing and guarantees, etc.. We will enhance the Company's financial risk prevention awareness, to strengthen financial basic management, improve the financial internal control system so as to prevent risks. We will keep informed of the changes in economic environment, related policies and market, make early warning in a timely manner based on the Company's existing financial condition. For the entities with potential risks, the Company will adopt a series of ways such as enhancing the capital plan, optimizing the debt structure, fully reducing the receivable, inventories and liabilities, to mitigate the risks.

### **Investment risk**

Based on the pre-investment research and analysis, an investment implementation plan will be formed. We will make comprehensive assessment of contingent risks revealed in the pre-investment investigation and analysis, and set up flexible risk control strategies by market-oriented means. For investment projects, we will strengthen the establishment, approval management before implementation, the management during implementation and the evaluation management after implementation.

### **Legal risk**

We will organize and carry out inspections on the legal review of the "three key tasks" of subsidiaries. We will carry out the activities of "governing the corporate according to laws and studying laws" as planned. We will guide and follow up the key case disputes of subsidiaries, particularly those complex cases, and proactively support the subsidiaries to protect their own legitimate rights.

# Chairman's Statement (Continued)

## SUMMARY

It is expected that in the second half of 2019, the trade friction triggered by the U.S.A. in the world will cause huge risks to the stable growth of the global economy; the shift of the FED's monetary policy may trigger new financial risks; frequent geopolitical conflicts and increasingly fierce superpower game will cause many uncertainties for the global economy. The PRC government will insist on promoting the supply-side structural reform. The policy support may offset some of the negative impacts caused by trade tensions. It is expected that the annual GDP growth rate will remain at the level of the first half of the year.

The Group focuses on increasing the investment in national clean energy, smart grid, environmental protection, urban rail transit, smart manufacturing and "One Belt, One Road" construction opportunities, and actively promotes the Group's high-quality development. In line with the main work task of "one focus, three guarantees, three reductions and three enhancements (一抓三保三降三增强)", the Group will earnestly carry out the operation and management, implement and promote technological innovation and intelligent manufacturing. The Group will comply with the guideline of "one corporation with one policy" to deepen the classification, the management shall, with a sense of mission and responsibility, identify the gap and fulfill the responsibility, enhance their confidence and make concerted effort to go all out to complete the Group's annual operating indicators.

On behalf of the Board, I would like to extend my heartfelt gratitude to our shareholders for their support and trust. My sincere appreciation also goes to our directors, supervisors and all of our staff members for their efforts in contributing to the Group.

*Executive Director, Chairman*  
**Wang Yuxiang**

Chongqing, the PRC  
21 August 2019

# 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 for smart machine tool as 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 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.



# Management's Discussion and Analysis (Continued)

## 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. Details are set out in Note VI.53 to the consolidated financial statements.

## 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. Details are set out in Note VI.58 to the consolidated financial statements.

## 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.

# Management's Discussion and Analysis (Continued)

## 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. Among this, 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. Details are set out in Note VI.54 to the consolidated financial statements.

## 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. Details are set out in Note VI.61 of the consolidated financial statements.

## 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.



# Management's Discussion and Analysis (Continued)

## 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>		
	<b>2019</b>	2018	<b>2019</b>	2018	<b>2019</b>	2018	
	<i>(RMB in millions, except for percentage)</i>					See Note for details	
<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%	

## Management's Discussion and Analysis (Continued)

	Revenue		Gross Profit		Segment Results	
	Period ended		Period ended		Period ended	
	30 June		30 June		30 June	
	2019	2018	2019	2018	2019	2018
	<i>(RMB in millions, except for percentage)</i>					See Note
						for details
<b>Industrial services business</b>						
Trade	25.0	56.7	3.3	3.9	0.5	3.8
Financial	34.4	33.9	28.1	29.3	26.8	21.6
Other services	0.2	4.8	0.2	3.6	(2.5)	–
Total	<u>59.6</u>	<u>95.4</u>	<u>31.6</u>	<u>36.8</u>	<u>24.8</u>	<u>25.4</u>
% of total	2.4%	3.5%	6.5%	6.1%	11.1%	9.6%
Headquarters						
Total	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>115.7</u>	<u>166.3</u>
% of total	–%	–%	0.1%	0.1%	51.8%	62.5%
<b>Total</b>	<u>2,437.4</u>	<u>2,768.0</u>	<u>487.0</u>	<u>604.2</u>	<u>223.4</u>	<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.

## Management's Discussion and Analysis (Continued)

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 of the 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.

## Management's Discussion and Analysis (Continued)

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. Details of aging analysis of trade receivables are set out in Note VI.4 to the consolidated financial statements.

# Management's Discussion and Analysis (Continued)

## 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 in 2018. Details of aging analysis of trade payables are set out in Note VI.28 to the consolidated financial statements.

## 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.

# Management's Discussion and Analysis (Continued)

## 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.

## Management's Discussion and Analysis (Continued)

- (II) The Company arranged the 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 the 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 upgrade of production equipment and enhancement of productivity (for the six months ended 30 June 2018: approximately RMB217.0 million).

# Management's Discussion and Analysis (Continued)

## **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	Percentage	Percentage
					of total issued domestic shares (%)	of total issued H shares (%)	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

## Other Information (Continued)

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

Name of shareholders	Number of shares	Status	Note	Percentage of total issued H shares	Percentage of 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)	Interest in 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:

- 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.
- 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.
- 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.

## Other Information (Continued)

- (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.

### **THE 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.

## Other Information (Continued)

### 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 this interim results) of the Group. The audit and risk management committee considered that this 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 report, 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 report, 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.

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

# Review Report

XYZH/2019CQA10430

## **To the Shareholders of Chongqing Machinery & Electric Co., Ltd:**

We have reviewed the accompanying financial statements of Chongqing Machinery & Electric Co., Ltd (the “Company”), which comprise the consolidated and the Company’s statement of financial position as at 30 June 2019, the consolidated and the Company’s statement of comprehensive income, the consolidated and the Company’s statement of cash flow and the consolidated and the Company’s statement of changes in equity for January-June 2019 and notes to financial statements. The management of the Company is responsible for fair presentation of these financial statements. Our responsibility is to issue our review report on these financial statements based on our review.

We conducted our review in accordance with the “Review Standard for Chinese Certified Public Accountants No.2101-Review of Financial Statements”. The standard requires us to plan and conduct a review to obtain limited assurance as to whether financial statements are free from material misstatement. A review is primarily limited to inquire of company personnel and performing analytical procedures on financial data. A review provides less assurance than audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the consolidated and the Company’s financial position as at 30 June 2019, the consolidated and the Company’s results of operations and cash flows for six-month period then ended in accordance with Accounting Standards for Business Enterprises.

ShineWing Certified Public Accountants LLP                      CICPA:

CICPA:

China, Beijing

21 August 2019

# Consolidated Balance Sheet

As at 30 June 2019

Prepared by:Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

Items	Notes	30 June 2019	31 December 2018
<b>Current assets</b>			
Cash and cash equivalents	VI.1	2,177,380,722.29	2,164,670,306.18
Financial assets held for trade	VI.2	305,212,452.27	5,124,292.21
Notes receivable	VI.3	678,339,535.41	1,128,945,186.86
Accounts receivable	VI.4	3,081,358,854.59	2,636,400,832.87
Prepayments	VI.5	270,780,166.18	264,987,827.45
Other receivables	VI.6	1,131,677,200.85	928,431,789.73
Including: Interests receivable	VI.6.1	22,613,318.29	20,538,197.57
Dividends receivable	VI.6.2	277,495,110.04	383,447,758.44
Loans and advances to customers	VI.10(1)	1,147,128,134.50	1,115,437,102.20
Inventories	VI.7	2,259,308,857.79	1,949,892,938.13
Contract assets	VI.8	239,249,064.53	249,077,553.98
Held-for-sale assets		–	6,039,285.98
Other current assets	VI.9	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	VI.10(2)	56,550,000.00	38,880,000.00
Long-term receivables	VI.11	30,497,910.00	33,200,000.00
Long-term equity investments	VI.12	1,136,662,371.47	1,009,154,785.28
Other equity instruments investment	VI.13	46,693,061.00	46,693,061.00
Investment properties	VI.14	81,383,779.92	83,609,256.52
Property, plant and equipment	VI.15	2,874,597,729.81	3,224,720,949.14
Construction in progress	VI.16	190,060,176.10	171,249,276.77
Right-to-use assets	VI.17	392,883,565.19	–
Intangible assets	VI.18	549,688,400.96	617,595,163.06
Development expenditures	VI.19	30,890,283.76	29,927,674.79
Goodwill	VI.20	143,312,435.00	143,312,435.00
Long-term deferred expenses	VI.21	210,865,953.16	224,093,001.19
Deferred tax assets	VI.22	107,332,950.83	103,686,673.46
Other non-current assets	VI.23	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>

# Consolidated Balance Sheet (Continued)

As at 30 June 2019

Items	Notes	30 June 2019	31 December 2018
<b>Current liabilities</b>			
Short-term loans	VI.25	853,378,740.00	911,696,617.94
Due to customers, banks and other financial institutions	VI.26	1,368,481,496.31	1,334,738,381.17
Notes payable	VI.27	1,256,732,284.63	1,225,850,904.13
Accounts payable	VI.28	1,843,851,275.07	1,522,525,538.63
Contract liabilities	VI.29	665,084,473.13	685,648,864.72
Repurchase agreements	VI.30	22,711,750.00	–
Employee benefits payables	VI.31	57,856,723.43	63,635,374.54
Taxes and levies payables	VI.32	172,150,311.31	220,974,568.70
Other payables	VI.33	730,516,093.09	599,204,267.53
Including: interests payable	VI.33.1	–	13,156,812.78
dividends payable	VI.33.2	167,977,637.67	27,519,691.51
Non-current liabilities due within one year	VI.34	138,451,368.42	170,826,135.24
Other current liabilities	VI.35	1,655,268.96	1,176,168.16
<b>Total current liabilities</b>		<b>7,110,869,784.35</b>	<b>6,736,276,820.76</b>
<b>Non-current liabilities</b>			
Long-term loans	VI.36	1,514,549,495.08	843,184,922.99
Bonds payable	VI.37	826,272,934.22	799,143,854.22
Including: preferred shares		–	–
perpetual bond		–	–
Lease liabilities	VI.38	180,157,574.55	–
Long-term payables	VI.39	6,253,130.64	147,696,759.15
Long-term employee benefits payable	VI.40	7,014,000.00	16,294,000.00
Provisions	VI.41	22,963,426.45	20,617,240.24
Deferred revenue	VI.42	412,066,682.53	405,298,663.38
Deferred tax liabilities	VI.22	96,487,936.04	79,509,594.57
<b>Total non-current liabilities</b>		<b>3,065,765,179.51</b>	<b>2,311,745,034.55</b>
<b>Total liabilities</b>		<b>10,176,634,963.86</b>	<b>9,048,021,855.31</b>

# Consolidated Balance Sheet *(Continued)*

As at 30 June 2019

Items	Notes	30 June 2019	31 December 2018
<b>Shareholder's equity</b>			
Share capital	VI.43	<b>3,684,640,154.00</b>	3,684,640,154.00
Capital reserves	VI.44	<b>50,311,968.20</b>	50,311,968.20
Other comprehensive income	VI.45	<b>17,552,022.70</b>	31,052,427.09
Surplus reserves	VI.46	<b>334,373,473.12</b>	334,373,473.12
Retained profits	VI.47	<b>2,731,634,783.93</b>	2,708,521,621.81
<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>

# Balance Sheet of the Company

As at 30 June 2019

Prepared by: Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

Items	Notes	30 June 2019	31 December 2018
<b>Current assets:</b>			
Cash and cash equivalents		<b>1,322,652,816.06</b>	1,215,530,735.02
Financial assets held for trade		<b>304,914,863.01</b>	–
Other receivables	XVIII.1	<b>1,640,327,177.11</b>	1,434,961,752.73
Including: Interests receivable	XVIII.1.1	<b>75,009,649.00</b>	52,085,559.19
Dividends receivable	XVIII.1.2	<b>277,495,110.04</b>	383,447,758.44
Other current assets		<b>156,574,762.52</b>	3,309,478.99
<b>Total current assets</b>		<b><u>3,424,469,618.70</u></b>	<u>2,653,801,966.74</u>
<b>Non-current assets:</b>			
Long-term receivables		<b>175,000,000.00</b>	246,100,000.00
Long-term equity investments	XVIII.2	<b>4,684,463,159.17</b>	4,558,366,763.45
Other equity instruments investment		<b>46,693,061.00</b>	46,693,061.00
Property, plant and equipment		<b>38,469,135.30</b>	41,000,530.92
Construction in progress		<b>5,136,109.97</b>	4,480,970.09
Right-to-use assets		<b>2,686,585.74</b>	–
Intangible assets		<b>18,772,371.95</b>	19,187,060.87
Goodwill		<b>293,943.72</b>	293,943.72
<b>Total non-current assets</b>		<b><u>4,971,514,366.85</u></b>	<u>4,916,122,330.05</u>
<b>Total assets</b>		<b><u>8,395,983,985.55</u></b>	<u>7,569,924,296.79</u>

# Balance Sheet of the Company (Continued)

As at 30 June 2019

Items	Notes	30 June 2019	31 December 2018
<b>Current liabilities</b>			
Short-term loans		400,000,000.00	280,000,000.00
Employee benefits payables		1,983,571.17	1,887,413.85
Taxes and levies payables		199,357.01	123,232.06
Other payables		202,421,306.73	62,986,536.29
Including: interests payable		–	9,261,300.00
dividends payable		147,385,606.16	–
Non-current liabilities due within one year		24,920,042.34	53,500,000.00
<b>Total current liabilities</b>		<b>629,524,277.25</b>	<b>398,497,182.20</b>
<b>Non-current liabilities</b>			
Long-term loans		893,000,000.00	316,100,000.00
Bonds payable		826,272,934.22	799,143,854.22
Including: preferred shares		–	–
perpetual bond		–	–
Lease liabilities		–	–
Deferred tax liabilities		8,367,050.00	8,367,050.00
<b>Total non-current liabilities</b>		<b>1,727,639,984.22</b>	<b>1,123,610,904.22</b>
<b>Total liabilities</b>		<b>2,357,164,261.47</b>	<b>1,522,108,086.42</b>
<b>Shareholder's equity</b>			
Share capital		3,684,640,154.00	3,684,640,154.00
Capital reserves		140,716,900.00	140,716,900.00
Other comprehensive income		616,640.00	616,640.00
Surplus reserves		348,748,849.03	348,748,849.03
Retained profits		1,864,097,181.05	1,873,093,667.34
<b>Total shareholder's equity</b>		<b>6,038,819,724.08</b>	<b>6,047,816,210.37</b>
<b>Total liabilities and shareholder's equity</b>		<b>8,395,983,985.55</b>	<b>7,569,924,296.79</b>

# Consolidated Income Statement

For the six months ended 30 June 2019

Prepared by: Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

Items	Notes	For the six months ended 30 June	
		2019	2018
<b>1. Total operating revenue</b>	VI.48	<b>2,437,375,522.67</b>	2,767,959,138.61
Including: Operating revenue	VI.48	<b>2,402,962,360.09</b>	2,733,873,606.55
Interest income	VI.48	<b>34,387,621.46</b>	33,870,973.44
Transaction fees and commission income	VI.48	<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	VI.48	<b>1,944,134,954.38</b>	2,159,124,333.67
Interest expenses	VI.48	<b>6,186,612.31</b>	4,561,659.34
Transaction cost and commission fees	VI.48	<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	VI.49	<b>155,458,830.60</b>	142,579,113.56
Administrative expenses	VI.50	<b>237,233,280.11</b>	256,083,181.28
Research and development expenses	VI.51	<b>147,065,236.22</b>	116,331,772.01
Financial expenses	VI.52	<b>78,551,651.05</b>	62,780,594.46
Including: Interest expenses	VI.52	<b>79,918,608.69</b>	63,291,660.09
Interest income	VI.52	<b>10,061,435.33</b>	12,811,729.52
Add: Other income	VI.53	<b>57,606,923.79</b>	60,759,243.59
Investment income (Loss listed with “-”)	VI.54	<b>158,974,553.62</b>	230,506,396.27
Including: income from investments in associates and joint ventures	VI.54	<b>155,987,807.84</b>	227,196,327.78
Gain arising from the changes in fair value (Loss listed with “-”)	VI.55	<b>4,808,649.57</b>	-104,916.90
Impairment loss of credit (Loss is listed by “-”)	VI.56	<b>22,346,159.52</b>	-21,591,664.30
Impairment loss of assets (Loss is listed by “-”)	VI.57	<b>5,412,239.96</b>	-2,178,043.43
Gain on disposal of assets (Loss is listed with “-”)	VI.58	<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	VI.59	<b>3,218,045.55</b>	6,970,029.97
Less: Non-operating expenses	VI.60	<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	VI.61	<b>47,456,037.06</b>	26,320,717.25

# Consolidated Income Statement (Continued)

For the six months ended 30 June 2019

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>	VI.45	<b>-13,500,404.39</b>	1,085,663.32
Net other comprehensive income after tax attributable to shareholders of the Company	VI.45	<b>-13,500,404.39</b>	1,085,663.32
<b>(1) Other comprehensive incomes that cannot be reclassified into profit or loss</b>	VI.45	<b>-13,497,388.88</b>	—
Including: 1. Changes from recalculation of defined benefit plan	VI.45	<b>-479,399.50</b>	—
2. Transfer changes of defined benefit plan to retained earnings	VI.45	<b>-13,017,989.38</b>	—
<b>(2) Other comprehensive income that can be reclassified into profit or loss</b>	VI.45	<b>-3,015.51</b>	1,085,663.32
Including: 1. Effective portion of net investment hedging gains and losses	VI.45	<b>79,178.23</b>	1,324,807.42
2. Translation differences of financial statements in foreign currencies	VI.45	<b>-82,193.74</b>	-239,144.10
Net other comprehensive income after tax attributable to non-controlling interests	VI.45	—	—

# Consolidated Income Statement (Continued)

For the six months ended 30 June 2019

Items	Notes	For the six months ended 30 June	
		2019	2018
<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>			
(1) Basic earnings per share		<b>0.0444</b>	0.0618
(2) Diluted earnings per share		<b>0.0444</b>	0.0618

# Income Statement of the Company

For the six months ended 30 June 2019

Prepared by:Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

Items	Notes	For the six months ended 30 June	
		2019	2018
<b>1. Operating revenue</b>	XVIII.3	<b>621,573.16</b>	575,752.80
Less: operating cost		-	-
Business taxes and surcharges		<b>289,091.92</b>	270,989.93
Administrative expenses		<b>20,205,747.65</b>	16,965,025.69
Financial expenses		<b>8,354,965.90</b>	11,878,463.50
Including: Interest expenses		<b>38,196,212.18</b>	44,107,245.03
Interest income		<b>29,748,999.04</b>	35,174,294.28
Add: Other income		-	843,907.19
Investment income (Loss listed with “-”)	XVIII.4	<b>161,080,431.17</b>	227,454,574.28
Including: income from investments in associates and joint ventures	XVIII.4	<b>158,097,362.68</b>	224,144,505.79
Gain arising from the changes in fair value (Loss listed with “-”)		<b>4,914,863.01</b>	-
Impairment loss of credit (Loss is listed by “-”)		<b>20,100.00</b>	-3,264,844.35
Gain on disposal of assets (Loss is listed with “-”)		<b>601,957.79</b>	-
<b>2. Operating profit (Loss listed with “-”)</b>		<b>138,389,119.66</b>	196,494,910.80
Add: Non-operating income		<b>0.21</b>	1.00
Less: Non-operating expenses		-	6,050,760.49
<b>3. Total profit (Loss listed with “-”)</b>		<b>138,389,119.87</b>	190,444,151.31
Less: Income tax expenses		-	-

# Income Statement of the Company *(Continued)*

For the six months ended 30 June 2019

Items	Notes	For the six months ended 30 June	
		2019	2018
<b>4. Net profit (Net loss listed with “-”)</b>		<b>138,389,119.87</b>	190,444,151.31
(1) Net profit attributable to continuing operation (Net loss listed with “-”)		<b>138,389,119.87</b>	190,444,151.31
(2) Net profit attributable to discontinued operation (Net loss listed with “-”)		-	-
<b>5. Net other comprehensive income after tax</b>		-	-
<b>6. Total comprehensive income</b>		<b>138,389,119.87</b>	190,444,151.31

# Consolidated Statement of Cash Flow

For the six months ended 30 June 2019

Prepared by:Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

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>

# Consolidated Statement of Cash Flow (Continued)

For the six months ended 30 June 2019

Items	Notes	For the six months ended 30 June	
		2019	2018
<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>	714,494,215.78
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>	304,160,353.60
<b>Net cash flows from investing activities</b>		<b>-423,885,965.02</b>	410,333,862.18

# Consolidated Statement of Cash Flow (Continued)

For the six months ended 30 June 2019

Items	Notes	For the six months ended 30 June	
		2019	2018
<b>3. Cash flows from financing activities</b>			
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>	V1.1	<b>1,599,800,089.67</b>	1,411,124,101.39

# Statement of Cash Flow of the Company

For the six months ended 30 June 2019

Prepared by: Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

Items	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	234,316.66	–
Cash received relating to other operating activities	6,191,910.53	12,690,582.06
<b>Sub-total of cash inflows from operating activities</b>	<b>6,426,227.19</b>	12,690,582.06
Cash paid for goods and services	–	15,692.00
Cash paid to and on behalf of employees	10,686,947.74	8,660,048.57
Payments of taxes and surcharges	322,339.02	860,597.95
Cash paid relating to other operating activities	3,078,525.46	9,322,210.58
<b>Sub-total of cash outflows from operating activities</b>	<b>14,087,812.22</b>	18,858,549.10
<b>Net cash flows from operating activities</b>	<b>-7,661,585.03</b>	-6,167,967.04

# Statement of Cash Flow of the Company (Continued)

For the six months ended 30 June 2019

Items	For the six months ended 30 June	
	2019	2018
<b>2. Cash flows from investment activities</b>		
Cash received from return of investments	–	198,763,506.71
Cash received from investments income	<b>137,953,615.36</b>	130,613,306.58
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	<b>894,100.00</b>	–
Cash received relating to other investing activities	<b>941,017,274.10</b>	1,162,978,134.35
<b>Sub-total of cash inflows from investing activities</b>	<b><u>1,079,864,989.46</u></b>	<u>1,492,354,947.64</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	<b>716,000.00</b>	451,804.00
Cash paid for investments	<b>450,000,000.00</b>	20,000,000.00
Cash paid relating to other investing activities	<b>1,138,000,000.00</b>	689,500,000.00
<b>Sub-total of cash outflow from investing activities</b>	<b><u>1,588,716,000.00</u></b>	<u>709,951,804.00</u>
<b>Net cash flows from investing activities</b>	<b><u>-508,851,010.54</u></b>	<u>782,403,143.64</u>

# Statement of Cash Flow of the Company (Continued)

For the six months ended 30 June 2019

Items	For the six months ended 30 June	
	2019	2018
<b>3. Cash flows from financing activities</b>		
Cash received from loans granted	<u>1,038,000,000.00</u>	<u>340,000,000.00</u>
<b>Sub-total of cash inflows from financing activities</b>	<u>1,038,000,000.00</u>	<u>340,000,000.00</u>
Cash paid for repayment of borrowings	<u>372,400,000.00</u>	<u>340,000,000.00</u>
Cash paid for dividends, profits or payments of interests	<u>20,074,578.17</u>	<u>24,564,479.94</u>
Cash paid relating to other financing activities	<u>-</u>	<u>83,980,649.19</u>
<b>Sub-total of cash outflows from financing activities</b>	<u>392,474,578.17</u>	<u>448,545,129.13</u>
<b>Net cash flows from financing activities</b>	<u>645,525,421.83</u>	<u>-108,545,129.13</u>
<b>4. Effects of changes in exchange rate on cash and cash equivalents</b>	<u>-</u>	<u>-2,482.68</u>
<b>5. Net increase in cash and cash equivalents</b>	<u>129,012,826.26</u>	<u>667,687,564.79</u>
Add: opening balance of cash and cash equivalents	<u>1,092,582,082.60</u>	<u>921,467,279.87</u>
<b>6. Balance of cash and cash equivalents at the end of this period</b>	<u>1,221,594,908.86</u>	<u>1,589,154,844.66</u>

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

Unit:RMB

Prepared by:Chongqing Machinery & Electric Co., Ltd.

For the six months ended 30 June 2019

Share capital	Equity attributable to the equity holders of the controlling Company										Total equity		
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Treasury shares	Less: comprehensive income	Other	Special reserves	Surplus reserves		General risk provision	Retained profits
3,684,640,154.00	-	-	-	-	50,311,988.20	-	31,052,427.09	-	334,373,473.12	-	2,708,521,621.81	420,762,299.14	7,229,661,946.36
-	-	-	-	-	-	-	-	-	-	-	-6,138,120.63	-628,860.89	-6,766,981.52
3,684,640,154.00	-	-	-	-	50,311,988.20	-	31,052,427.09	-	334,373,473.12	-	2,702,383,501.18	420,133,438.25	7,222,894,961.84
<b>1. Balance at 31 December 2018</b>													
Add: Changes in accounting policies													
<b>2. Balance at 1 January 2019</b>													
<b>3. Increase/Decrease for the period (Decrease listed with "-")</b>													
(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				163,618,895.53	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													
4. Others													
(4) Equity holder internal transfer													
1. Transfer of capital reserves to share capital													
2. Transfer of surplus reserves to share capital													



# Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019

Unit:RMB

Prepared by:Chongqing Machinery & Electric Co., Ltd.

Item	For the year 2018										Total equity			
	Equity attributable to the equity holders of the controlling Company													
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Treasury shares	Less:	Other comprehensive income	Special reserves	Surplus reserves		General risk provision	Retained profits	Non-controlling interests
<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	400,282,838.00	7,177,985,543.00
Add: Changes in accounting policies	-	-	-	-	-	-	-2,079,985.00	-	-	-	-	-305,549,321.33	-6,339,889.26	-313,983,195.59
<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>	-	-	-	-	567,033.20	-	5,155,078.09	-	-	36,856,341.12	-	296,220,793.14	26,839,350.40	365,639,595.95
(1) Total comprehensive income	-	-	-	-	-	-	5,155,078.09	-	-	-	-	444,060,837.39	51,470,094.63	500,686,010.11
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-147,840,044.25	-22,721,152.03	-133,704,855.16
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	36,856,341.12	-	-36,856,341.12	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-	-444,498.51	-	-444,498.51
4. Others	-	-	-	-	-	-	-	-	-	-	-	-110,539,204.62	-22,721,152.03	-133,269,356.65
(4) Equity holder internal transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-



# Statement of Changes in Equity of the Company

For the six months ended 30 June 2019

Unit:RMB

Prepared by:Chongqing Machinery & Electric Co., Ltd.

Item	For the six months ended 30 June 2019								Total equity		
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves		Surplus reserves	Retained profits
<b>1. Balance at 31 December 2018</b>	3,684,640,154.00	-	-	-	140,716,900.00	-	616,640.00	-	346,748,846.03	1,873,093,667.34	6,047,816,210.37
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2019</b>	3,684,640,154.00	-	-	-	140,716,900.00	-	616,640.00	-	346,748,846.03	1,873,093,667.34	6,047,816,210.37
<b>3. Increase/ Decrease for the period (Decrease listed with "-")</b>											
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	-8,996,486.29	-8,996,486.29
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	-	138,389,119.87	138,389,119.87
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 shareholders	-	-	-	-	-	-	-	-	-	-147,385,606.16	-147,385,606.16
3. Others	-	-	-	-	-	-	-	-	-	-	-

# Statement of Changes in Equity of the Company (Continued)

For the six months ended 30 June 2019

Item	For the six months ended 30 June 2019										
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profits	Total equity
(4) Equity holder internal 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	-	-	-	-	-	-	-	-	-	-	-
<b>4. Balance at 30 June 2019</b>	<b>3,684,640,154.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,716,900.00</b>	<b>-</b>	<b>616,640.00</b>	<b>-</b>	<b>346,748,846.03</b>	<b>1,864,097,181.05</b>	<b>6,036,819,724.08</b>

# Statement of Changes in Equity of the Company (Continued)

For the six months ended 30 June 2019

Unit:RMB

Prepared by:Chongqing Machinery & Electric Co., Ltd.

For the six months ended 30 June 2018

Item	Other equity instruments							Total equity
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Treasury shares	Less: comprehensive income	
<b>1. Balance at 31 December 2017</b>	3,684,640,154.00	-	-	-	140,716,900.00	-	2,696,625.00	5,823,539,636.00
Add: Changes in accounting policies	-	-	-	-	-	-	-2,079,985.00	693,328.00
<b>2. Balance at 1 January 2018</b>	3,684,640,154.00	-	-	-	140,716,900.00	-	616,640.00	5,824,286,964.00
<b>3. Increase/ Decrease for the period (Decrease listed with "-")</b>	-	-	-	-	-	-	-	-
(1) Total comprehensive income	-	-	-	-	-	-	2,361,380.03	223,529,246.37
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	368,563,411.66
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	-	-	-	-	-	-	-	-
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-110,539,204.29
2. Appropriation to shareholders	-	-	-	-	-	-	-	-36,856,341.03
3. Others	-	-	-	-	-	-	-	-110,539,204.29
(4) Equity holder internal transfer	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-



# Notes to Consolidated Financial Statements

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## 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. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidated financial statements of the Group includes 42 companies such as Chongqing General Industry (Group) Co., Ltd., Chongqing Pigeon Electric Wires & Cables Co., Ltd. (“Pigeon Wires”) and Chongqing Water Turbine Works Co., Ltd.. Two wholly owned subsidiary companies, Chongqing Huahao Smelting Co., Ltd., and PTG Advanced Developments Ltd., were reduced due to cancellation of the companies compared with the previous year.

For details, please refer to relevant content as set out in “VIII. 1.(1) Group structure” of this note.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## III. 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 “IV 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.

## IV. 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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

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

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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 6. Preparation of Consolidated Financial Statements *(Continued)*

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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 6. Preparation of Consolidated Financial Statements *(Continued)*

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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **7. Cash and Cash Equivalents**

Cash in the Group's cash flows statement represents cash on hand and deposits that can be readily draw on demand. Cash equivalents in the cash flow statement represent short-term (3 months or less), and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

### **8. Foreign currency transactions and translation of financial statements denominated in foreign currency**

#### **(1) Foreign currency transactions**

Foreign currency transactions are translated into RMB at the spot exchange rate of the transaction dates. On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets.

#### **(2) Translation of foreign currency financial statements**

Asset and liability items in the balance sheet of foreign operations are translated at the spot exchange rates at the balance sheet date; equity items other than undistributed profits are translated at the spot exchange rates at the date of the transactions. Income and expense items in the income statements are translated at the spot exchange rate at the date of the transactions. The foreign currency statement translation difference arising from the above conversion shall be listed in other comprehensive income item. The impact of the foreign currency translation on the cash is presented in the cash flow statement separately.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities

The Group recognizes a financial asset or liability when it enters a financial instrument contract.

#### (1) Financial assets

##### 1) *Classification, recognition basis and measurement of financial assets*

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, the Group classifies the financial assets into financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The Group classifies the financial assets into financial assets as subsequently measured at amortized cost if all the following conditions are met: a) The objective of the business model within which the asset is held in order to collect contractual cash flows, and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Such financial asset is measured initially at fair value, the relating transaction costs shall be recognized into the initial amount of the financial asset, and is subsequently measured at amortized cost. Except for the case that the financial asset is designated for hedging project, gain or loss arising from derecognition, impairment, exchange gain and loss and amortization for the difference between the initial amount and the amount due using the effective interest method are recorded in current profit or loss. Such financial assets mainly include cash and cash equivalents, notes receivable, accounts receivable, other receivables, contract assets, debt investment and long-term receivables. The Group will present the debt investment and long-term receivables due within one year (including one year) from the balance sheet date as non-current assets due within one year. The debt investment due within one year (including one year) at the time of acquisition shall be presented as other current assets.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (1) Financial assets *(Continued)*

##### 1) *Classification, recognition basis and measurement of financial assets (Continued)*

The Group classifies the financial assets into financial assets as measured at fair value through other comprehensive income if all the following conditions are met: a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial asset is measured initially at fair value, and the relating transaction costs shall be recognized into the initial amount of the financial asset. Gain or loss incurred by financial assets measured at fair value through other comprehensive income excepting the case that the financial asset is designated for hedging project shall be recognized in other comprehensive income except the impairment loss or gains, foreign exchange gain or loss, and interests calculated by the effective interest rate method of financial assets. When the financial asset is derecognized, accumulated gains or losses previously included in other comprehensive income shall be transferred to current profit or loss from other comprehensive income. Such financial assets will be presented as other debt investment and other debt investment due within one year (including one year) from the balance sheet date will be presented as non-current assets due within one year; other debt investment due within one year (including One year) at the time of acquisition shall be presented as other current assets.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (1) Financial assets *(Continued)*

##### 1) *Classification, recognition basis and measurement of financial assets (Continued)*

Other than those financial assets at amortized cost and at fair value through other comprehensive income, the Group classifies all other financial assets into financial assets at fair value through current profit and loss. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit and loss.

##### 2) *Equity instrument*

The Group will measure the equity instruments on which it has no control, joint control and significant influence at the fair value through profit and loss of the period and present them as financial assets held for trading. If it is expected to be held for more than one year from the balance sheet date, it is presented as other non-current financial assets.

The Group designated the investment of equity instruments not held for trading as financial assets measured at fair value through other comprehensive income, and present them as other equity instrument investment. The dividends from such financial assets shall be recognized in profit and loss of the period.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (1) Financial assets *(Continued)*

##### 3) *Basis of recognition and methods of measurement for transfer of financial assets*

The Group will derecognized the financial asset if one of the following conditions is satisfied: (1) The contractual rights to collect the cash flows from the financial asset terminate; (2) When the financial asset is transferred, and the Group transfers substantially all the risks and rewards of ownership of the financial asset; (3) When the financial asset is transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and has not retained control.

When a transfer of the financial asset qualifies for derecognition, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and the cumulative amount of changes in fair value that has been previously recorded in other comprehensive income, is recorded in current profit or loss (the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding).

If a transfer of part of a financial asset qualifies for derecognition, the carrying amount of the entire financial asset transferred is allocated between the part that is derecognized and the part that continues to be recognized, based on the respective fair values of those parts. The difference between the sum of consideration received from the transfer and cumulative amount of changes in fair value that shall be allocated to the part derecognized which has been previously recognized in other comprehensive income and the above allocated carrying amount, is recorded in current profit or loss (the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding).

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (1) Financial assets *(Continued)*

##### 4) *Impairment of financial assets*

On the basis of expected credit losses, the Group performs impairment treatment on the financial assets at amortized cost, debt instrument investments, loan commitments and contract assets, and recognize the loss provision.

Based on reasonable information such as past events, current conditions and economic forecasts, the Group calculate the default-risk-weighted present value of the difference between the cash flow receivable from the contract and the cash flow expected to be received and recognized the expected credit losses.

The Group measures loss provisions according to the following circumstances: (1) the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses; (2) the credit risk on a financial instrument has increased significantly, the Group measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses; (3) financial asset is considered credit-impaired at the time of acquisition or at the beginning, the Group measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses. Except for the amounts of which the credit loss rate can be expected with the obvious evidence, the Group calculates the expected credit loss on a group basis.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (1) Financial assets *(Continued)*

##### 4) Impairment of financial assets *(Continued)*

- (1) The Company classifies notes receivable, accounts receivable and other receivables into several groups according to the credit risk characteristics and calculates the expected credit losses on a group basis. The basis of determination of groups is as follows:

The basis of determination of groups of note receivable:

<b>Name of groups</b>	<b>Basis of determination of groups</b>
Bank acceptance bills	The banks with low credit risk
Commercial acceptance bills	Notes other than bank acceptance bills

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (1) Financial assets *(Continued)*

##### 4) Impairment of financial assets *(Continued)*

###### (1) *(Continued)*

The basis of determination of groups of accounts receivable:

<b>Name of groups</b>	<b>Basis of determination of groups</b>
Related parties	Accounts receivable from related parties
Retention money of warranty	Undue retention money of warranty
Customers with good credit	Customers with good repayment during credit period
General customers	General customers

The basis of determination of groups of other receivables:

<b>Name of groups</b>	<b>Basis of determination of groups</b>
Receivable from government	Other receivables from government
Related parties	Other receivables from related parties
Deposits, security deposit and reserve fund receivable	Deposits, security deposit and reserve fund receivable
General receivables and others	Others

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (1) Financial assets *(Continued)*

##### 4) Impairment of financial assets *(Continued)*

###### (1) *(Continued)*

For the notes receivable, accounts receivable and other receivables classified as Commercial acceptance bills, general customers or others, the Group refers to the historical credit loss experience, combined with the forecast of the current and the future economic condition to calculate the expected credit loss according to the accounts receivable aging and other receivables aging and expected credit loss through full life time in reference.

For the accounts receivable and other receivables classified as receivable from government, receivable from related parties, retention money of warranty, customers with good credit, deposits, security deposit and reserve fund receivable, the Group calculates the expected credit loss according to the default risk exposure and expected credit loss rates over the next 12 months or throughout the lifetime.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (1) Financial assets *(Continued)*

##### 4) Impairment of financial assets *(Continued)*

- (2) The Company classifies contract assets and long-term accounts receivable into several groups according to the credit risk characteristics and calculates the expected credit losses on a group basis. The basis of determination of groups is as follows:

<b>Name of groups</b>	<b>Basis of determination of groups</b>
Related parties	Accounts receivable from related parties
EPC project	Contract assets from EPC project
General receivables and others	Others

For the contract assets and long-term accounts receivable classified as a group, the Group refers to the historical credit loss experience, combined with the forecast of the current and the future economic condition to calculate the expected credit loss according to the contract assets aging and expected credit loss through full life time in reference.

- (3) For the loans and advances to customers, the Group classifies loans as certain groups of normal, concerned, secondary, suspicious and loss based on the credit risk characteristics, with reference to the Guidelines on Risk-Based Loan Classification of the People's Bank of China, and calculates the expected credit losses on a group basis.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (2) Financial liabilities

##### 1) *Classification, recognition basis and measurement of financial liabilities*

The group classifies the financial liabilities upon initial recognition as financial liabilities measured at fair value through profit or loss and other financial liabilities.

Financial liabilities measured at fair value through profit or loss, including financial liabilities held for trading and those designated as measured at fair value through profit or loss upon initial recognition, (relevant classification basis is disclosed according to the classification basis of financial assets), are measured subsequently at fair value, and profits or losses resulting from changes in fair value and dividends and interest expense related to financial liabilities are recognized in current profits and losses.

Other financial liabilities, (specific disclosure of financial liabilities according to actual situation), are subsequently measured at amortized cost using effective interest method. The Group classify all financial liabilities as subsequently measured at amortised cost, except for: (a) Financial liabilities measured at fair value through profit or loss, including financial liabilities held for trading (including derivatives that are liabilities) and those designated as measured at fair value through profit or loss upon initial recognition; (b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. (c) financial guarantee contracts that do not satisfied (a) and (b), and commitments to provide a loan at a below-market interest rate that do not satisfied (a).

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (2) Financial liabilities *(Continued)*

##### 1) *Classification, recognition basis and measurement of financial liabilities (Continued)*

The financial liability constituted by contingent consideration confirmed by the buyer through a business combination not under common control by the Group is measured at fair value through current profit or loss.

##### 2) *Derecognition criteria of financial liabilities*

When the present obligation or a part of the present obligation of a financial liability is discharged, a financial liability or a part of a financial liability shall be derecognized. A contract is entered into between the Group and the creditor to replace the existing financial liability by a new financial liability. And if the contract terms of new financial liability are substantially different with those in existing financial liability, it shall derecognize the existing financial liability and recognize a new financial liability. When the Group performed substantive changes to all or part of the contract terms of the existing financial liabilities, the existing financial liabilities or part of it shall be derecognized. And financial liabilities after term revision will be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in current profit or loss.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (3) Methods for determination of the fair value of financial assets and financial liabilities

The Group measures the fair value of financial assets and financial liabilities at the prices in principal market, or in the absence of a principal market, measures the fair value at the prices in the most advantageous market, and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The input value used in fair value measurement is divided into three levels: the first level of input value is the unadjusted quotation of the same assets and liabilities that can be obtained on the measurement day in the active market; the second level of input value is the direct or indirect observable input value of related assets and liabilities in addition to the first level input value; the third level of input value is the unobservable input level of related assets and liabilities. The Group prefers the first level of input values, and uses the third level of input values at last. Investment of other equity instruments uses the first level of input values. The level of fair value measurement results is determined by the lowest level of input values which are of great significance to fair value measurement as a whole.

The Group measures the investment of equity instruments at fair value. But in limited cases, if the short-term information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **9. Financial assets and financial liabilities *(Continued)***

#### **(4) Offset of financial assets and financial liabilities**

The financial assets and liabilities of the Group are shown separately in the balance sheet and are not offset by each other. However, when the following conditions are met at the same time, the net amount offset shall be shown in the balance sheet: a) the Group has a statutory right to set off the recognized amount, and the statutory right is currently enforceable. b) the Group intends to settle its financial assets and liabilities in net amount, or liquidate the financial assets and settle the financial liabilities at the same time.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial assets and financial liabilities *(Continued)*

#### (5) Difference between financial liabilities and equity instruments and relevant measurement

The Group distinguishes between financial liabilities and equity instruments in accordance with the following principles: (1) If the Group cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability. Although some financial instruments do not explicitly contain terms and conditions for the obligation to deliver cash or other financial assets, they may indirectly form contractual obligations through other terms and conditions. (2) If a financial instrument is to be settled with the Group's own equity instruments, it is necessary to consider whether the Group's own equity instruments used to settle the instrument are to be used as a substitute for cash or other financial assets, or to enable the holder of the instrument to take residual equity in the assets after the issuer deducts all liabilities. If the former is the case, the instrument is the issuer's financial liabilities. If the latter is the case, the instrument is the issuer's equity instrument. In some cases, a financial instrument contract sets that the group shall use or use its own equity instruments to settle the financial instrument, in which the amount of contractual rights or obligations is equal to the number of its own equity instruments available or to be delivered multiplied by the fair value at the time of settlement, whether the amount of the contractual rights or obligations is fixed or changes totally or partially based on the division of this set variables other than the market price of the group's own equity instruments (such as interest rates, the price of a commodity or the price of a financial instrument), the contract is classified as financial liabilities.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **9. Financial assets and financial liabilities *(Continued)***

#### **(5) Difference between financial liabilities and equity instruments and relevant measurement *(Continued)***

In classifying financial instruments (or their components) in the consolidated statements, the Group takes into account all terms and conditions reached between the members of the Group and the holders of financial instruments. If the group as a whole assumes the obligation to deliver cash, other financial assets or settle accounts in other ways that result in the instrument becoming a financial liability, the instrument should be classified as a financial liability.

Where financial instruments or their components are financial liabilities, the relevant interest, dividends (or stock bonus), gains or losses, as well as gains or losses arising from redemption or refinancing, shall be included in the profits and losses of the current period.

Where a financial instrument or its components belong to an equity instrument, when it is issued (including refinancing), repurchased, sold or cancelled, the Group shall account as a change of equity, and shall not recognize the change of the fair value of the equity instrument.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 10. Inventories

The Group's inventories include but not limited to the raw materials, packaging material, low-value consumption goods, unfinished products, and merchandise inventories.

Perpetual inventory system is adopted by the Group. Inventory is valued at actual cost when acquired. Weighted average method and individual valuation method are used to determine the actual cost of the inventory used or issued. Low-value consumption goods are amortized at one time when they are used.

Net realizable value of merchandise inventory, unfinished products and materials held for sale is the estimated selling price in the ordinary course of business less the applicable variable selling expenses and related taxes. Net realizable value of material inventory held for production is the estimated selling price of the products less estimated costs of completion, applicable variable selling expenses and related taxes.

### 11. Contract assets

#### (1) Recognition method and standards of contract assets

Contract assets refer to the Group's right (depends on factors other than passage of time) to receive the contract price from customers for goods or services transferred by the Group. If the Group sells two clearly distinguishable goods to its customers, it has the right to collect payment for one of the goods delivered, but the collection depends on the delivery of another commodity, the Group regards the right to collect payment as a contract asset.

Method of determining expected credit loss of contract assets, please refers to Notes IV 9. relevant description of financial assets and financial liabilities.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **12. Contract costs**

#### **(1) Method for determining the amount of assets related to contract costs**

The Group's assets related to contract costs include contract performance costs and contract acquisition costs.

The cost of contract performance, that is, the cost incurred by the Group for the performance of the contract, does not fall within the scope of other enterprise accounting standards and meets the following conditions at the same time, is recognized as an asset as the cost of contract performance: the cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs and other costs incurred solely as a result of the contract and is clearly undertaken by the customer. The cost increases the Group's resources for future performance obligations; the cost is expected to be recovered.

The acquisition cost of a contract, is the incremental cost expected to be recovered by the Group in order to obtain the contract, and is recognized as an asset as the acquisition cost of the contract; if the amortization period of the asset does not exceed one year, the profits and losses of the current period shall be included in the occurrence of the asset. Incremental cost refers to the cost (such as sales commission) that will not occur if the group does not obtain a contract. Expenditures incurred by the Group for the purpose of obtaining a contract other than the incremental costs expected to be recovered (e.g. travel expenses incurred regardless of whether the contract was acquired) are recorded in the current profits and losses at the time of occurrence, except those clearly undertaken by the customer.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 12. Contract costs *(Continued)*

#### (2) Amortization of assets related to contract costs

The Group's assets related to contract costs shall be amortized on the same basis as the commodity income recognition related to the assets, and shall be included in the current profits and losses.

#### (3) Impairment of assets related to contract costs

In determining impairment losses of assets related to contract costs, the Group first determines impairment losses in accordance with other relevant enterprise accounting standards and other assets related to the contract; then determines impairment losses in accordance with their book value higher than the residual consideration expected by the Group for the transfer of commodities related to the asset and estimates the costs to be incurred for the transfer of the related commodities. If the difference between the two items exceeds the allowance for impairment, the provision for impairment shall be calculated and the impairment loss of assets shall be considered.

After the factors of impairment in the previous period have changed, and the above-mentioned balance is higher than the book value of the asset, the provision for asset impairment which was originally calculated shall be transferred back to the current profit and loss, but the book value of the asset after the transfer shall not exceed the book value of the asset on the transfer date assumed that the provision for asset impairment is not included.

# Notes to Consolidated Financial Statements *(Continued)*

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## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **13. Long-term equity investment**

Long-term equity investments of the Group comprise the investment towards subsidiaries and investments towards associates and joint ventures.

The Group's judgment on joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of parties sharing control.

If the Group holds, directly or indirectly (e.g. through subsidiaries) more than 20% but lower than 50% of the voting power of the investee, it is presumed that the entity has significant influence. If the Group holds, directly or indirectly (e.g. Through subsidiaries) less than 20% of the voting power of the investee, the representation on the board of directors or equivalent governing body of the investee, or participation in financial and operation policy-making process, or the material transaction between the entity and the investee, or expedition of management personnel, or the provision of essential technical information will be considered.

A subsidiary company of the Group is the entity that controls the invested unit. As for long-term equity investment acquired through a business combination under common control, the initial recognition are measured in accordance with the proportion of the book value of the owner's equity of the merged party in ultimately control party's consolidated financial statements. If the book value of the net assets of the merged party is negative on the date of merger, the cost of long-term equity investment shall be fixed at zero.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 13. Long-term equity investment *(Continued)*

If a company acquires the equity of the invested entity under common control step by step through multiple transactions and eventually forms a merger, it shall supplement the method of dealing with the long-term equity investment disclosed in the financial statements of the parent company during the reporting period of acquiring the control right. For example, the investee's equity is acquired step by step under common control through multiple transactions, and eventually the enterprise merges, which belongs to a package transaction. The Group will treat all transactions as a control transaction. If it does not belong to the package transaction, the initial investment cost of the long-term equity investment shall be the share of the net assets of the merged party in the book value of the final controlling party's consolidated financial statements on the date of merger. The capital reserve is adjusted by the difference between the initial investment cost and the book value of the long-term equity investment before the merger, plus the sum of the book value of the new share payment on the merger day, and if the capital reserve is insufficient to be reduced, the retained earnings shall be reduced.

The initial investment cost is the actual acquisition cost if the long-term equity investment is acquired through a business combination not under common control.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **13. Long-term equity investment *(Continued)***

If a company acquires the equity of the invested entity not under common control step by step through multiple transactions and eventually forms a merger, it shall supplement the method of dealing with the cost of long-term equity investment disclosed in the financial statements of the parent company during the reporting period of acquiring the control right. For example, the investee's shares are acquired step by step through multiple transactions, and eventually a merger of enterprises is formed, which belongs to a package transaction, the Group will treat all transactions as a control transaction. If the transaction does not belong to the package transaction, the initial investment cost shall be accounted for according to the book value of the original equity investment and the sum of the additional investment cost. If the equity held is accounted for by equity method before the acquisition date, the other comprehensive income accounted by the original equity method will not be adjusted temporarily, and when dealing with the investment, the same basis as the assets or liabilities directly disposed of by the invested entity shall be adopted for accounting treatment. If the equity held prior to the purchase date is accounted for at fair value in the financial assets available for sale, the cumulative changes in fair value originally included in other comprehensive gains are transferred to the current investment gains and losses on the consolidation date.

In addition to the above-mentioned long-term equity investments obtained through enterprise mergers, long-term equity investments obtained by paying cash shall be regarded as investment costs according to the purchase price actually paid; long-term equity investments obtained by issuing equity securities shall be regarded as investment costs according to the fair value of issuing equity securities; long-term equity investments invested by investors shall be regarded as investment costs in accordance with investment contracts or agreements. The Group adopts cost method to account for subsidiary investment and equity method to account for joint venture and joint venture investment.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 13. Long-term equity investment *(Continued)*

The book value of the cost of long-term equity investment which based on cost method in subsequent measurement will increase according to the fair value of the cost paid by the additional investment and the related transaction costs when additional investment is made. The cash dividend or profit declared by the invested entity shall be recognized as the current investment income according to the amount taken.

The book value of long-term equity investment which uses equity method in subsequent measurement will increase or decrease accordingly with the change of owner's equity of other invested units. Among them, when confirming the share of the net profit and loss of the invested unit, based on the fair value of the identifiable assets of the invested unit at the time of acquiring the investment, and in accordance with the accounting policies and accounting period of the group, and offsetting the internal transaction gains and losses occurring between the joint venture and the joint venture, which belong to the invested enterprise according to the share-holding ratio, the net value of the invested unit shall be calculated. Profit is confirmed after adjustment.

When the long-term equity investment is disposed, the difference between its book value and the actual price obtained shall be included in the current investment income. If a long-term equity investment calculated by the equity method is included in the owner's rights and interests due to other changes in the owner's rights and interests other than net profit and loss of the invested entity, the portion originally included in the owner's rights and interests shall be transferred to the current investment profit and loss according to the corresponding proportion when disposing of the investment.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 13. Long-term equity investment *(Continued)*

If the joint control or significant influence on the invested unit is lost due to the disposal of part of the equity investment, the residual equity after disposal shall be accounted for financial assets available for sale. The difference between the fair value and book value of the remaining equity on the date of the loss of joint control or significant influence shall be included in the current profits and losses. The other comprehensive income of the original equity investment confirmed by the equity method shall be accounted for on the same basis as the assets or liabilities directly disposed of by the invested entity when the equity method is terminated.

If the disposal of part of the long-term equity investment loses control over the invested entity, the residual equity after disposal can exercise joint control or exert significant influence on the invested entity, the balance between the book value of the disposal equity and the disposal consideration shall be accounted for as the investment income, and the residual equity shall be accounted for by the equity method after disposal. If the residual equity cannot exert joint control or exert significant influence on the invested unit, it shall be accounted for according to the relevant provisions of the financial assets available for sale. The difference between the book value of the disposal equity and the book value of the disposal equity shall be included in the investment income. The difference between the fair value of the residual equity on the day of losing control and the book value shall be included in the current investment profit and loss.

If the transaction from step-by-step disposal to the loss of controlling rights does not belong to the package of transaction, each transaction is accounted for separately. In a “package transaction”, transactions are treated as a transaction to dispose of subsidiaries and lose control rights. However, before the loss of control rights, the difference between the disposal price of each transaction and the book value of the long-term equity investment corresponding to the disposed equity is recognized as other comprehensive income, and when the control rights are lost, it will be transferred to current profits and losses of losing control rights.

# Notes to Consolidated Financial Statements *(Continued)*

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 14. Investment properties

Investment properties comprise land-use rights and buildings which are held for long-term rental yields and not occupied by the Group, and uncompleted buildings which are intended to hold for rent. Investment properties are initially recognized at cost. The subsequently costs shall be added to the initial costs of the investment properties when the economic benefit related is likely to realize and is measurable. Or else, it should be stated in current profit or loss.

Depreciation (or amortization) of investment properties is calculated using a straight-line method to allocate the depreciable amounts (cost less residual value) over the estimated useful life. Below is the table of estimated useful lives, residual value rate and annual depreciation (amortization) rates:

<b>Category</b>	<b>Estimated useful life</b>	<b>Estimated residual value rates (%)</b>	<b>Annual depreciation rate (%)</b>
Buildings (including the land-use right)	30-50 years	0.00-5.00	1.90-3.33

If the usage is changed into owner-occupied, the investment property is reclassified into a property, plant and equipment or an intangible asset since the day the change has been made. On the contrary, the fix or intangible asset is transferred into investment property if the usage of these properties is to earn rentals or capital appreciations. When a transfer occurs, the previous carrying amount shall be used as the new book value.

The estimated useful lives, estimated residual value rates and depreciation method shall be annually reviewed and adjusted properly.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **14. Investment properties *(Continued)***

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gains from sale, transfer, written-off or destroy of the investment properties less the carrying amount and relevant taxes shall be recognized in current profit or loss.

When an investment property's recoverable amount is lower than its carrying amount, the carry amount shall be decreased to the recoverable amount.

### **15. Property, plant and equipment**

#### **(1) Recognition and Initial measurement of property, plant and equipment**

Property, plant and equipment comprise buildings, machineries, transportations, office and electrical equipments, etc. The property, plant, and equipment of the Group refers to tangible assets held for the production of commodities, the provision of labor services, leasing or operation and management for a period of more than one year.

Property, plant and equipment are recognized when it is probable that the future economic benefits associated with the assets will flow into the entity, and the cost of the asset can be measured reliably. It is recognized at purchase cost or construction cost for the initial cost. The state owned property, plant and equipment were recognized at the evaluation price during the system-changing of the state-owned enterprise.

Subsequent expenditure is recorded when the future economic benefits associated with the asset is likely to flow into the entity and the cost of the asset can be measured reliably. The value of the replaced part shall be derecognized its carrying amount. The other subsequent expenses are recognized in the current profit or loss.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 15. Property, plant and equipment *(Continued)*

#### (2) Depreciation of property, plant and equipment

Depreciation is calculated using a straight-line method to allocate the depreciable amounts (cost less residual value) over the estimated useful life. As for the property, plant and equipment with impairment provisions, the Depreciation is calculated using a straight-line method to allocate the depreciable amounts (cost less residual and impairment value) over the estimated useful life.

No.	Category	Estimated useful lives (years)	Estimated residual value (%)	Annual depreciation rate (%)
1	Buildings	20-50 years	3.00-5.00	1.90-4.75
2	Machinery equipments	7-28 years	5.00	3.39-13.57
3	Transportations	6-12 years	5.00	7.92-15.83
4	Office equipments	3-14 years	5.00	6.79-31.67

The estimated useful lives, estimated residual value rate and depreciation method shall be annually reviewed and adjusted properly.

When the recoverable amount of property, plant and equipment is lower than the carrying amounts, the carrying amounts shall be decreased to the recoverable amounts.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **15. Property, plant and equipment *(Continued)***

#### **(3) Disposal of property, plant and equipment**

The property, plant and equipment should be derecognized on disposal or when the property, plant and equipment is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gains from sale, transfer, written-off or destroy of the property, plant and equipment less the carrying amount and relevant taxes shall be recognized in current profit or loss.

### **16. Construction in progress**

When construction in progress reaches the predetermined usable state, it should be transferred to fixed asset according to the estimated value regards to budget, cost and actual construction cost, and be depreciated from the next month. After the completion of final accounts, the difference of the original value of fixed assets will be adjusted.

### **17. Borrowing cost**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. Capitalization should be suspended during periods in which active development is interrupted abnormally for more than 3 months. And it recapitalized when the abnormal interruption is over.

# Notes to Consolidated Financial Statements *(Continued)*

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 17. Borrowing cost *(Continued)*

The actual interest costs incurred by the funds borrowed specifically less the interest earned by the unused part deposited in the bank or any income earned on the temporary investment shall be capitalized; where funds are part of a general pool, the eligible amount is determined by applying a capitalization rate to the expenditure on that asset. The capitalization rate will be the weighted average of the borrowing costs applicable to the general pool.

### 18. Intangible assets

Intangible assets comprise the land-use rights, technical know-how, brand, customer relationships, franchise rights and software etc, it is recognized at cost. The state-owned intangible assets were recognized at the evaluation price during the system-changing of the state-owned enterprise.

#### (1) Categories of intangible assets

##### 1) *Land-use right*

Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the useful life of 30 to 50 years. If it is difficult to identify the purchase price of the land-use right to that of the building, the whole price is recognized as a fixed asset.

##### 2) *Technical know-how*

Technical know-how is shown at cost as all investors agreed. Amortization is calculated using the straight-line method to allocate the cost of technical know-how over its estimated useful life of 10 years. The Group acquired all of the technical know-how which is acquired by the subsidiaries and should be recognized at fair value at the acquisition date in 2011. And the estimated useful life is 6 to 10 years.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 18. Intangible assets *(Continued)*

#### (1) Categories of intangible assets *(Continued)*

##### 3) *Brand and customer relationships*

Brand and customer relationships are recognized at fair value at the acquisition date in a business combination in 2010. Since the brand has an indefinite useful life, brand shall not be amortized during the useful life and should be tested annually for impairment. Customer relationships shall be amortized using the straight-line method over their estimated useful lives of 10 to 12 years.

##### 4) *Software*

Software licenses are capitalized by the purchase price and are amortized over their estimated useful lives of 2 to 10 years.

##### 5) *Franchise rights*

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The franchise rights are classified as intangible assets or accounts receivable from the granting authority.

According to the contract, in a certain period after the construction, the Group is entitled to receive a certain amount of monetary resources or other financial assets from the granting authority; or when the charge for the user is lower than a certain limitation, the granting authority will compensate for the difference, which is shown as financial assets while the Group recognize the revenue.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 18. Intangible assets *(Continued)*

#### (1) Categories of intangible assets *(Continued)*

##### 5) Franchise rights *(Continued)*

Also if the operator receives a right to charge user within a certain period, but the amount is uncertain and unable to claim a right for accounts receivable, it is stated as an intangible asset while recognizing the revenue.

If intangible assets model is applicable, the Group classifies the relevant non-current assets linked to the long-term investment in these franchise arrangements as “franchise rights” within under intangible assets classification on the consolidated balance sheet. Once the relevant infrastructure projects under the franchise arrangements have been completed, the franchise rights will be amortized over the term of the franchise period on the straight-line basis under the intangible assets model.

If financial assets model is applicable, the Group classifies the assets under these franchise arrangements as financial assets on the consolidated balance sheet. Once the relevant infrastructure projects under the franchise arrangements have been completed, the interest of financial assets will be calculated using effective interest rate method and related gain/(loss) will be charged to the profit or loss within the franchise period.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 18. Intangible assets *(Continued)*

#### (1) Categories of intangible assets *(Continued)*

##### 6) *Research and development*

Internal research and development costs will be separated into research expenditure and development cost based on their nature and whether there is great uncertainty of the research and development will finally form an intangible asset.

Research expenditure is recognized as expenses as incurred. Costs incurred on development projects are recognized as intangible assets when all the following criteria are fulfilled:

- (a) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (b) Management intends to complete the intangible asset to use or sell it;
- (c) It can be demonstrated how the intangible asset will generate probable future economic benefits;
- (d) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (e) The expenditure attributable to the intangible asset during its development can be reliably measured.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 18. Intangible assets *(Continued)*

#### (1) Categories of intangible assets *(Continued)*

##### 6) *Research and development (Continued)*

If development costs don't meet the above criteria, they are recognized as an expense as incurred. Development costs previously recognized as an expense cannot be reclassified as an intangible asset in subsequent periods. Capitalized costs are recorded as development expenditures on balance sheet and are transferred into intangible assets only after technical and commercial feasibility of the asset for sale or use have been established.

#### (2) Impairment of intangible assets

When the recoverable amount is lower than its carrying amount, the carrying amount of the asset shall be written down to the recoverable amount.

#### (3) Regular review of the useful lives and the amortization method

As for intangible asset with a definite useful life, the useful lives and depreciation method shall be annually reviewed and adjusted properly.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 19. Impairment of long-term assets

At the end of each reporting period, long-term equity investments, investment property carried at cost, property, plant and equipment, construction in progress, intangible assets with definite useful lives are assessed for impairment by the Group when there is any indication that an asset may be impaired. Goodwill and intangible assets with indefinite useful lives shall be assessed for impairment at the end of each reporting period no matter there is any indication for impairment or not.

The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount should be determined for an individual asset. If it is not possible to determine the recoverable amount for an individual asset, the recoverable amount shall be determined for cash-generating units in which the asset included. The identification of an asset's cash-generating unit shall be based on whether the main cash inflows generated by the asset's cash-generating unit are independent of the cash inflows from other assets or cash-generating units. When the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount shall be written down to its recoverable amount. The reduction shall be recognized as the current profit or loss, and the corresponding provision for impairment of assets is also recognized.

When testing the impairment of relevant cash-generating units or groups of cash-generating units containing goodwill, if there are signs of impairment of cash-generating units or groups of cash-generating units related to goodwill, the impairment test of cash-generating units or cash-generating units without goodwill is carried out first, and the recoverable amount is calculated to confirm the corresponding impairment loss. Then the impairment test is carried out on the cash-generating units or groups of cash-generating units containing goodwill, and the carrying amount and the recoverable amount are compared. If the recoverable amount is lower than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating units or groups of cash-generating units; and then, reduce the carrying amounts of the other assets included in the cash-generating units or groups of cash-generating units pro rata on the basis.

Reversal of an impairment loss for the above assets is prohibited.

# Notes to Consolidated Financial Statements *(Continued)*

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(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 20. Long-term deferred expenses

Long-term deferred expenses include the improvement expenditures of property, plant and equipment under operating lease, and other expenses which incurred in the current period but are required to be amortized for more than one fiscal period. Long-term deferred expenses are amortized on the straight-line basis over the expected benefit period and are recorded as the actual expenses less the accumulated amortization.

As for the molds stated in the long-term deferred expenses, they are amortized adopting the units-of-production method based on estimated times for which they can be used over the benefit period.

### 21. Contract liabilities

A contract liability reflects the Group's obligation to transfer goods to a customer when the Group has received consideration or an amount of consideration is due from the customer. Such as the payments collected by Group before the transfer of promised goods.

The Group shall present the contract assets and contract liabilities which under a same contract in net amount after offsetting each other.

### 22. Employee benefits

Employee benefits of the Group refer to rewards or compensations paid for services provided by employees or employer layoffs benefits, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits include salaries, bonus, allowance and subsidies, staff benefits, medical insurance, employment injury insurance, maternity insurance, housing fund, union and educational appropriations, short-term paid absences, etc. Short-term benefits are recognized as liabilities during the accounting period when employees render service to the Group. Employee benefits are recognized as profit or loss in the current period or allocated to the cost of related assets. The non-monetary benefits are measured at fair value.

# Notes to Consolidated Financial Statements *(Continued)*

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 22. Employee benefits *(Continued)*

Post-employment benefit schemes are classified as defined contribution plans and defined benefit plans. Defined contribution plans of the Group are a kind of post-employment benefit scheme in which the Group pays fixed fees to an independent fund and is no longer obligated to make further payments. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The post-employment benefits of the Group mainly refer to basic pension and unemployment insurance during this reporting period, both of which belong to the defined contribution plan.

Employees of the Group are all involved in employee's endowment insurance policy implemented by local labour and social security department. The Group makes the monthly payment to the local institution of employee's endowment insurance at a regulated base and proportion. After employees are retired, local labour and social security department have the obligation to pay their basic pension. The payment made according to the policy when employee renders service to the Group is recognized as a liability and stated as profit or loss or allocated to the cost of related assets during the period.

Termination benefits are the compensations made to employees when the Group terminates the employment relationship with employees prior to the expiration of the employment contracts or provides compensations as an offer to encourage employees to accept voluntary layoffs. When the Group provides termination benefits, the employment benefit liabilities generated from termination benefits are recognized to profit or loss in the current period on the early date of the followings: (a) when the Group can no longer withdraw the offer of those benefits or layoff plans unilaterally; and (b) when the Group recognizes costs for a restructuring related to termination benefits.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 22. Employee benefits *(Continued)*

The Group offers early retirement benefit for the employees who accept the internal retirement arrangement. Early retirement benefit refers to the wages and social insurance paid for the employees who do not attain the statutory retirement age and being approved by the Group's management team for retirement. The Group will pay such retirement benefit for the early retired employee from the date of early retirement to date where the statutory retirement age is attained. The basis of accounting treatment for early retirement benefits shall be the same as the termination benefits. If the recognition conditions for termination benefits were satisfied, the employment benefit liabilities generated from wages and social insurance paid for the early retired employees shall be recognized to profit or loss in the current period all at once. Any difference arising from the changes of actuarial assumptions or adjustment of the welfare standard shall be included in the profit and loss in the current period.

The termination benefits expected to be paid within a year since the balance sheet day are presented as current liabilities.

### 23. Provision

Present obligations arising as a result of a past event (such as warranty, onerous contract, etc.) are recognized as provision when the performance of such obligations is likely to result in the outflow of economic benefits and the amount can be estimated reliably.

The amount recognized as a provision is the best estimate of the expenditure required to perform the present obligation. Lots of factors, such as risks and uncertainties that surround the underlying events and the time value of money etc, are taken into account. Where the effect of time value of money is material, the best estimate shall be the present value of the future cash flow. Where discounting is used, the increase of a provision to reflect the passage of time shall be recognized as borrowing costs.

# Notes to Consolidated Financial Statements *(Continued)*

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## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **23. Provision *(Continued)***

Provisions shall be reviewed as at balance sheet date and adjusted to reflect the current best estimates.

Provisions expected to be paid within a year since balance sheet date are presented as current liabilities.

### **24. 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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 24. Revenue recognition and measurement *(Continued)*

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

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.

# Notes to Consolidated Financial Statements *(Continued)*

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 24. Revenue recognition and measurement *(Continued)*

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

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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 24. Revenue recognition and measurement *(Continued)*

#### (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 the 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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 24. Revenue recognition and measurement *(Continued)*

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

- (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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 24. Revenue recognition and measurement *(Continued)*

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

##### *(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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 24. Revenue recognition and measurement *(Continued)*

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

##### *(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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 25. Government grants

The Group's government grants include tax return, financial subsidies etc.

The Group's government grants include government grants related to assets and government grants related to income. Government grants obtained by the Group which are relevant to purchase, construction or acquisition of long-term assets in other ways are classified as government grants related to assets; all other government grants are classified as government grants related to income. If the subsidies are not specified in the government documents, the Group judges them according to the above distinction principle. If it is difficult to distinguish, the whole is classified as government grants related to income.

If the government grants are monetary assets, it shall be measured according to the amount actually received. For the government grants allocated according to the fixed quota standard, or for the end of the year, when there is conclusive evidence that it meets the relevant conditions stipulated by the financial support policy and is expected to receive the financial support funds, it shall be measured according to the amount receivable. If the government grants are non-monetary assets, it shall be measured at fair value; if the fair value cannot be reliably obtained, it shall be measured at a nominal amount.

Government grants related to assets shall be recognized as deferred income and amortized to profits or losses of the current period using the straight-line method within the useful life of the relevant assets.

If the relevant assets are sold, transferred, scrapped or damaged before the end of their useful life, the balance of related deferred income that has not been allocated shall be transferred to the profits and losses of the current period of asset disposal.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 25. Government grants *(Continued)*

Government grants related to income, as compensation for costs and expenses in subsequent periods, are recognized as deferred income and shall be recorded in profit or loss over the period in which the relevant costs or losses are recognized. The government grants related to daily activities shall be recognized in other income or offset the relevant costs and expenses according to the essence of economic business. Those that are not related to daily activities shall be recognized in non-operating income and expenses.

If the Group obtains the policy-based preferential loan discount, it shall distinguish between the cases where the finance allocates the discount funds to the lending bank and that the finance allocates the discount funds directly to the Group. The accounting treatment shall be carried out according to the following principles:

- (1) If the finance allocates the discount funds to the lending bank and the lending bank provides loans to the Group at the policy-based preferential interest rate, the group shall use the amount actually received as the entry value of the loan, and then calculate the relevant borrowing costs according to the borrowing principal and the policy preferential interest rate (or use the fair value of the loan as the entry value of the loan and calculate the borrowing costs according to the effective interest method. The difference between the amount actually received and the fair value of the loan is recognized as deferred income. The deferred income is amortized by the effective interest method during the duration of the loan, and the related borrowing costs are reduced.)
- (2) The finance will directly allocate the discount funds to the Group, which will deduct the related borrowing costs from the corresponding discount.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 25. Government grants *(Continued)*

If the government grants confirmed by the Group needs to be returned, the accounting treatment shall be conducted in accordance with the following provisions in the current period in which it needs to be returned:

- 1) Adjust the book value of assets if the book value of the relevant assets is written off at the time of initial confirmation.
- 2) If there are related deferred incomes, the carrying amount of related deferred income shall be deducted and the excess part shall be included in the current profits and losses.
- 3) If it belongs to other circumstances, it shall be directly included in the profits and losses of the current period.

### 26. 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.

# Notes to Consolidated Financial Statements *(Continued)*

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

If there are many separate leases in the contract, the group will split the contract and separate the individual leases for accounting treatment. The right to use an underlying asset is a separate lease component if both of the following conditions have been met:

- the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee.
- the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

For a contract that contains lease components and non-lease components. The Group, as lessors and lessees, will conduct accounting treatment of the lease components and non-lease components separately.

# Notes to Consolidated Financial Statements *(Continued)*

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Lease *(Continued)*

#### (1) Lessee

The rental types of the Group mainly include buildings, fields, machinery and equipment, etc.

##### *(a) Initial measurement*

At the commencement date, the Group shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The lease term of the Group is the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The Group shall reassess whether it is reasonably certain to exercise an extension option, or exercise a purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Group; and affects whether the Group is reasonably certain to exercise such options.

# Notes to Consolidated Financial Statements *(Continued)*

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Lease *(Continued)*

#### (1) Lessee *(Continued)*

##### *(b) Subsequent measurement*

The Group depreciate the right-to-use assets by the method of average years. If the acquisition of the ownership of the underlying assets can be reasonably determined, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group shall calculate the interest on the lease liabilities in each period during the lease term by a constant periodic interest rate, and the interest will be recognized in profit or loss.

Variable lease payments not included in the measurement of lease liabilities shall be recognized in profit or loss when they actually occur.

After the commencement date, the Group shall remeasure the lease liability to reflect changes to the present value of lease payments. The Group shall recognize the amount of the remeasurement of the lease liability as an adjustment to the carrying amount of right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group shall recognize any remaining amount of the remeasurement in profit or loss.

# Notes to Consolidated Financial Statements *(Continued)*

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(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Lease *(Continued)*

#### (1) Lessee *(Continued)*

##### *(c) Lease modifications*

A change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

The Group will account for a lease modification as a separate lease if both of the following conditions have been met:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets;
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group will determine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the Group's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Lease *(Continued)*

#### (1) Lessee *(Continued)*

##### *(c) Lease modifications (Continued)*

For a lease modification that is not accounted for as a separate lease, the Group shall account for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease shall be recognized in profit or loss.
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

##### *(d) Short-term lease and low-value asset lease*

The Group will recognize the lease as a short-term lease at the commencement date of the lease term, with a lease term not exceeding 12 months and excluding the option of purchase. The lease of an underlying asset with a value not exceeding RMB30,000 when it is a brand-new asset is recognized as a low-value asset lease. Where the Group sublease or expect to sublease the underlying assets, the original lease shall not be recognized to be a low-value asset lease. The Group do not recognize the right-to-use assets and lease liabilities for short-term lease and low-value asset lease. In each period during the lease term, the rent of short-term lease and low-value asset lease will be recognized in the relevant assets cost or in profit or loss according to the straight-line method, and the contingent rent will be recognized in profit or loss when it actually occurs.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Lease *(Continued)*

#### (2) Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

##### *(a) Finance lease*

At the commencement date, the Group shall recognize the receivable of the lease payment and derecognize the relevant assets. The lease payment will equal to the net investment in the lease. The net investment in the lease is the sum of discounted the unguaranteed residual value and lease receipts not yet received at the commencement date. The discount rate shall be the interest rate implicit in the lease.

The Group calculate the interest income for each period during the lease term at a constant periodic interest rate. Variable rental payments obtained by the Group that are not included in the net investment in the lease shall be included in the profit or loss when they actually occur.

##### *(b) Operating lease*

The income of operating lease shall be recognized in profit or loss in each period during lease term according to straight-line method, contingent rent shall be recognized in profit or loss when it actually occurs.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Lease *(Continued)*

#### (3) Sale and leaseback transactions

The Group shall apply the requirements for determining when a performance obligation is satisfied in Note IV.24 to determine whether the transfer of an asset is accounted for as a sale of that asset.

##### *(a) Seller-lessee*

If the transfer of the asset is a sale, the Group shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the transfer of the asset is not a sale, the Group shall continue to recognize the transferred asset and shall recognize a financial liability equal to the transfer proceeds. It shall account for the financial liability according to Note IV.9.

##### *(b) Buyer-lessor*

If the transfer of the asset is a sale, the Group shall account for the purchase of the asset applying applicable Standards, and for the lease applying the lessor accounting requirements in this note. If the transfer of the asset is not a sale, the Group shall not recognize the transferred asset and shall recognize a financial asset equal to the transfer proceeds. It shall account for the financial asset according to Note IV.9.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 28. Held-for-sale assets

- (1) Non-current assets or disposal groups meeting the following conditions are classified as held-for-sale assets: 1) the non-current assets or disposal groups can be immediately sold under current conditions pursuant to general terms for selling such assets or disposal groups; 2) its sale must be highly probable, that is, a decision has been made on a sales plan and a firm commitment has been obtained, and the sales are expected to be completed within one year. The relevant provisions require the approval of the relevant authorities or regulatory authorities before they can be sold. Before the Group classifies non-current assets or disposal groups as held-for-sale assets for the first time, the Group measures the book value of all assets and liabilities in non-current assets or disposal groups in accordance with relevant accounting standards. When the Group initially measurement or re-measurement is made on the balance sheet date, and the carrying amount of the non-current assets or disposal group holding for sale is higher than the fair value less cost to sell, the carrying amount shall be written down to the fair value less cost to sell. The amount written down is recognized as the loss of impairment of assets which is included in current profits and losses, and the corresponding provision for impairment of held-for-sale assets is also recognised.
- (2) If the non-current assets or disposal group acquired exclusively for resale by the Group meets the requirement that the sale is expected to be completed within one year on the acquisition date, and is likely to meet other conditions for the classification of held-for-sale assets within a short period (usually within three months), it shall be classified as held-for-sale assets on the acquisition date. In the initial measurement, the initial measurement amount and the fair value less costs to sell is compared and measured at a lower level under the condition that is not classified as held-for-sale assets. Except for the non-current assets or disposal groups acquired in the merger of enterprises, the difference resulting from the net amount of the non-current assets or disposal groups after deducting the costs to sell from the fair value shall be taken as the initial measurement amount, and shall be included in the current profit or loss.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 28. Held-for-sale assets *(Continued)*

- (3) If the Group loses control of subsidiaries due to the sale of its investment in subsidiaries or other reasons, whether or not the Group retains part of its equity investment after the sale, when the investment in subsidiaries to be sold meets the requirements for the classification of held-for-sale assets, the investment of subsidiaries shall be divided into held-for-sale assets as a whole in the individual financial statements of the parent company, and all assets and liabilities of the subsidiaries shall be listed as held-for-sale in the consolidated financial statements.
- (4) If the net amount of the non-current assets classified as held for sale on the subsequent balance sheet date increases, the amount previously written down shall be restored and shall be reversed within the amount of the impairment loss of the assets recognized after being classified as hold-for-sale assets. The reversed amount shall be included in the current profits and loss. Losses of impairment of assets recognized before the classification of held-for-sale assets shall be not reversed.
- (5) For the amount of loss of impairment of assets confirmed by the disposal group classified as held for sale, the carrying amount of goodwill in the disposal group shall be offset first, and then the carrying amount of non-current assets shall be offset pro rata on the basis.

If the net amount of the disposal group classified as held for sale on the subsequent balance sheet date increases, the amount previously written down shall be restored and shall be reversed within the amount of the impairment loss of the assets recognized by non-current assets applicable to relevant measurement provisions after being classified as hold-for-sale assets. The reversed amount shall be included in the current profits and loss. The carrying amount of the goodwill that has been written down and the losses of impairment of non-current assets recognized before they are classified as held-for-sale assets shall be not reversed.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 28. Held-for-sale assets *(Continued)*

(5) *(Continued)*

The subsequent reversals of the impairment losses recognized by the disposal group classified as held for sale shall increase the carrying amount of non-current assets in the disposal group in proportion according to the proportion of the carrying amount of the non-current assets except goodwill in the disposal group.

(6) The non-current assets classified as held for sale or non-current assets in the disposal group are not depreciated or amortized. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to recognize.

(7) When the non-current asset or the disposal group classified as held for sale ceases to meet the conditions for the classification of held for sale and ceases to be further classified as held for sale or ceases to be included in a disposal group classified as held for sale, it shall be measured at the lower of: a) its carrying amount before the non-current asset or disposal group was classified as held for sale, adjusted for any depreciation, amortization or impairment that would have been recognized had the non-current asset or disposal group not been classified as held for sale; b) its recoverable amount.

(8) When derecognizing of non-current assets or disposal group classified as held for sale, the unrecognized gains or losses shall be included in the current profits and losses.

### 29. Discontinued operation

Discontinued operations referring to be clearly distinguished component which has been disposed of or is classified as held for sale, shall satisfy one of the following condition: (1) the component represents an independent main business or a separate main area of operation; (2) the component is part of a related plan for disposing an independent main business or a separate main operating area; (3) the component is a specially subsidiary obtained for resale.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **30. Segment information**

The Group determines the operating segment based on internal organizational structure, management requirements and internal reporting system. The reportable segment and disclosing the information are determined based on the operating segment.

Operating segment refers to the components within the Group that satisfy all the following conditions: (1) the components can generate income and expenses in daily activities; (2) the operating results of the components are regularly reviewed by the management of the Group to make decisions about resources to be allocated to the segment and assess its performance; (3) Discrete financial information including the financial position, operating results and cash flow of the component is available. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

### **31. Financial guarantee contracts**

Financial guarantee contracts are contracts that require the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Such financial guarantees are given to banks, financial institutions and other entities to secure related party' loans, overdrafts and other bank facilities.

The financial guarantee contract is initially recognized at fair value on the date the guarantee was given, and shall be subsequently measured at the higher of amortized value and the best estimate of the reserves required for the performance of the group's guarantee obligations on balance sheet date. The increased liabilities associated with the contract and shall be recorded in current profit or loss. These estimates are based on similar business experience, past losses and management judgment.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 32. 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.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 32. Critical accounting estimates and judgments *(Continued)*

#### (2) Method of ascertaining of performance progress for construction contracts (only applicable to situations where control is transferred within a period of time)

The input method is adopted by the Group to ascertain the progress of performance of construction contracts. Specifically, the construction costs actually incurred on a cumulative basis as a percentage of estimated total costs is used to ascertain progress of performance. Costs actually incurred on a cumulative basis include direct and indirect costs incurred by the Group in the course of transfer of goods to customers. The Group considers that the consideration of construction contracts signed with customers is determined based on construction costs. The construction costs actually incurred on a cumulative basis as a percentage of estimated total costs can practically reflect the progress of performance of the construction service. The Group determines progress of performance by referring to the construction costs actually incurred on a cumulative basis as a percentage of estimated total costs, and recognizes revenue accordingly. As the period of validity of construction contracts is relatively long and may span over a number of accounting periods, the Group shall review and revise budget as the duration of the construction contracts continues, and adjust the amount of recognized revenue accordingly.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 32. Critical accounting estimates and judgments *(Continued)*

#### (3) Impairment of financial assets

The Group uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the anticipated credit loss model requires significant judgments and estimates. All reasonable and evidence-based information, including forward-looking information, should be taken into account. In making such judgments and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors.

The difference between the actual results and the original estimates will affect the carrying amount of financial assets and the provision or reversal for bad debts of financial assets during the estimated period of change.

#### (4) Impairment of non-financial assets

##### 1) *Provision of impairment on goodwill*

The Group conducts an annual impairment test on goodwill. The recoverable amount of cash-generating units or groups of cash-generating units to which goodwill has been allocated is the present value of its future cash flows estimated on the basis of (Notes IV(19)).

If the management modified the gross profit rate used in the calculation of the future cash flow of cash-generating units or groups of cash-generating units, the Group shall recognize the provision of impairment on goodwill when the modified gross profit rate is lower than the current gross profit rate.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 32. Critical accounting estimates and judgments *(Continued)*

#### (4) Impairment of non-financial assets *(Continued)*

##### 1) *Provision of impairment on goodwill (Continued)*

If the management modified the pre-tax discount rate used for cash flow discounting, the Group shall recognize the provision of impairment on goodwill when the modified pre-tax discount rate is higher than the current discount rate.

The provision of impairment on goodwill cannot be reversed if the actual gross profit rate or pre-tax discount rate is higher or lower than the estimates of the management.

##### 2) *Impairment of long-term assets*

Long-term assets are reviewed for impairment annually according to the accounting policy of the Group. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and the present value of the expected future cash flow. The calculation of value in use requires the company to estimate the future cash flows expected to be derived from the cash-generating unit and the appropriate discount rate based on the assumptions and estimates of the management. After sensitivity analysis, the management believes that the carrying amount of the asset will be fully recovered.

If the management modified the gross profit rate used in the calculation of the future cash flow of cash-generating units or groups of cash-generating units, the Group shall recognize the provision of impairment on long-term assets when the modified gross profit rate is lower than the current gross profit rate.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 32. Critical accounting estimates and judgments *(Continued)*

#### (5) Valuation of inventory

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (6) Bad debt provision for receivable

Bad debt provision for receivable is based on the recoverability of assessed receivable. The management's judgments and estimates are required for determining bad debt provision for receivable. The difference between the actual outcome and original estimate will affect the carrying amount of receivable and bad debt provision for receivable and reversal of such provision during the estimated revision period.

#### (7) Estimated useful lives of fixed assets and intangible assets

The Group reviews the estimated useful lives of fixed assets and intangible assets at least once at the end of the year. Estimated useful lives are determined by the management based on historical experience of similar assets and expected technological advancement. Corresponding adjustment to depreciation expenses for future periods will be made in case of substantial changes in previous estimates.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 32. Critical accounting estimates and judgments *(Continued)*

#### (8) Quality warranty

For groups of contracts with similar characteristics, the Group reasonably estimates maintenance fee charge based on historical data on and current situation of maintenance, and taking into account all relevant data including product upgrade and market changes. The Group re-assesses maintenance fee charge at least on every balance sheet date and determines accruals and provisions based on the re-assessed maintenance fee charge.

#### (9) Defined benefit plan

The management of the Group determines the net liabilities of the defined benefit plan based on the present value of the defined benefit obligation minus the fair value of the planned assets calculated by the model. The calculation of the present value of the defined benefit obligation includes a number of assumptions, including the benefit period and the discount rate. If future events are inconsistent with these assumptions, they may lead to significant adjustments to the net liabilities of the defined benefit plan set on the balance sheet date.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 33. 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.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 33. Changes in critical accounting policies and estimates (Continued)

#### (1) Changes in critical accounting policies (Continued)

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

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 applying original standards	Reclassification	Recalculation	Carrying amount 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

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 33. Changes in critical accounting policies and estimates *(Continued)*

#### (1) Changes in critical accounting policies *(Continued)*

##### ① *The impact of New Lease Standard (Continued)*

##### B. Financial statement of the Company

Items	Carrying amount applying original standards	Reclassification	Recalculation	Carrying amount 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

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 33. Changes in critical accounting policies and estimates *(Continued)*

#### (1) Changes in critical accounting policies *(Continued)*

##### 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:

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 33. Changes in critical accounting policies and estimates *(Continued)*

#### (1) Changes in critical accounting policies *(Continued)*

##### ② Financial statement reporting adjustment *(Continued)*

##### 1) 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

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 33. Changes in critical accounting policies and estimates *(Continued)*

#### (1) Changes in critical accounting policies *(Continued)*

##### ② Financial statement reporting adjustment *(Continued)*

##### 2) 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.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## V. 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 Ministry of Finance, State Taxation Administration and General Administration of Customs on 20 Mar 2019, VAT on sales or imported goods originally applicable to 16% and 10% will be adjusted to 13% and 9% respectively from 1 Apr 2019.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## V. TAXATION (CONTINUED)

### 1. Main categories of tax and corresponding tax rate (Continued)

Explanation of taxpayers of different enterprise income tax rates:

Taxpayers	Income tax rate	Income tax preference
Chongqing Machinery & Electric Co., Ltd	25%	–
Chongqing Water Turbine Works Co., Ltd	15%	Income tax preference: a
Chongqing CAFF Automotive Braking & Steering System Co., Ltd.	15%	Income tax preference: a
Chongqing Pigeon Electric Wires & Cables Co., Ltd.	15%	Income tax preference: a
Chongqing Pigeon Electric Porcelain Co., Ltd	25%	–
Chongqing Pigeon Electric Materials Co., Ltd	15%	Income tax preference: a
Chongqing General Industry (Group) Co., Ltd	15%	Income tax preference: b
Chongqing Chongtong Wide Wisdom Air Conditioning Equipment Co., Ltd.	15%	Income tax preference: b
Chongqing Chongtong Turbine Technology Co., Ltd.	25%	–
Jilin Chong Tong Chengfei New Material Co., Ltd	15%	Income tax preference: b
Chongqing Chong Tong Chengfei New Material Co., Ltd	15%	Income tax preference: a
Gansu Chong Tong Chengfei New Material Co., Ltd	15%	Income tax preference: a
Chong Tong Chengfei Wind Power Equipment Jiangsu Co., Ltd	15%	Income tax preference: b
Xilin Hot Chenfei Wind Power Equipment Co., Ltd.	15%	Income tax preference: a
Chongqing Shunchang General Electric Equipment Co., Ltd	15%	Income tax preference: a
Chongqing General Industry (Group) Tong Kang Water Affairs Co., Ltd.	Half levy	Income tax preference: c
Chongqing Pump Industry Co., Ltd	15%	Income tax preference: a
Chongqing Gas Compressor Factory Co., Ltd.	15%	Income tax preference: a
Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	15%	Income tax preference: b
Chongqing Mengxun Electronic & Technology Co., Ltd	15%	Income tax preference: a
Chongqing Machine Tool (Group) Co., Ltd.	15%	Income tax preference: a

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## V. TAXATION *(CONTINUED)*

### 1. Main categories of tax and corresponding tax rate *(Continued)*

Taxpayers	Income tax rate	Income tax preference
Chongqing Shimad Intelligent Manufacturing Co., Ltd.	15%	Income tax preference: a
Xinjiang Fubaotian Cotton-picking Service Co., Ltd.	Exemption	Income tax preference: d
Chongqing Tool Factory Co., Ltd.	25%	–
Chongqing Second Machine Tool Factory Co., Ltd.	15%	Income tax preference: a
Chongqing Yinhe Casting and Forging Co., Ltd.	25%	–
Chongqing Shengong Machinery Manufacturing Co., Ltd.	15%	Income tax preference: a
Chongqing Holroyd Precision Screw Manufacturing Co., Ltd.	15%	Income tax preference: a
Chongqing Industrial Enabling Innovation Center Co., Ltd.	15%	Income tax preference: b
Chongqing Shengpu Material Co., Ltd.	25%	–
Chongqing Machinery & Electric Holding Group Finance Co., Ltd.	15%	Income tax preference: a
Precision Technologies Group (PTG) Limited.	20%	–
Precision Technologies Group (US) Limited	34%	–
Holroyd Precision Ltd.	39%	–
PTG Heavy Industries Ltd.	20%	–
Milnrow Investments Ltd.	20%	–
Precision Components Ltd.	20%	–
PTG Advanced Developments Ltd.	20%	–
PTG Deutschland GmbH	15.20%	–
PTG Investment Development Company Ltd.	16.50%	–

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## V. TAXATION *(CONTINUED)*

### 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).

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## V. TAXATION *(CONTINUED)*

### 2. Tax preference *(Continued)*

#### Income tax preference *(Continued)*

- 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.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

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

### 1. Cash and Cash Equivalents

Items	30 Jun 2019	31 Dec 2018
Cash	<b>1,158,025.55</b>	879,802.59
Deposit at bank	<b>1,598,642,064.12</b>	1,569,463,592.47
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	<b>577,580,632.62</b>	594,326,911.12
Total	<b>2,177,380,722.29</b>	2,164,670,306.18
Include: Amount deposit in the overseas	<b>4,371,582.97</b>	13,349,574.40

Note: Remittance of funds deposited abroad by the Group is not restricted.

### Restricted cash at the end of the period

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

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 2. Financial Assets held for trade

Items	30 Jun 2019	31 Dec 2018
Financial assets measured at fair value through profit or loss	<b>305,212,452.27</b>	5,124,292.21
Thereinto: equity instrument investments	<b>297,589.26</b>	123,356.84
Money market funds	–	5,000,935.37
Carrying amount of structured deposit investments	<b>304,914,863.01</b>	–
– principal	<b>300,000,000.00</b>	–
– Fair Value Change	<b>4,914,863.01</b>	–
Total	<b>305,212,452.27</b>	<b>5,124,292.21</b>

### 3. Notes receivable

#### (1) Classification of notes receivable

Items	30 Jun 2019	31 Dec 2018
Bank acceptance bills	<b>383,504,807.85</b>	653,826,131.34
Commercial acceptance bills	<b>337,151,662.26</b>	518,035,990.22
Less: provision for bad debts	<b>42,316,934.70</b>	42,916,934.70
Total	<b>678,339,535.41</b>	<b>1,128,945,186.86</b>

Notes: The aging of closing balances of notes receivable are all within one year.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Notes receivable (Continued)

#### (2) Notes receivable that have been pledged as at 30 June 2019

Items	The pledge amount on 30 June 2019
Bank acceptance bills	65,773,464.20
Total	65,773,464.20

#### (3) Notes receivable that endorsed or discounted and undue as at 30 June 2019

Items	Derecognized amount	Recognized amount
Bank acceptance bills	1,191,862,632.14	-
Total	1,191,862,632.14	-

Notes: On 30 June 2019, the Group endorsed the same amount of notes receivable to suppliers for the payment of RMB1,191,862,632.14 (31 December 2018: RMB1,346,078,011.10) due to material purchasing. The Group's management concluded that the risk and reward of ownership of such notes had been substantially transferred, therefore, the Group derecognize such notes receivable and amounts payable. The Group's continued involvement in such derecognized undue notes receivable is limited to the extent that the issuing bank is unable to settle payments with the holder of the notes. The maximum possible loss sustained by the Group is the amount of undue notes receivable endorsed by the Group to the supplier., which was RMB1,191,862,632.14 on 30 June 2019 (31 December 2018: RMB1,346,078,011.10).

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Notes receivable (Continued)

#### (4) Notes receivable that is transferred to an account receivable because the drawer has failed to perform his contract as at 30 June 2019

Items	The amount to account receivable
Bank acceptance bills	550,000.00
Commercial acceptance bills	4,600,000.00
Total	<u>5,150,000.00</u>

#### (5) Classified as method of accounting for bad debts

Item	Book balance		Provision for bad debts		Carrying amount
	Amount	Proportion(%)	Amount	Percentage(%)	
Provision for bad debts is recognized separately	101,431,358.00	14.07	31,500,000.00	31.06	69,931,358.00
Including: Commercial acceptance bills	101,431,358.00	100.00	31,500,000.00	31.06	69,931,358.00
Provision for bad debts is recognized by group	619,225,112.11	85.93	10,816,934.70	1.75	608,408,177.41
Including: Bank acceptance bills	383,504,807.85	61.93	-	-	383,504,807.85
Commercial acceptance bills of general customers	235,720,304.26	38.07	10,816,934.70	4.59	224,903,369.56
Total	<u>720,656,470.11</u>	<u>100.00</u>	<u>42,316,934.70</u>	<u>5.87</u>	<u>678,339,535.41</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Notes receivable (Continued)

#### (5) Classified as method of accounting for bad debts (Continued)

Item	31 Dec 2018				
	Book balance		Provision for bad debts		Carrying amount
	Amount	Proportion(%)	Amount	Percentage(%)	
Provision for bad debts is					
recognized separately	118,128,790.00	10.08	31,500,000.00	26.67	86,628,790.00
Including: Commercial acceptance					
bills	118,128,790.00	100.00	31,500,000.00	26.67	86,628,790.00
Provision for bad debts is					
recognized by group	1,053,733,331.56	89.92	11,416,934.70	1.08	1,042,316,396.86
Including: Bank acceptance bills	653,826,131.34	62.05	-	-	653,826,131.34
Commercial acceptance					
bills of general					
customers	399,907,200.22	37.95	11,416,934.70	2.85	388,490,265.52
<b>Total</b>	<b>1,171,862,121.56</b>	<b>100.00</b>	<b>42,916,934.70</b>	<b>3.66</b>	<b>1,128,945,186.86</b>

#### (6) Notes receivable of provision for bad debts is recognized separately

Name	30 Jun 2019			Reasons for provision
	Book balance	Provision for bad debts	Percentage(%)	
Beijing Wanyuan Industrial Co., Ltd.	88,735,000.00	31,500,000.00	35.50	expect cannot be full acceptance
Mingyang Intelligent Energy Group Co., Ltd.	12,696,358.00	-	-	-
<b>Total</b>	<b>101,431,358.00</b>	<b>31,500,000.00</b>	<b>31.06</b>	

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Notes receivable (Continued)

#### (7) Provision for bad debts that are accrued, collected or transferred back of the period

Item	31 Dec 2018	Accrued	Change amount Collected or transferred back	Resale of write off	30 Jun 2019
Provision for bad debt of notes receivable	42,916,934.70	-	-	600,000.00	42,316,934.70
Total	42,916,934.70	-	-	600,000.00	42,316,934.70

#### (8) Notes receivable without actual write-off during the current period.

#### (9) Top five debtors of notes receivable as at 30 June 2019

Drawer	Name of debtors	Par value	Provision for bad debt	Carrying amount
Huayi Wind Energy Co., Ltd.	Huayi Wind Energy Co., Ltd.	127,000,000.00	5,244,000.00	121,756,000.00
Beijing Wanyuan Industrial Co., Ltd.	Beijing Wanyuan Industrial Co., Ltd.	88,735,000.00	31,500,000.00	57,235,000.00
Jiangyin Vision Investment Co., Ltd.	Jiangyin Vision Investment Co., Ltd.	32,276,000.00	2,700,000.00	29,576,000.00
Gansu Aerospace Wanyuan Wind Power Equipment Manufacturing Co., Ltd.	Gansu Aerospace Wanyuan Wind Power Equipment Manufacturing Co., Ltd.	26,119,200.00	2,611,920.00	23,507,280.00
Mingyang Intelligent Energy Group Co., Ltd.	Mingyang Intelligent Energy Group Co., Ltd.	12,696,358.00	-	12,696,358.00
Total		286,826,558.00	42,055,920.00	244,770,638.00

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 4. Accounts receivable

Item	30 Jun 2019	31 Dec 2018
Accounts receivable	<b>3,472,772,168.92</b>	3,051,333,203.60
Less: provision for bad debts	<b>391,413,314.33</b>	414,932,370.73
Carrying amount	<b><u>3,081,358,854.59</u></b>	<b><u>2,636,400,832.87</u></b>

Note: the group's income is mainly generated through the sale of goods, provision of technology and related services and construction engineering business and is settled in accordance with the terms specified in the relevant transaction contracts. The relevant quality guarantee deposit is normally due within one to two years after the completion of the construction works. Accounts receivable do not bear interest.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (Continued)

#### (1) The accounts receivable recognized provision for bad debts according to group of expected credit risk characters

Classification	Book balance	30 Jun 2019		Carrying amount
		percentage(%)	Provision for bad debts	
Provision for bad debts is recognized separately	205,371,502.36	71.93	147,717,891.33	57,653,611.03
Provision for bad debts is recognized by group	3,267,400,666.56	7.46	243,695,423.00	3,023,705,243.56
Including: Related parties	101,763,658.18	-	-	101,763,658.18
Retention money of warranty	81,880,485.60	-	-	81,880,485.60
Customers with good credit	446,549,887.07	-	-	446,549,887.07
General customers	2,637,206,635.71	9.24	243,695,423.00	2,393,511,212.71
Including: Within 1 year	1,639,650,597.09	1.10	17,992,246.02	1,621,658,351.07
1-2 years	546,437,035.16	3.49	19,059,719.37	527,377,315.79
2-3 years	230,010,948.08	12.05	27,716,846.83	202,294,101.25
3-4 years	59,140,557.83	49.99	29,561,903.44	29,578,654.39
4-5 years	49,141,333.71	74.35	36,538,543.50	12,602,790.21
Over 5 years	112,826,163.84	100.00	112,826,163.84	-
Total	<u>3,472,772,168.92</u>	<u>11.27</u>	<u>391,413,314.33</u>	<u>3,081,358,854.59</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (Continued)

#### (1) The accounts receivable recognized provision for bad debts according to group of expected credit risk characters (Continued)

Classification	Book balance	31 Dec 2018		Carrying amount
		percentage(%)	Provision for bad debts	
Provision for bad debts is recognized separately	416,415,206.49	40.32	167,908,922.48	248,506,284.01
Provision for bad debts is recognized by group	2,634,917,997.11	9.37	247,023,448.25	2,387,894,548.86
Including: Related parties	124,024,604.82	5.70	7,065,783.30	116,958,821.52
Retention money of warranty	9,348,992.54	-	-	9,348,992.54
Customers with good credit	302,179,023.36	-	-	302,179,023.36
General customers	2,199,365,376.39	10.91	239,957,664.95	1,959,407,711.44
Including: Within 1 year	1,381,851,881.65	1.22	16,927,334.63	1,364,924,547.02
1-2 years	396,310,771.73	5.35	21,212,496.26	375,098,275.47
2-3 years	215,723,531.68	12.07	26,045,870.69	189,677,660.99
3-4 years	54,587,365.78	61.63	33,639,712.36	20,947,653.42
4-5 years	47,331,442.32	81.50	38,576,703.79	8,754,738.53
Over 5 years	103,560,383.23	100.00	103,555,547.22	4,836.01
<b>Total</b>	<b>3,051,333,203.60</b>	<b>13.60</b>	<b>414,932,370.73</b>	<b>2,636,400,832.87</b>

Note: The Group always measures the provision of bad debts of accounts receivable in accordance with the amount equivalent to the anticipated credit loss during the whole life period, and calculates its anticipated credit loss on the basis of the comparison table between the number of overdue days and the loss given default. According to the group's historical experience, there is no significant difference in loss among different customer segments. Therefore, there is no further distinction between different customer groups when calculating provision for bad debts based on overdue information.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 4. Accounts receivable *(Continued)*

#### (2) Amount of expected credit test separately

Name	Book Balance	Provision for bad debts	Excepted credit loss rate(%)	Reason
Transfer of Creditor's Rights of Chongqing Jiangbei Machinery Co., Ltd.	22,986,239.05	22,986,239.05	100.00	Not expected to be recoverable
Chongqing Pigeon Brand Wire and Cable Co., Ltd. Chengdu Business Department	11,439,257.89	11,150,019.24	97.47	Not expected to be fully recoverable
Chongqing Huahao Smelting Co., Ltd. - Transfer of Creditor's Rights	9,413,799.49	9,413,799.49	100.00	Not expected to be recoverable
Karamay Youlong Technical Service Co., Ltd.	4,256,410.26	4,256,410.26	100.00	Not expected to be recoverable
Morgan Technologies	3,635,346.55	3,635,346.55	100.00	Not expected to be recoverable
Chongqing Quanhai Machinery Co., Ltd.	2,941,756.50	2,941,756.50	100.00	Not expected to be recoverable
Shanxi Tianfu Gas Co., Ltd.	2,820,000.00	2,820,000.00	100.00	Not expected to be recoverable
Shanxi Compressed Natural Gas Group Jinzhong Co., Ltd.	2,738,600.00	2,738,600.00	100.00	Not expected to be recoverable
Zhongtian (Jiangsu) Defense Equipment Co., Ltd.	2,337,480.00	2,337,480.00	100.00	Not expected to be recoverable
Chongqing Bishan Shunshan Machinery Co., Ltd.	2,247,309.99	2,247,309.99	100.00	Not expected to be recoverable
Others	140,555,302.63	83,190,930.25	59.19	Not expected to be fully recoverable
<b>Total</b>	<b>205,371,502.36</b>	<b>147,717,891.33</b>	<b>-</b>	

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 4. Accounts receivable *(Continued)*

(3) According to the date of invoice, the age of accounts receivable is analyzed as follows

Aging	30 Jun 2019		
	Accounts receivable	Provision for bad debts	percentage(%)
Within 1 year	2,072,749,748.52	23,760,206.21	1.15
1-2 years	710,097,925.74	33,483,394.85	4.72
2-3 years	308,763,123.98	31,565,401.59	10.22
3-4 years	110,350,801.42	64,932,713.97	58.84
4-5 years	70,881,537.06	37,742,565.51	53.25
Over 5 years	199,929,032.20	199,929,032.20	100.00
Total	<u>3,472,772,168.92</u>	<u>391,413,314.33</u>	<u>11.27</u>

Aging	31 Dec 2018		
	Accounts receivable	Provision for bad debts	percentage(%)
Within 1 year	1,975,549,541.44	31,103,159.89	1.57
1-2 years	501,533,984.36	38,337,125.87	7.64
2-3 years	248,308,042.65	65,356,182.64	26.32
3-4 years	75,482,077.06	44,322,470.56	58.72
4-5 years	60,226,423.16	45,585,132.85	75.69
Over 5 years	190,233,134.93	190,228,298.92	100.00
Total	<u>3,051,333,203.60</u>	<u>414,932,370.73</u>	<u>13.60</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (Continued)

#### (4) Provision for bad debts that are accrued, collected or transferred back in the current period

Items	31 Dec 2018	Accrued	Change amount Collected or transferred back	Resale of write off	30 Jun 2019
Provision for bad debts of account receivable	414,932,370.73	-5,132,053.67	12,500,667.75	5,886,334.98	<b>391,413,314.33</b>
Total	<u>414,932,370.73</u>	<u>-5,132,053.67</u>	<u>12,500,667.75</u>	<u>5,886,334.98</u>	<u><b>391,413,314.33</b></u>

#### (5) The account receivable that is actually write off in the current period

Item	Write off amount
The accounts receivable actually written off	<u>5,584,247.39</u>

*The significant account receivable that is actually write off:*

Name	Nature	Write off amount	Reason	Procedure	Whether the payment is generated by related transactions
Sichuan Huarun Yazuihe Hydropower Development Co., Ltd.	Sales of product	5,227,213.68	Both sides agreed to the court's decision	General manager's office	No
Total		<u>5,227,213.68</u>			

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (Continued)

- (6) No account receivable that are derecognized due to the transfer of financial assets in current period
- (7) No assets and liabilities have been formed due to the transfer and continuing involvement of account receivable
- (8) Top five debtors of account receivable

Name of debtors	30 Jun 2019	Aging	Percentage(%)	provision for bad debts	No settlement reason
Mingyang Intelligent Energy Group Co., Ltd.	154,410,202.42	Within 1 year, 1-2 years	4.45	3,362,676.00	Scroll to payment
Beijing Wanyuan Industrial Co., Ltd.	86,870,800.00	1-2 years,	2.50	8,178,532.99	Scroll to payment
Taiyuan Heavy Industry Co., Ltd.	86,413,113.27	Within 1 year, 1-2 years	2.49	2,594,882.21	Scroll to payment
China Shipbuilding Heavy Industry Group Seaborne Wind Power Co., Ltd.	71,078,398.41	Within 1 year, 1-2 years	2.05	2,232,067.65	Scroll to payment
Jiangyin Vision Investment Co., Ltd.	69,573,548.23	Within 1 year, 1-2 years	2.00	1,530,317.98	Scroll to payment
Total	<u>468,346,062.33</u>		<u>13.49</u>	<u>17,898,476.83</u>	

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Prepayments

#### (1) Aging analysis

Aging	30 Jun 2019	1 Jan 2019	31 Dec 2018
Within 1 year	<b>171,109,979.58</b>	220,518,206.17	221,776,260.83
1-2 years	<b>74,982,724.08</b>	26,431,176.83	26,431,176.83
2-3 years	<b>11,983,725.22</b>	4,743,971.56	4,743,971.56
More than 3 years	<b>14,216,101.98</b>	14,204,492.91	14,204,492.91
Total	<b>272,292,530.86</b>	265,897,847.47	267,155,902.13
Less: loss allowance	<b>1,512,364.68</b>	2,168,074.68	2,168,074.68
Net value	<b>270,780,166.18</b>	263,729,772.79	264,987,827.45

Note: Until 30 Jun 2019, the age of prepayments that is more than one year is RMB101,182,551.28 yuan (31 Dec 2018: RMB45,379,641.30 yuan). These prepayments are mainly for prepayment for materials. Because of the long supply cycle, the materials have not arrived yet.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Prepayments (Continued)

#### (2) The major prepayments aged over 1 year as at 30 June 2019

Name of debtors	30 Jun 2019	Aging	No settlement reason
Chongqing Construction Engineering Group Corporation Limited	6,027,750.88	1-2 years, 2-3 years	Undue
Anshan Zhengpu Face Technology Engineering Co., Ltd.	5,575,896.62	Within 1 year, 1-2 years	Uninvoiced
Sichuan Kangyuan Technology Co., Ltd.	4,900,000.00	Within 1 year, 1-2 years	Uninvoiced
Taiyuan Heavy Industry Co., Ltd.	3,960,000.00	1-2 years	Uninvoiced
KAPP Werkzeugmaschinen GmbH	3,660,757.22	1-2 years	Uninvoiced
Total	<u>24,124,404.72</u>		

#### (3) Top five debtors as at 30 June 2019

Name of debtors	30 Jun 2019	Aging	No settlement reason
Chongqing Construction Engineering Group Company Limited	6,027,750.88	1-2 years, 2-3 years	Not yet shipped
Taiyuan Heavy Industry Co., Ltd.	3,960,000.00	1-2 years	Not yet shipped
KAPP Werkzeugmaschinen GmbH	3,660,757.22	1-2 years	Not yet shipped
Wuhan Heavy Machine Tool Group Co., Ltd.	2,948,615.36	1-2 years	Not yet shipped
Guangzhou CNC Equipment Co., Ltd	2,945,000.00	1-2 years	Not yet shipped
Total	<u>19,578,123.46</u>		

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Prepayments (Continued)

#### (4) Provision for bad debts that are accrued, collected or transferred back in the current year

Items	31 Dec 2018	accrued	Change amount collected or transferred back	write off	30 Jun 2019
Provision for bad debts of prepayment	2,168,074.68	–	655,710.00	–	<b>1,512,364.68</b>
Total	<u>2,168,074.68</u>	<u>–</u>	<u>655,710.00</u>	<u>–</u>	<u><b>1,512,364.68</b></u>

### 6. Other receivables

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
Interest receivable	<b>22,613,318.29</b>	18,390,117.23	20,538,197.57
Dividend receivable	<b>277,495,110.04</b>	383,447,758.44	383,447,758.44
Other receivables	<b>927,681,805.57</b>	620,672,963.67	620,673,475.17
Total	<u><b>1,227,790,233.90</b></u>	<u>1,022,510,839.34</u>	<u>1,024,659,431.18</u>
Less: provision for bad debts	<u><b>96,113,033.05</b></u>	<u>96,227,641.45</u>	<u>96,227,641.45</u>
Net amount	<u><b>1,131,677,200.85</b></u>	<u>926,283,197.89</u>	<u>928,431,789.73</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other receivables (Continued)

#### 6.1 Interest receivable

(1) The classification of interest receivable

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
Related party borrowings	<b>22,613,318.29</b>	18,390,117.23	18,390,117.23
Loan	—	—	2,148,080.34
Total	<b>22,613,318.29</b>	18,390,117.23	20,538,197.57

(2) Significant overdue interest receivable

As of June 30 2019, the major overdue interest receivable of the Group is the interest receivable of the related party Qijiang Gear Transmission Co., Ltd. RMB19,325,365.24 yuan. According to the judgment of the management of the Group, the interest is the receivable from the related company, and the risk of not recovering it in full is relatively small. The Group has not yet recognized any loss allowance.

#### 6.2 Dividend receivable

(1) The classification of dividend receivable

Item (or Investees)	30 Jun 2019	31 Dec 2018
Chongqing Cummins Engine Co., Ltd.(CQ Cummins)	<b>272,679,006.64</b>	378,631,655.04
Chongqing Hongyan Fangda Automotive Suspension Co., Ltd. ("Hongyan")	<b>4,816,103.40</b>	4,816,103.40
Total	<b>277,495,110.04</b>	383,447,758.44

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 6. Other receivables *(Continued)*

#### 6.2 Dividend receivable *(Continued)*

(2) *The major dividend receivable aged over 1 year*

Item(or investee)	30 Jun 2019	Aging	The reason for not receiving	Whether the impairment occurs and its judgment basis
Chongqing Hongyan Fangda Automotive Suspension Co., Ltd.	4,816,103.40	2-3 years, more than 3 year	No payment	No impairment has occurred and the enterprise operate normally
Total	<u>4,816,103.40</u>			

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other receivables (Continued)

#### 6.3 Other receivables

(1) Other receivables are classified by the nature of the amount listed below

Nature	30 Jun 2019	1 Jan 2019	31 Dec 2018
Imprest fund	<b>49,800,381.63</b>	45,008,575.55	45,008,575.55
Advance payments to third party companies	<b>51,199,364.30</b>	71,123,714.37	71,123,714.37
Deposit Receivable	<b>50,663,111.59</b>	34,470,011.74	34,470,011.74
The related companies of other receivable	<b>146,061,599.77</b>	138,750,801.83	138,750,801.83
Housing repair fund	<b>23,206,435.88</b>	23,135,900.48	23,135,900.48
Land disposal receivable	<b>342,533,401.03</b>	85,032,555.39	85,032,555.39
Large group receivable	<b>24,079,139.73</b>	37,789,608.64	37,789,608.64
Receivable from Bank of China for pledged notes	—	19,824,500.00	19,824,500.00
Collection and payment on agency basis	<b>162,655,352.46</b>	121,403,432.39	121,403,432.39
Others	<b>77,483,019.18</b>	44,133,863.28	44,134,374.78
Total	<b>927,681,805.57</b>	620,672,963.67	620,673,475.17
Less: provision for bad debts	<b>96,113,033.05</b>	96,227,641.45	96,227,641.45
Net carrying amount	<b>831,568,772.52</b>	524,445,322.22	524,445,833.72

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other receivables (Continued)

#### 6.3 Other receivables (Continued)

##### (2) Aging analysis

Aging	30 Jun 2019	1 Jan 2019	31 Dec 2018
Within 1 year	<b>666,045,447.21</b>	483,097,922.82	483,098,434.32
1-2 years	<b>134,077,381.38</b>	67,220,910.30	67,220,910.30
2-3 years	<b>61,295,503.22</b>	10,730,019.07	10,730,019.07
3-4 years	<b>8,163,362.48</b>	6,556,378.48	6,556,378.48
4-5 years	<b>5,032,378.28</b>	3,125,759.00	3,125,759.00
Over 5 years	<b>53,067,733.00</b>	49,941,974.00	49,941,974.00
Total	<b>927,681,805.57</b>	620,672,963.67	620,673,475.17
Less: provision for bad debts	<b>96,113,033.05</b>	96,227,641.45	96,227,641.45
Net carrying amount	<b>831,568,772.52</b>	524,445,322.22	524,445,833.72

Notes: Age is calculated from the commencement date of recognition of the other receivable.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other receivables (Continued)

#### 6.3 Other receivables (Continued)

(3) The other receivables recognized provision for bad debts according to group of expected credit risk characters

Classification	30 Jun 2019			
	Book balance	Percentage (%)	Provision for bad debts	Carrying amount
Provision for bad debts is recognized separately	100,726,069.82	90.10	90,754,467.38	9,971,602.44
Provision for bad debts is recognized by group	826,955,735.75	0.65	5,358,565.67	821,597,170.08
Including: Receivable from government	339,122,030.41	-	-	339,122,030.41
Related parties	100,298,126.68	-	-	100,298,126.68
Deposits, security deposit and reserve fund receivable	57,013,682.36	0.30	173,043.60	56,840,638.76
General receivables and others	330,521,896.30	1.57	5,185,522.07	325,336,374.23
Including: Within 1 year	232,471,196.18	0.10	221,204.00	232,249,992.18
1-2 years	39,129,604.71	0.05	20,081.39	39,109,523.32
2-3 years	22,006,648.77	-	-	22,006,648.77
3-4 years	4,917,470.58	2.03	100,000.00	4,817,470.58
4-5 years	3,303,641.07	-	-	3,303,641.07
Over 5 years	28,693,334.99	16.88	4,844,236.68	23,849,098.31
Total	<u>927,681,805.57</u>	<u>10.36</u>	<u>96,113,033.05</u>	<u>831,568,772.52</u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 6. Other receivables *(Continued)*

#### 6.3 Other receivables *(Continued)*

(3) *The other receivables recognized provision for bad debts according to group of expected credit risk characters (Continued)*

Classification	1 Jan 2019			Carrying amount
	Book balance	Percentage (%)	Provision for bad debts	
Provision for bad debts is recognized separately	100,726,069.82	90.30	90,954,467.38	9,771,602.44
Provision for bad debts is recognized by group	519,946,893.85	1.01	5,273,174.07	514,673,719.78
Including: Receivable from government	99,062,557.03	-	-	99,062,557.03
Related parties	100,004,736.90	-	-	100,004,736.90
Deposits, security deposit and reserve fund receivable	34,470,011.74	-	-	34,470,011.74
General receivables and others	286,409,588.18	1.84	5,273,174.07	281,136,414.11
Including: Within 1 year	219,284,096.49	0.23	508,856.00	218,775,240.49
1-2 years	27,932,055.85	0.07	20,081.39	27,911,974.46
2-3 years	4,917,470.58	-	-	4,917,470.58
3-4 years	5,138,328.65	1.95	100,000.00	5,038,328.65
4-5 years	1,785,275.06	-	-	1,785,275.06
Over 5 years	27,352,361.55	16.98	4,644,236.68	22,708,124.87
<b>Total</b>	<b>620,672,963.67</b>	<b>15.50</b>	<b>96,227,641.45</b>	<b>524,445,322.22</b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other receivables (Continued)

#### 6.3 Other receivables (Continued)

(3) The other receivables recognized provision for bad debts according to group of expected credit risk characters (Continued)

Classification	31 Dec 2018			Carrying amount
	Book balance	Percentage (%)	Provision for bad debts	
Provision for bad debts is recognized separately	100,726,069.82	90.30	90,954,467.38	9,771,602.44
Provision for bad debts is recognized by group	519,947,405.35	1.01	5,273,174.07	514,674,231.28
Including: Receivable from government	99,062,557.03	-	-	99,062,557.03
Related parties	100,004,736.90	-	-	100,004,736.90
Deposits, security deposit and reserve fund receivable	34,470,011.74	-	-	34,470,011.74
General receivables and others	286,410,099.68	1.84	5,273,174.07	281,136,925.61
Including: Within 1 year	219,284,607.99	0.23	508,856.00	218,775,751.99
1-2 years	27,932,055.85	0.07	20,081.39	27,911,974.46
2-3 years	4,917,470.58	-	-	4,917,470.58
3-4 years	5,138,328.65	1.95	100,000.00	5,038,328.65
4-5 years	1,785,275.06	-	-	1,785,275.06
Over 5 years	27,352,361.55	16.98	4,644,236.68	22,708,124.87
Total	<u>620,673,475.17</u>	<u>-</u>	<u>96,227,641.45</u>	<u>524,445,833.72</u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 6. Other receivables *(Continued)*

#### 6.3 Other receivables *(Continued)*

(3) *The other receivables recognized provision for bad debts according to group of expected credit risk characters (Continued)*

- 1) The other receivables recognized provision for bad debts separately

Name	Book balance	30 Jun 2019		Reason
		Provision for bad debts	Percentage (%)	
Chongqing Jiangbei Machinery Co., Ltd.	31,213,147.59	29,841,169.00	95.60	not expected to be fully recoverable
Yulan Chen	15,084,579.00	14,430,194.00	95.66	not expected to be fully recoverable
Chongqing Shenjian Automobile Drive Parts Co., Ltd.	10,293,923.37	10,293,923.37	100.00	not expected to be recoverable
Chongqing Gangtian Property Co., Ltd. (Huigong Building)	9,680,000.00	9,680,000.00	100.00	not expected to be recoverable
Sales Department	5,636,784.81	5,636,784.81	100.00	not expected to be recoverable
Chongqing Huahao Smelting Co., Ltd.	3,264,844.35	3,264,844.35	100.00	not expected to be recoverable
Chongqing Major High-Tech Property Development Co., Ltd. (Property Purchase Money)	2,942,437.20	2,942,437.20	100.00	not expected to be recoverable
Quality Claim	1,533,791.61	1,533,791.61	100.00	not expected to be recoverable
Chongqing Machine Tool Fittings Plant II (Settlers)	1,556,656.08	1,524,656.08	97.94	not expected to be fully recoverable
Ling Yang	2,206,619.00	1,396,028.00	63.27	Imprest has not been recovered for a long time
Qinglu Xiao	845,000.00	845,000.00	100.00	not expected to be recoverable
Others	16,468,286.81	9,365,638.96	56.87	not expected to be fully recoverable
<b>Total</b>	<b>100,726,069.82</b>	<b>90,754,467.38</b>	<b>90.10</b>	

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other receivables (Continued)

#### 6.3 Other receivables (Continued)

(4) Provision for bad debts that are accrued, collected or transferred back during current period

Items	31 Dec 2018	accrued	Change amount collected or transferred back	write off	30 Jun 2019
Provision for bad debts of other receivable	96,227,641.45	-49,437.51	79,358.40	-14,187.51	96,113,033.05
Total	96,227,641.45	-49,437.51	79,358.40	-14,187.51	96,113,033.05

(5) The amount of other receivable that is actually write off in the current period is RMB-14,187.51 yuan.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 6. Other receivables *(Continued)*

#### 6.3 Other receivables *(Continued)*

(6) *Top five debtors of other receivables as at 30 June 2019*

Name of debtors	Nature	30 Jun 2019	Aging	Provision for bad	
				Percentage	debts amount
Chongqing Mairui City Construction Investment Co., Ltd.	Land disposal fund	115,059,463.57	Within 1 year	12.40	-
Chongqing Real Estate Group	Land disposal fund	89,775,847.30	Within 1 year, 1-2 years, 2-3 years	9.68	-
Chongqing Jiangbei Machinery Co., Ltd.	Loans, Employee Placement Fund	61,213,147.59	1-2 years, 2-3 years, 3-4 years	6.60	29,841,169.00
Chongqing Jintong Industrial Construction Investment Co., Ltd.	Asset disposal and collection of water and electricity charges, etc.	59,325,602.17	Within 1 year	6.40	-
Chongqing Yongchuan Huixin Construction Engineering Co., Ltd.	Land disposal fund	47,999,878.16	Within 1 year, 1-2 years	5.17	-
Total		<u>373,373,938.79</u>		<u>40.25</u>	<u>29,841,169.00</u>

(7) *No other receivables that are derecognition due to the transfer of financial assets in current period*

(8) *No assets and liabilities have been formed due to the transfer and continuing involvement of other receivable in current period*

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Inventory

#### (1) Classification of inventory

Items	Book balance	30 Jun 2019	
		Provision for impairment	Carrying amount
Raw materials	393,860,965.83	32,760,687.57	361,100,278.26
Work in progress	727,365,668.56	61,908,173.27	665,457,495.29
Finished goods	1,220,366,181.53	57,171,926.23	1,163,194,255.30
Entrusted processing materials	60,900,377.61	–	60,900,377.61
Low value consumables	8,656,451.33	–	8,656,451.33
<b>Total</b>	<b>2,411,149,644.86</b>	<b>151,840,787.07</b>	<b>2,259,308,857.79</b>

Items	Book balance	31 Dec 2018	
		Provision for impairment	Carrying amount
Raw materials	387,843,140.68	35,468,228.47	352,374,912.21
Work in progress	661,281,164.01	63,308,544.28	597,972,619.73
Finished goods	1,032,146,297.81	58,878,818.62	973,267,479.19
Low value consumables	26,277,927.00	–	26,277,927.00
<b>Total</b>	<b>2,107,548,529.50</b>	<b>157,655,591.37</b>	<b>1,949,892,938.13</b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Inventory (Continued)

#### (2) Provision of impairment that are accrued, collected or transferred back in the current period

Item	31 Dec 2018	Increase		Decrease		30 Jun 2019
		Accrued	Other	Collected or Transferred Back	Other transfer	
Raw materials	35,468,228.47	430,425.33	-	3,137,966.23	-	<b>32,760,687.57</b>
Work in progress	63,308,544.28	-	-	1,400,371.01	-	<b>61,908,173.27</b>
Finished goods	58,878,818.62	272,292.93	-	1,576,620.98	402,564.34	<b>57,171,926.23</b>
<b>Total</b>	<b>157,655,591.37</b>	<b>702,718.26</b>	<b>-</b>	<b>6,114,958.22</b>	<b>402,564.34</b>	<b>151,840,787.07</b>

#### (3) Provision of impairment of inventory

Item	The basis of determine net realizable value	The reasons of collected and transferred back
Raw materials	estimated price of finished goods minus estimated cost of completion	provision for impairment transferred back because of the increase of price of the finished goods
Finished goods	The balance between the net realize value and the book value of finished good	The net realizable value of finished good with provision impairment for inventory in previous year is increased

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Contract assets

#### (1) The situation of contract assets

Item	Book balance	30 Jun 2019	
		Provision for impairment	Carrying amount
Building contract	274,211,991.93	35,051,971.64	239,160,020.29
Other	89,044.24	–	89,044.24
Total	<u>274,301,036.17</u>	<u>35,051,971.64</u>	<u>239,249,064.53</u>

Notes: As of 30 June 2019, the management of the Group is expected to perform the contract within one year.

Item	Book balance	31 Dec 2018	
		Provision for impairment	Carrying amount
Building contract	298,586,106.82	49,508,552.84	249,077,553.98
Total	<u>298,586,106.82</u>	<u>49,508,552.84</u>	<u>249,077,553.98</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Contract assets (Continued)

#### (2) Provision of impairment that are accrued, collected or transferred back in the current period

Item	31 Dec 2018	Accrued	Transferred Back	Write off	30 Jun 2019
Contract assets	49,508,552.84	-	-	14,456,581.20	35,051,971.64
Total	49,508,552.84	-	-	14,456,581.20	35,051,971.64

The write off of significant contract assets

Name	Nature	Write off amount	Reason	Procedure	Whether the payment is generated by related transactions
Sichuan Huarun Yazuihe Hydropower Development Co., Ltd.	Receivable from sales of goods	14,456,581.20	Both sides agreed to the court's decision	General manager's office	No
Total		14,456,581.20			

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Other current assets

Items	30 Jun 2019	31 Dec 2018
Purchasing Guaranteed Fixed Income Financing	152,983,068.49	–
Unused deductible VAT	102,766,515.14	77,303,185.19
Prepaid tax	3,166,141.67	3,513,765.43
Deferred expenses	242,114.29	242,114.28
Total	259,157,839.59	81,059,064.90

### 10. Loans and advances to customers

#### (1) Loans and advances to customers aged within one year

1) *Classification of loans and advances to customers based on individual or corporation*

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
Loans and advances to corporations			
– Loans	1,122,602,135.25	1,075,850,000.00	1,075,850,000.00
– Discount	53,919,904.49	75,388,019.97	73,239,939.63
Total	1,176,522,039.74	1,151,238,019.97	1,149,089,939.63
Less: Provision for impairment	29,393,905.24	33,652,837.43	33,652,837.43
Including: Provision for expected credit basis	29,393,905.24	33,652,837.43	33,652,837.43
Carrying amount	1,147,128,134.50	1,117,585,182.54	1,115,437,102.20

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 10. Loans and advances to customers *(Continued)*

#### (1) Loans and advances to customers aged within one year *(Continued)*

##### 2) Classification of loans and advances to customers based on industry

Industry	30 Jun 2019	Proportion (%)	1 Jan 2019	Proportion (%)	31 Dec 2018	Proportion (%)
Manufacturing industry	1,176,522,039.74	100.00	1,151,238,019.97	100.00	1,149,089,939.63	100.00
Total	1,176,522,039.74	100.00	1,151,238,019.97	100.00	1,149,089,939.63	100.00
Less: provision for impairment	29,393,905.24	-	33,652,837.43	-	33,652,837.43	-
Including: Provision for expected credit basis	29,393,905.24	-	33,652,837.43	-	33,652,837.43	-
Carrying amount	1,147,128,134.50	-	1,117,585,182.54	-	1,115,437,102.20	-

##### 3) Classification of loans and advances to customers based on location

Area	30 Jun 2019	Proportion (%)	1 Jan 2019	Proportion (%)	31 Dec 2018	Proportion (%)
Southwest of China	1,176,522,039.74	100.00	1,151,238,019.97	100.00	1,149,089,939.63	100.00
Total	1,176,522,039.74	100.00	1,151,238,019.97	100.00	1,149,089,939.63	100.00
Less: provision for impairment	29,393,905.24	-	33,652,837.43	-	33,652,837.43	-
Including: Provision for expected credit basis	29,393,905.24	-	33,652,837.43	-	33,652,837.43	-
Carrying amount	1,147,128,134.50	-	1,117,585,182.54	-	1,115,437,102.20	-

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 10. Loans and advances to customers *(Continued)*

#### (1) Loans and advances to customers aged within one year *(Continued)*

4) *Classification of loans and advances to customers based on type of security*

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
Unsecured loan	<b>335,456,637.88</b>	654,671,543.29	653,450,000.00
Guaranteed loan	<b>663,065,401.86</b>	235,579,504.42	235,139,939.63
Collateral loan	<b>178,000,000.00</b>	260,986,972.26	260,500,000.00
Including: Mortgaged loan	–	139,760,777.85	139,500,000.00
Pledged loan	<b>178,000,000.00</b>	121,226,194.41	121,000,000.00
Total	<b>1,176,522,039.74</b>	1,151,238,019.97	1,149,089,939.63
Less: provision for impairment	<b>29,393,905.24</b>	33,652,837.43	33,652,837.43
Including:			
Provision for expected credit basis	<b>29,393,905.24</b>	33,652,837.43	33,652,837.43
Carrying amount	<b><u>1,147,128,134.50</u></b>	<u>1,117,585,182.54</u>	<u>1,115,437,102.20</u>

5) *There is no overdue loan either in the opening balance or closing balance.*

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 10. Loans and advances to customers *(Continued)*

#### (1) Loans and advances to customers aged within one year *(Continued)*

6) *Provision of impairment that are accrued, collected or transferred back during the current period*

Item	Current period		Last period	
	Single basis	Expected credit loss	Single basis	Expected credit loss
Opening balance	-	33,652,837.43	-	28,032,957.00
Accrued in current year	-	-4,258,932.19	-	5,619,880.43
Closing balance	-	29,393,905.24	-	33,652,837.43

#### (2) Loans and advances to customers aged over one year

1) *Classification of loans and advances to customers based on individual or corporations*

Items	30 Jun 2019	31 Dec 2018
Loans and advances to corporations	58,000,000.00	40,000,000.00
– Loans	58,000,000.00	40,000,000.00
Total	58,000,000.00	40,000,000.00
Less: Provision for impairment	1,450,000.00	1,120,000.00
Including: Provision for expected credit basis	1,450,000.00	1,120,000.00
Carrying amount	56,550,000.00	38,880,000.00

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Loans and advances to customers (Continued)

#### (2) Loans and advances to customers aged over one year (Continued)

##### 2) Classification of loans and advances to customers based on industry

Industry	30 Jun 2019	Proportion (%)	31 Dec 2018	Proportion (%)
Manufacturing industry	58,000,000.00	100.00	40,000,000.00	100.00
Total	58,000,000.00	-	40,000,000.00	-
Less: provision for impairment	1,450,000.00	-	1,120,000.00	-
Including: Provision for expected credit basis	1,450,000.00	-	1,120,000.00	-
Carrying amount	<u>56,550,000.00</u>	<u>-</u>	<u>38,880,000.00</u>	<u>-</u>

##### 3) Classification of loans and advances to customers based on location

Area	30 Jun 2019	Proportion (%)	31 Dec 2018	Proportion (%)
Southwest of China	58,000,000.00	100.00	40,000,000.00	100.00
Total	58,000,000.00	-	40,000,000.00	-
Less: provision for impairment	1,450,000.00	-	1,120,000.00	-
Including: Provision for expected credit basis	1,450,000.00	-	1,120,000.00	-
Carrying amount	<u>56,550,000.00</u>	<u>-</u>	<u>38,880,000.00</u>	<u>-</u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 10. Loans and advances to customers *(Continued)*

#### (2) Loans and advances to customers aged over one year *(Continued)*

##### 4) Classification of loans and advances based on type of security

Items	30 Jun 2019	31 Dec 2018
Guaranteed loan	58,000,000.00	40,000,000.00
Total	58,000,000.00	40,000,000.00
Less: provision for impairment	1,450,000.00	1,120,000.00
Including: Provision for expected credit basis	1,450,000.00	1,120,000.00
Carrying amount	56,550,000.00	38,880,000.00

5) There is no overdue loan either in the opening balance or closing balance.

6) Provision of impairment that are accrued, collected or transferred back during the current period

Item	Current period		Last period	
	Single basis	Expected credit loss	Single basis	Expected credit loss
Opening balance	-	1,120,000.00	-	1,094,671.00
Accrued in current year	-	330,000.00	-	25,329.00
Closing balance	-	1,450,000.00	-	1,120,000.00

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Long-term receivable

#### Situation of Long-term Receivable

Items	30 Jun 2019			31 Dec 2018		
	Gross carrying amount	Provision for impairment	Net carrying amount	Gross carrying amount	Provision for impairment	Net carrying amount
Long-term receivables from related parties (Please refer to Note)	48,097,910.00	-	48,097,910.00	42,000,000.00	-	42,000,000.00
Less: Long-term receivables due within one year	17,600,000.00	-	17,600,000.00	8,800,000.00	-	8,800,000.00
Total	<u>30,497,910.00</u>	<u>-</u>	<u>30,497,910.00</u>	<u>33,200,000.00</u>	<u>-</u>	<u>33,200,000.00</u>

Note 1: In order to construct the R&D center of high-powered engine technology and production line project of high-powered engine, National Development Fund Co., Ltd entrusted China Development bank Co., Ltd to issue the entrusted loan to the Group for project capital investment. The total amount of this loan is RMB122,000,000 yuan which is restricted to the construction of the R&D center of high-powered engine technology and production line project of high-powered engine. The term of the loan is from 14 March 2016 to 14 March 2026. The loan interest shall be calculated at the fixed annual rate of 1.2% and paid quarterly. Chongqing Cummins borrowed from the Group through shareholder loan.

Note 2: There is no sign of impairment of the Group's long-term receivables on 30 June 2019.

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term equity investment

Name of investee	Accounting method	Percentage of shareholdings	Voting rights	Cost of investment	31 Dec. 2018	Increase or decrease				30 Jun 2019
						Increase or decrease in investment	Investment gain or loss recognized under equity method	Adjustment of other comprehensive income	Cash dividend declared	
<b>Joint ventures</b>										
Joint ventures	Equity method	50.00	50.00	370,189,551.00	360,896,119.24	-	154,632,800.41	-	-	515,528,919.65
Subtotal				370,189,551.00	360,896,119.24	-	154,632,800.41	-	-	515,528,919.65
<b>Associates</b>										
Chongqing ABB Power Transformer Co., Ltd. ("Chongqing ABB")	Equity method	37.80	37.80	236,651,166.00	249,255,666.76	-	-2,320,892.09	-	29,349,033.00	216,585,661.67
Chongqing Yongtong Gas Co., Ltd.	Equity method	20.00	20.00	4,000,000.00	335,438.00	-	-	-	-	335,438.00
Hongyan (refer to Note Exedy) (refer to Note)	Equity method	44.00	42.86	51,306,166.00	123,406,148.77	-	1,320,210.09	-	-	124,726,358.86
Kron-Brense Systems for Commercial Vehicles (Chongqing) Ltd. Chongqing Jiangbei Machinery (refer to Note)	Equity method	27.00	33.33	16,880,157.00	78,029,543.84	-	133,200.05	-	2,651,933.96	79,031,555.24
WPG Company in Italy Chongqing Shenlan Automotive Drive Part Co., Ltd	Equity method	34.00	34.00	44,231,369.00	49,475,150.03	-	7,625,596.67	-	-	57,100,746.70
Subtotal				57,893,988.00	59,014,532.44	-	-3,293,554.08	-	-	55,720,978.36
Total				6,658,133.00	-	-	-	-	-	-
	Equity method	35.00	35.00	85,808,049.00	89,742,246.20	-	-2,109,553.21	-	-	87,632,692.99
Subtotal				502,869,088.00	648,258,666.04	-	1,355,007.43	-	32,000,966.96	621,133,451.82
Total				873,058,619.00	1,009,154,785.28	-	155,987,807.84	-	32,000,966.96	1,136,662,371.47

Note: Difference between the percentage of shareholding and voting rights is derived from the difference between numbers of shareholders in the board of directors and the percentage of shareholding.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other equity instrument investments

#### (1) The situation of other equity instrument investments

Item	30 Jun 2019	31 Dec 2018
Equity Investment of Youyan Powder New Materials (Beijing) Co., Ltd.	46,693,061.00	46,693,061.00
Total	46,693,061.00	46,693,061.00

#### (2) Non-transactional equity instrument investments for the six months ended June 30 2019

Item	Dividend income recognized this year	Accumulated profits	Accumulated losses	Transfer from other comprehensive income to retained earnings	Reason of designated measurement as of fair value through other comprehensive income	Reason of transfer from other comprehensive income to retained earnings
Equity Investment of Youyan Powder New Materials (Beijing) Co., Ltd.	-	-	-	-	Not held for trade	Not available

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Investment property

#### (1) Investment property measured as cost model

Item	Houses, buildings	Total
<b>I. Book balance</b>		
31 Dec 2018	125,048,687.73	125,048,687.73
30 Jun 2019	125,048,687.73	125,048,687.73
<b>II. Accumulated depreciation</b>		
31 Dec 2018	41,439,431.21	41,439,431.21
Increase	2,225,476.60	2,225,476.60
Including: Depreciation	2,225,476.60	2,225,476.60
30 Jun 2019	43,664,907.81	43,664,907.81
<b>III. Carrying amount</b>		
1. Carrying amount of 30 Jun 2019	81,383,779.92	81,383,779.92
2. Carrying amount of 31 Dec 2018	<u>83,609,256.52</u>	<u>83,609,256.52</u>

(2) As at 30 Jun 2019, the group has no investment property without a certificate of title.

(3) As at 30 Jun 2019, there is no significant sign of impairment in the group's investment property.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Property, plant and equipment

Item	30 Jun 2019	1 January 2019	31 December 2018
Property, Plant and Equipment	<b>2,873,160,006.86</b>	2,896,526,378.89	3,224,463,549.03
Disposal of Property, Plant and Equipment	<b>1,437,722.95</b>	257,400.11	257,400.11
Total	<b><u>2,874,597,729.81</u></b>	<u>2,896,783,779.00</u>	<u>3,224,720,949.14</u>

#### (1) Situation of property, plant and equipment

Item	Buildings	Machinery equipment	Transportation	Office equipment	Total
<b>I. Book balance</b>					
1. Book balance of 31 Dec 2018	2,517,406,397.19	1,670,160,182.46	59,976,844.88	62,800,415.46	4,310,343,839.99
Less: effect of implementing New Lease Standard	-	346,268,159.35	-	-	346,268,159.35
Book balance of 1 Jan 2019	2,517,406,397.19	1,323,892,023.11	59,976,844.88	62,800,415.46	3,964,075,680.64
2. Increase	22,749,717.28	51,536,988.41	433,198.37	1,027,890.61	75,747,794.67
(1) Purchase	410,027.77	12,882,437.08	429,750.09	629,188.86	14,351,403.80
(2) Transfer from construction in process	22,339,689.51	38,654,551.33	3,448.28	398,701.75	61,396,390.87
3. Decrease	7,908,822.63	19,162,943.00	1,239,338.58	157,398.65	28,468,502.86
(1) Disposal or scrapped	7,908,822.63	19,162,943.00	1,239,338.58	157,398.65	28,468,502.86
4. Book balance of 30 Jun 2019	2,532,247,291.84	1,356,266,068.52	59,170,704.67	63,670,907.42	4,011,354,972.45

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Property, plant and equipment (Continued)

#### (1) Situation of property, plant and equipment (Continued)

Item	Buildings	Machinery equipment	Transportation	Office equipment	Total
<b>II. Accumulated depreciation</b>					
1. 31 Dec 2018	300,626,972.01	701,723,819.04	42,960,600.01	36,529,787.62	1,081,841,178.68
Less: effect of implementing New Lease Standard	-	18,330,989.21	-	-	18,330,989.21
1 Jan 2019	300,626,972.01	683,392,829.83	42,960,600.01	36,529,787.62	1,063,510,189.47
2. Increase	30,426,989.64	50,576,805.02	1,634,214.16	3,474,430.59	86,112,439.41
(1) Depreciation	30,426,989.64	50,576,805.02	1,634,214.16	3,474,430.59	86,112,439.41
3. Decrease	4,219,849.25	9,939,565.61	1,014,956.43	292,404.28	15,466,775.57
(1) Disposal or scrapped	4,219,849.25	9,939,565.61	1,014,956.43	292,404.28	15,466,775.57
4. 30 Jun 2019	326,834,112.40	724,030,069.24	43,579,857.74	39,711,813.93	1,134,155,853.31
<b>III. Provision for impairment</b>					
1. 31 Dec 2018	-	4,039,112.28	-	-	4,039,112.28
Less: effect of implementing New Lease Standard	-	-	-	-	-
1 Jan 2019	-	4,039,112.28	-	-	4,039,112.28
2. Increase	-	-	-	-	-
(1) Provision for impairment	-	-	-	-	-
3. Decrease	-	-	-	-	-
(1) Disposal or scrapped	-	-	-	-	-
4. 30 Jun 2019	-	4,039,112.28	-	-	4,039,112.28

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Property, plant and equipment (Continued)

#### (1) Situation of property, plant and equipment (Continued)

Item	Buildings	Machinery equipment	Transportation	Office equipment	Total
<b>IV. Carrying amount</b>					
1. Carrying amount of 30 Jun 2019	2,205,413,179.44	628,196,887.00	15,590,846.93	23,959,093.49	2,873,160,006.86
2. Carrying amount of 1 Jan 2018	2,216,779,425.18	636,460,081.00	17,016,244.87	26,270,627.84	2,896,526,378.89
3. Carrying amount of 31 Dec 2018	2,216,779,425.18	964,397,251.14	17,016,244.87	26,270,627.84	3,224,463,549.03

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Property, plant and equipment (Continued)

(2) As at 30 June 2019, the original value of the fixed assets that have been fully depreciated and are still in use is RMB273,822,571.86 yuan.

### (3) Temporarily idle property, plant and equipment

Item	Book balance	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery equipment	5,445,472.32	1,498,145.72	3,927,136.86	20,189.74
Transportation	37,200.00	37,200.00	-	-
Office equipment	123,740.52	123,274.02	-	466.50
Total	<u>5,606,412.84</u>	<u>1,658,619.74</u>	<u>3,927,136.86</u>	<u>20,656.24</u>

### (4) The property, plant and equipment without certificate of title

Item	Carrying amount	Reason
Building	592,743,334.48	In process

### (5) Restriction on property, plant and equipment

Please refer to VI.64 for details.

### (6) Impairment provision

As of 30 June 2019, the operation of the Group's subsidiaries is in good condition, and the subsidiaries' utilization of capacity is comparatively high. After judging and testing by the management of the Group, there is no sign of impairment of fixed assets, therefore, there is no increase of provision for impairment during current period.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Construction in progress

#### (1) The situation of construction in progress

Item	30 Jun 2019			31 Dec 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Relocation project of Chongqing Gas Compressor Factory Co., Ltd.	1,453,436.87	-	1,453,436.87	582,806.16	-	582,806.16
Golden Butterfly Electronic Trading Platform	5,136,109.97	-	5,136,109.97	4,480,970.09	-	4,480,970.09
Casting and relocation Engineering	2,557,627.00	2,557,627.00	-	2,557,627.00	2,557,627.00	-
Relocation project of Chongqing Yinhe Casting and Forging Co., Ltd.	12,000,643.49	-	12,000,643.49	2,248,617.05	-	2,248,617.05
Fubaotian-Xinjiang Cotton Picker Project	74,859,114.13	-	74,859,114.13	74,635,444.79	-	74,635,444.79
Softcom System Upgrade Project	1,012,068.98	-	1,012,068.98	-	-	-
Computer room construction project	1,619,651.91	-	1,619,651.91	-	-	-
Hydro-turbine production equipment and supporting projects, etc.	9,445,609.76	-	9,445,609.76	9,780,341.02	-	9,780,341.02
Chongtong Chengfei Jiangsu Rudong Project	9,083,486.18	-	9,083,486.18	4,634,739.94	-	4,634,739.94
Chongtong Turbine Laboratory	-	-	-	29,441,382.83	-	29,441,382.83
Others	75,450,054.81	-	75,450,054.81	45,444,974.89	-	45,444,974.89
<b>Total</b>	<b>192,617,803.10</b>	<b>2,557,627.00</b>	<b>190,060,176.10</b>	<b>173,806,903.77</b>	<b>2,557,627.00</b>	<b>171,249,276.77</b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Construction in progress (Continued)

#### (2) The change of construction in progress during current period

Project Name	Budgeted amount	31 Dec 2018	Increase	Decrease		30 Jun 2019
				Transfer into property, plant and equipment	Other Decrease	
Relocation project of Chongqing Gas Compressor Factory Co., Ltd.	142,000,000.00	582,806.16	870,630.71	-	-	1,453,436.87
Golden Butterfly Electronic Trading Platform	-	4,480,970.09	655,139.88	-	-	5,136,109.97
Relocation project of Chongqing Yinhe Casting and Forging Co., Ltd.	-	2,248,617.05	10,221,976.87	-	469,950.43	12,000,643.49
Fubaotian-Xinjiang Cotton Picker Project	-	74,635,444.79	223,669.34	-	-	74,859,114.13
Softcom System Upgrade Project	1,450,000.00	-	1,012,068.98	-	-	1,012,068.98
Computer room construction project	2,557,000.00	-	1,619,651.91	-	-	1,619,651.91
Hydro-turbine production equipment and supporting projects, etc.	-	9,780,341.02	536,550.79	-	871,282.05	9,445,609.76
Chongtong Chengfei Jiangsu Rudong Project	249,370,000.00	4,634,739.94	28,155,015.48	23,624,217.96	82,051.28	9,083,486.18
Chongtong Turbine Laboratory	50,000,000.00	29,441,382.83	108,118.64	29,549,501.47	-	-
<b>Total</b>		<b>125,804,301.88</b>	<b>43,402,822.60</b>	<b>53,173,719.43</b>	<b>1,423,283.76</b>	<b>114,610,121.29</b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Construction in progress (Continued)

#### (2) The change of construction in progress during current period (Continued)

Project Name	The ratio of input to budget(%)	Project Progress(%)	Capitalized aggregate amount of borrowing costs	Capitalized amount of borrowing costs in current period	Capital Source
Relocation project of Chongqing Gas Compressor Factory Co., Ltd.	1.02	1.02	-	-	Self-collected fund
Golden Butterfly Electronic Trading Platform	-	-	-	-	Self-collected fund
Relocation project of Chongqing Yinhe Casting and Forging Co., Ltd.	-	-	-	-	Self-collected fund
Fubaotian-Xinjiang Cotton Picker Project	-	-	4,933,579.79	-	Borrowing from bank
Softcom System Upgrade Project	69.80	69.80	-	-	Self-collected fund
Computer room construction project	63.34	63.34	-	-	Self-collected fund
Hydro-turbine production equipment and supporting projects, etc.	-	-	-	-	Self-collected fund
Chongtong Chengfei Jiangsu Rudong Project	79.00	79.00	5,606,133.00	-	Self-collected fund and Borrowing from bank
Chongtong Turbine Laboratory	58.88	100.00	-	-	Self-collected fund

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Right-of-use assets

Item	Buildings	Machinery equipment	Field	Total
<b>I Book balance</b>				
Book balance of				
1 Jan 2019	150,203,935.75	352,193,481.30	5,764,203.43	508,161,620.48
1. Increase	4,362,496.16	–	266,127.37	4,628,623.53
2. Decrease	–	–	–	–
Book balance of				
30 Jun 2019	154,566,431.91	352,193,481.30	6,030,330.80	512,790,244.01
<b>II Accumulated depreciation</b>				
Balance of				
1 Jan 2019	61,590,935.25	21,293,650.19	2,976,770.14	85,861,355.58
1. Increase	18,531,686.70	14,982,699.37	530,937.17	34,045,323.24
2. Decrease	–	–	–	–
Balance 30 Jun 2019	80,122,621.95	36,276,349.56	3,507,707.31	119,906,678.82
<b>IV Carrying amount</b>				
1. Carrying amount of				
30 Jun 2019	74,443,809.96	315,917,131.74	2,522,623.49	392,883,565.19
2. Carrying amount of				
1 Jan 2019	88,613,000.50	330,899,831.11	2,787,433.29	422,300,264.90

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Intangible assets

#### (1) The situation of intangible assets

Items	Land-use rights	Software	Technical know-how	Brand	Customer relationships	Franchise rights	Others	Total
<b>I. Book balance</b>								
Balance of 31 Dec 2018	577,840,695.35	27,472,137.15	90,298,126.94	12,256,200.00	55,044,064.00	69,008,098.64	10,940,392.00	842,859,714.08
Increase	-	1,569,587.38	1,257,332.00	-	-	-	4,319,389.39	7,146,308.77
Purchase	-	1,263,604.48	-	-	-	-	4,319,389.39	5,582,993.87
other	-	305,982.90	1,257,332.00	-	-	-	-	1,563,314.90
Decrease	12,992,459.89	-	-	-	-	68,746,272.64	-	81,738,732.53
Disposal	12,992,459.89	-	-	-	-	68,746,272.64	-	81,738,732.53
Balance of 30 Jun 2019	564,848,235.46	29,041,724.53	91,555,458.94	12,256,200.00	55,044,064.00	261,826.00	15,259,781.39	768,267,290.32
<b>II. Accumulated amortization</b>								
Balance of 31 Dec 2018	108,141,390.85	23,294,780.72	33,403,350.50	-	36,368,056.63	13,116,580.32	10,940,392.00	225,264,551.02
Increase	4,850,826.13	1,036,477.62	3,556,621.53	-	2,247,105.81	491,862.16	127,874.30	12,310,767.55
Amortization	4,850,826.13	1,036,477.62	3,556,621.53	-	2,247,105.81	491,862.16	127,874.30	12,310,767.55
Decrease	5,387,986.73	-	-	-	-	13,608,442.48	-	18,996,429.21
Disposal	5,387,986.73	-	-	-	-	13,608,442.48	-	18,996,429.21
Balance of 30 Jun 2019	107,604,230.25	24,331,258.34	36,959,972.03	-	38,615,162.44	-	11,068,266.30	218,578,889.36
<b>III. Provision for impairment</b>								
Balance of 31 Dec 2018	-	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-	-
Provision for impairment	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
Balance of 30 Jun 2019	-	-	-	-	-	-	-	-
<b>IV. Carrying amount</b>								
Carrying amount of								
30 Jun 2019	457,244,005.21	4,710,466.19	54,595,486.91	12,256,200.00	16,428,901.56	261,826.00	4,191,515.09	549,688,400.96
Carrying amount of								
31 Dec 2018	469,699,304.50	4,177,356.43	56,894,776.44	12,256,200.00	18,676,007.37	55,891,518.32	-	617,595,163.06

Note: The restriction on intangible assets is detailed in VI.64.

#### (2) As at 30 June 2019, the Group has no land-use right without a certificate of title.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Development expenditure

Item	31 Dec 2018	Increase		Decrease		30 Jun 2019
		Internal development expenditure	Other	Transfer into intangible assets	Recognized in profit or loss	
General Wind Blade Technology	28,204,172.90	1,649,176.64	-	305,982.90	-	<b>29,547,366.64</b>
Development and Application of Efficiency Enhancement Technology for CNC Machine Tool of Key Parts of Machine Tool						
Automotive Power System	1,001,052.77	-	-	-	1,001,052.77	-
Research and Development and Industrialization Project of Green High-Speed Dry Cutting Technology and Automation Production Line Equipment	569,680.26	-	-	-	569,680.26	-
Major Subjects of AI Technological Innovation	36,166.92	-	-	-	-	<b>36,166.92</b>
Project of Technology Development of agricultural Machinery by Southwest University	116,601.94	107,256.09	-	-	-	<b>223,858.03</b>
YT7226 Special Technology of Double Workbench Gear Grinding Machine	-	349,514.56	-	-	-	<b>349,514.56</b>
YE3115CNC Proprietary Technology of NC Dry Cutting Hobbing Machine	-	297,850.83	-	-	-	<b>297,850.83</b>
SE project	-	435,526.78	-	-	-	<b>435,526.78</b>
<b>Total</b>	<b>29,927,674.79</b>	<b>2,839,324.90</b>	<b>-</b>	<b>305,982.90</b>	<b>1,570,733.03</b>	<b>30,890,283.76</b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Goodwill

#### (1) Original value of goodwill

Name of investee	31 Dec 2018	Increase	Decrease	30 Jun 2019
PTG six entities	127,650,489.00	-	-	127,650,489.00
CAFF	15,368,000.00	-	-	15,368,000.00
Power Transformer	293,946.00	-	-	293,946.00
Net value of goodwill	143,312,435.00	-	-	143,312,435.00

Note: PTG six entities comprise Holroyd Precision Limited, PTG Heavy Industries Limited, Milnrow Investments Limited, Precision Components Limited, PTG Advanced Developments Limited, and PTG Deutschland GmbH. PTG six entities belong to CNC machine tools business section, while Chongqing CAFF Automotive Braking & Steering System Co. Ltd. ("CAFF") belongs to other segment.

#### (2) Impairment

Goodwill allocated to the Group's cash-generating units or groups of cash-generating units

Cash-generating units/Groups of cash-generating units	30 Jun 2019	31 Dec 2018
PTG six entities	15,368,000.00	15,368,000.00
CAFF	127,650,489.00	127,650,489.00
Power Transformer	293,946.00	293,946.00
Total	143,312,435.00	143,312,435.00

Note: In conducting the impairment test of goodwill, the Group compares the carrying amount of the relevant assets or portfolio (including goodwill) with its recoverable amount. If the recoverable amount is lower than the carrying amount, the relevant difference is recognized in current profit or loss. The Group's goodwill allocation did not change from January to June 2019.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 20. Goodwill *(Continued)*

#### (2) Impairment *(Continued)*

The recoverable amount of cash-generating units or groups of cash-generating units is determined base on the five-year budget approved by the management and calculated using cash flow forecasting method.

As for the cash flow over five years, the below estimated growth rate is applied for calculation:

Items	PTG six entities	Cafu brake
Stable Period Growth Rate	0%	1%
Gross profit rate	47.59%-50.68%	16%-18%
Discount rate	11.6%-11.8%	15%

The Group determines growth rate and gross interest rate on the basis of historical experience and forecast of market development, and adopts pre-tax interest rate as discount rate, which can reflect specific risks of relevant asset groups and portfolios. The growth rate of the forecast period is determined by the average growth rate of the five-year budget of the sales revenue approved by the relevant asset groups and portfolios. The growth rate of the stable period is 0% of the weighted average growth rate of the cash flow of the group after the five-year budget forecast. It is consistent with the forecast data contained in the industry report and does not exceed the output. The long-term average growth rate of products.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Long-term deferred expenses

Item	31 Dec 2018	The impact of change of New Lease Standard	1 Jan 2019	Increase	Amortization	Other decrease	30 Jun 2019
Improvement of leased Property,							
Plant and Equipment	683,260.91	-	683,260.91	-	93,171.93	-	590,088.98
Mold	211,456,805.54	-	211,456,805.54	18,575,283.42	14,454,270.91	1,883,332.76	213,694,485.29
Long-term prepaid rent	15,749,679.23	-15,749,679.23	-	-	-	-	-
Other	2,759,158.05	-	2,759,158.05	965,623.57	587,500.19	-	3,137,281.43
Subtotal	230,648,903.73	-15,749,679.23	214,899,224.50	19,540,906.99	15,134,943.03	1,883,332.76	217,421,855.70
Decrease: Provision for impairment	6,555,902.54	-	6,555,902.54	-	-	-	6,555,902.54
Total	224,093,001.19	-	208,343,321.96	-	-	-	210,865,953.16

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 22. Deferred tax assets and deferred tax liabilities

#### (1) Deferred tax assets and deferred tax liabilities

Item	30 Jun 2019	
	Deferred tax assets (Deferred tax liabilities)	Deductible temporary differences (Deductible tax losses)
<b>I. Deferred tax assets</b>	<b>107,332,950.83</b>	<b>673,323,510.16</b>
Provision for impairment	71,172,174.92	450,781,963.56
Deductible tax loss	17,766,620.45	105,378,319.46
Deferred revenue	10,854,407.09	72,362,713.85
Retirement and termination benefit	1,740,691.78	11,604,611.82
Accrued expenses	3,579,802.89	23,865,352.51
Others	2,219,253.70	9,330,548.96
<b>II. Deferred tax liabilities</b>	<b>96,487,936.04</b>	<b>460,242,859.17</b>
Temporary tax free income	75,008,612.87	364,149,723.13
Appreciation of assets valuation	19,696,893.21	84,210,269.66
Difference of One-time deduction of machine and equipment value before tax	1,782,429.96	11,882,866.38

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Deferred tax assets and deferred tax liabilities (Continued)

#### (1) Deferred tax assets and deferred tax liabilities (Continued)

Item	31 December 2018	
	Deferred tax assets (Deferred tax liabilities)	Deductible temporary differences (Deductible tax losses)
<b>I. Deferred tax assets</b>	103,686,673.46	646,468,148.91
Provision for impairment	63,887,668.91	401,372,659.22
Deductible tax loss	20,394,413.43	122,896,939.27
Deferred revenue	11,317,639.04	75,450,926.85
Retirement and termination benefit	2,184,750.00	15,613,800.00
Accrued expenses	3,248,386.76	21,655,911.71
Others	2,653,815.32	9,477,911.86
<b>II. Deferred tax liabilities</b>	79,509,594.57	344,389,402.63
Temporary tax free income	58,951,859.49	257,104,697.72
Appreciation of assets valuation	20,557,735.08	87,284,704.91

#### (2) Unrecognized deferred tax assets

Items	30 Jun 2019	31 December 2018
Deductible temporary differences	<b>181,386,286.15</b>	91,937,793.43
Deductible tax losses	<b>1,608,120,218.57</b>	869,562,580.57
<b>Total</b>	<b><u>1,789,506,504.72</u></b>	<b><u>961,500,374.00</u></b>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 22. Deferred tax assets and deferred tax liabilities *(Continued)*

#### (3) Deductible tax losses not recognized in deferred tax assets will be expired in the following years

Year	30 Jun 2019	31 Dec2018
2019	-	55,112,121.57
2020	16,379,968.22	67,285,911.46
2021	19,816,153.87	87,862,494.16
2022	20,081,471.24	414,207,369.63
2023	354,045,093.98	196,075,809.45
2024	528,502,300.30	-
2025	58,529,268.50	-
2026	67,044,432.80	-
2027	297,766,097.90	-
2028	142,946,245.36	-
2029	32,906,278.32	-
Total	<u>1,538,017,310.49</u>	<u>820,543,706.27</u>

Note: As at 30 June 2019, PTG Group did not recognize that the deferred tax assets of deductible tax losses were RMB70,102,908.08 (31 Dec 2018: RMB49,018,874.30) without expiration date.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. Other non-current assets

Item	30 Jun 2019			31 Dec 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayment for equipment and engineering	7,524,545.68	-	7,524,545.68	16,347,747.56	-	16,347,747.56
Prepayment for mold	8,711,370.50	-	8,711,370.50	3,534,951.11	-	3,534,951.11
Prepayment for land-use right	642,616.00	-	642,616.00	642,616.00	-	642,616.00
Foreclosed houses	3,958,156.30	-	3,958,156.30	970,027.30	-	970,027.30
<b>Total</b>	<b>20,836,688.48</b>	<b>-</b>	<b>20,836,688.48</b>	<b>21,495,341.97</b>	<b>-</b>	<b>21,495,341.97</b>

### 24. Provision for assets impairment

Item	31 Dec 2018	Increase		Decrease		30 Jun 2019	
		accrued	others	Collected or transfer back	Write off		others
Notes receivable	42,916,934.70	-	-	-	600,000.00	-	42,316,934.70
Accounts receivable	414,932,370.73	-5,132,053.67	-	12,500,667.75	5,886,334.98	-	391,413,314.33
prepayments	2,168,074.68	-	-	655,710.00	-	-	1,512,364.68
Other receivables	96,227,641.45	-49,437.51	-	79,358.40	-14,187.51	-	96,113,033.05
Loans and advances to customers	34,772,837.43	-3,928,932.19	-	-	-	-	30,843,905.24
Contract assets	49,508,552.84	-	-	-	14,456,581.20	-	35,051,971.64
Inventories	157,655,591.37	702,718.26	-	-	6,114,958.22	402,564.34	151,840,787.07
Property, plant and equipment	4,039,112.28	-	-	-	-	-	4,039,112.28
Construction in progress	2,557,627.00	-	-	-	-	-	2,557,627.00
Long-term deferred expenses	6,555,902.54	-	-	-	-	-	6,555,902.54
<b>Total</b>	<b>811,334,645.02</b>	<b>-8,407,705.11</b>	<b>-</b>	<b>13,235,736.15</b>	<b>27,043,686.89</b>	<b>402,564.34</b>	<b>762,244,952.53</b>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 25. Short-term loans

#### (1) The category of short-term loans

Category	30 Jun 2019	1 Jan 2019	31 Dec 2018
Mortgage loans	<b>29,000,000.00</b>	40,079,905.21	40,000,000.00
Guaranteed loans	<b>214,378,740.00</b>	203,014,698.47	202,609,958.69
Unsecured loans	<b>610,000,000.00</b>	670,423,247.00	669,086,659.25
Total	<b>853,378,740.00</b>	913,517,850.68	911,696,617.94

Note 1: As at 30 June 2019, the Group's annual interest rate range of the loans above is 4.35%-4.57% (2.25%-5.22% as at 31 December 2018).

Note 2: For the details of Mortgage loans, please refer to Note VI.64.

#### (2) There is no overdue short-term loan as at 30 June 2019.

### 26. Due to customers, banks and other financial institutions

Item	30 Jun 2019	1 Jan 2019	31 Dec 2018
Current deposit	<b>1,118,369,129.01</b>	1,126,420,412.21	1,124,346,132.17
Time deposit within one year (including notification deposit)	<b>229,300,000.00</b>	190,000,000.00	190,000,000.00
Margin deposit	<b>20,812,367.30</b>	20,392,249.00	20,392,249.00
Total	<b>1,368,481,496.31</b>	1,336,812,661.21	1,334,738,381.17

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27. Notes payable

Category	30 Jun 2019	31 Dec 2018
Bank acceptance bills	<b>1,230,658,773.33</b>	1,167,818,806.34
Commercial acceptance bills	<b>26,073,511.30</b>	58,032,097.79
Total	<b><u>1,256,732,284.63</u></b>	<u>1,225,850,904.13</u>

Note 1: The aging of the Group's notes payable is all within one year.

Note 2: There no unpaid overdue notes payable of the Group as at 30 June 2019.

### 28. Accounts payable

#### (1) The types of account payable

Item	30 Jun 2019	1 Jan 2019	31 Dec 2018
Material payable	<b>1,770,660,874.38</b>	1,503,865,255.06	1,503,865,255.06
Freight payable	<b>16,671,319.78</b>	4,846,297.25	4,846,297.25
Equipment payable	<b>20,489,711.40</b>	934,085.69	934,085.69
Others	<b>36,029,369.51</b>	13,848,160.89	12,879,900.63
Total	<b><u>1,843,851,275.07</u></b>	<u>1,523,493,798.89</u>	<u>1,522,525,538.63</u>

Note: Accounts payable of the Group are free of interest.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. Accounts payable (Continued)

#### (2) The aging analysis of account payable according to its invoice date as follows

Aging	30 Jun 2019	1 Jan 2019	31 Dec 2018
Within 1 year	<b>1,119,506,834.10</b>	1,065,202,157.83	1,064,233,897.57
1-2 years	<b>403,082,079.41</b>	288,524,128.11	288,524,128.11
2-3 years	<b>190,330,622.34</b>	62,241,745.33	62,241,745.33
More than 3 years	<b>130,931,739.22</b>	107,525,767.62	107,525,767.62
Total	<b><u>1,843,851,275.07</u></b>	<u>1,523,493,798.89</u>	<u>1,522,525,538.63</u>

#### (3) Major accounts payable over 1 year (over RMB10,000,000.00)

Name	30 Jun 2019	Unpayment and untransferred reasons
Drala Holdings AG	<b>22,317,625.83</b>	Scroll to payment according to progress of the project
Chongqing Zhonghuan Construction Co., Ltd.	<b>21,543,592.35</b>	Scroll to payment according to progress of the project
Bazhou Huahaote Power Equipment Co., Ltd.	<b>19,734,560.99</b>	Scroll to payment
Chongqing Honghai Lizhi Mechanical and Electrical Equipment Co., Ltd.	<b>14,400,817.50</b>	Scroll to payment
Shanghai Chenglai New Materials Technology Co., Ltd.	<b>12,093,965.80</b>	Scroll to payment
Inner Mongolia Aerospace Wanyuan Composite Material Co., Ltd.	<b>12,537,600.00</b>	Scroll to payment
Tianjin Mingyang Wind Energy Blade Technology Co., Ltd.	<b>11,477,684.56</b>	Scroll to payment
Sichuan Dingxin Construction Engineering Co., Ltd.	<b>10,549,999.80</b>	Scroll to payment
Total	<b><u>124,655,846.83</u></b>	

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. Accounts payable (Continued)

#### (4) Top Five Creditors

Name of Creditors	30 Jun 2019	Aging	Unsettlement Reasons
RM Investment Company Pvt.Ltd	70,538,653.98	Within 1 year, 1-2 year	Scroll to payment according to progress of the project
Taishan Glass Fiber Co., Ltd.	42,282,051.76	Within 1 year, 1-2 year	Scroll to payment
Daosheng Tianhe Material Technology (Shanghai) Co., Ltd.	43,792,689.48	Within 1 year	Scroll to payment
China Water Resources and Electric Power Material South China Co., Ltd.	38,966,010.61	Within 1 year, 1-2 year	Scroll to payment
Chengcheng New Material Science and Technology (Shanghai) Co., Ltd.	33,360,707.47	Within 1 year	Scroll to payment
Total	228,940,113.30		

### 29. Contract liabilities

#### (1) The situation of contract liabilities

Items	31 Jun 2019	31 Dec 2018
Contract liabilities	665,084,473.13	685,648,864.72
Total	665,084,473.13	685,648,864.72

Note: Contract liabilities mainly relate to the advance receipts collected by the Group from customers' sales contracts. The advance receipt is based on the contract signed with the customer. Income related to the contract will be recognized after the Group has fulfilled its performance obligations. The management of the Group expects that most of the provisions formed as at 30 June 2019 will be transferred to revenue within one year.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29. Contract liabilities (Continued)

#### (2) The significant changes of the carrying amount of contract liabilities

Item	Amount of change
Contract liabilities included in opening balance that recognized revenue during current period	340,963,855.14
Increased amount due to cash receipt (excluding recognized revenue for the current year)	320,399,463.55

### 30. Repurchase agreements

Item	30 Jun 2019	31 Dec 2018
Repurchase agreements	22,711,750.00	–
Total	22,711,750.00	–

### 31. Employee benefits payables

#### (1) Classification of employee benefits payables

Items	31 Dec 2018	Increase	Decrease	30 Jun 2019
Short-term employee benefits payable	57,501,895.01	430,121,998.01	433,780,346.65	53,843,546.37
Dismission benefits – set up a defined contribution plan	3,832,497.55	44,553,271.12	45,415,054.68	2,970,713.99
Dismission welfare	1,493,457.54	1,203,484.28	1,656,478.75	1,040,463.07
Others	807,524.44	–	805,524.44	2,000.00
Total	63,635,374.54	475,878,753.41	481,657,404.52	57,856,723.43

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31. Employee benefits payables (Continued)

#### (2) Short-term employee benefits

Item	31 Dec 2018	Increase	Decrease	30 Jun 2019
Salaries, bonuses, allowances and subsidies	22,565,280.23	354,695,258.05	361,275,512.21	<b>15,985,026.07</b>
Staff welfare	1,815,523.87	21,922,098.36	20,576,826.74	<b>3,160,795.49</b>
Social insurance	1,273,601.89	26,196,837.13	25,271,667.24	<b>2,198,771.78</b>
Including: Medical insurance	1,234,739.41	23,460,311.84	22,586,654.41	<b>2,108,396.84</b>
Injury Insurance	15,588.61	2,728,924.54	2,684,371.63	<b>60,141.52</b>
Maternity insurance	23,273.87	7,600.75	641.20	<b>30,233.42</b>
Housing fund	496,950.31	20,873,485.30	20,772,230.36	<b>598,205.25</b>
Labor union fee and employee education fee	31,353,938.71	6,292,561.15	5,823,062.40	<b>31,823,437.46</b>
Other short-term benefits	-3,400.00	141,758.02	61,047.70	<b>77,310.32</b>
Total	<u>57,501,895.01</u>	<u>430,121,998.01</u>	<u>433,780,346.65</u>	<u><b>53,843,546.37</b></u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31. Employee benefits payables (Continued)

#### (3) Defined contribution plan

The Group participates in the social insurance program established by government. According to the plan and regulation, the Group will pay the relevant fees to the local government. In addition to the above fees, the Group shall not undertake any further payment obligation. The corresponding expenditure is recognized into the current profit or loss, or the cost of related assets, when the cost incurred.

Items	31 Dec 2018	Increase	Decrease	30 Jun 2019
Basic endowment insurance	3,070,930.37	43,225,341.74	44,112,221.17	<b>2,184,050.94</b>
Unemployment insurance	761,567.18	1,327,929.38	1,302,833.51	<b>786,663.05</b>
Total	<u>3,832,497.55</u>	<u>44,553,271.12</u>	<u>45,415,054.68</u>	<u><b>2,970,713.99</b></u>

### 32. Taxes and levies payables

Item	30 Jun 2019	31 Dec 2018
Enterprise income tax	<b>123,405,736.62</b>	134,982,412.55
Value-added tax	<b>44,499,313.50</b>	79,755,394.16
City maintenance and construction tax	<b>668,548.31</b>	1,797,469.28
City land use tax	<b>146,273.57</b>	149,904.89
Real estate tax	<b>792,072.43</b>	777,333.57
Individual income tax	<b>594,416.18</b>	547,750.84
Others	<b>2,043,950.70</b>	2,964,303.41
Total	<u><b>172,150,311.31</b></u>	<u>220,974,568.70</u>

As at 30 June 2019, the tax payable includes 0 yuan of HK income tax payable.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Other payables

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
Interest payable	-	-	13,156,812.78
Dividends payable	167,977,637.67	27,519,691.51	27,519,691.51
Other payables	562,538,455.42	558,527,763.24	558,527,763.24
Total	730,516,093.09	586,047,454.75	599,204,267.53

#### 33.1 Interest payable

(1) Classification of interest payable

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
Interest payable on corporate bonds	-	-	9,261,300.00
Interests payable on short-term loans	-	-	1,821,232.74
Interests payable on deposit absorption	-	-	2,074,280.04
Total	-	-	13,156,812.78

(2) As of 30 June 2019, the Group has no unpaid overdue interest.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 33. Other payables *(Continued)*

#### 33.2 Dividends payable

Item	30 Jun 2019	31 Dec 2018
Dividend of ordinary shares	<b>167,977,637.67</b>	27,519,691.51
Total	<b>167,977,637.67</b>	27,519,691.51

#### 33.3 Other payables

##### (1) Classification of other payables

Category	30 Jun 2019	31 Dec 2018
Payables to third parties	<b>8,272,540.48</b>	7,982,985.82
Staff housing fund payable	<b>6,857,906.53</b>	6,927,906.53
Purchase of Engineering equipment	<b>130,326,823.66</b>	185,158,508.99
Deposits and risk fund	<b>37,700,775.20</b>	59,658,666.52
Auditing fee	<b>141,000.00</b>	1,384,000.00
Payable to other related parties	<b>69,533,734.85</b>	34,309,829.34
Demolition fee payable	<b>7,433,979.40</b>	7,433,979.40
Staff payable	<b>26,871,955.69</b>	10,943,921.55
Transportation fee payable	<b>4,548,288.84</b>	9,322,878.96
Maintenance of housing and equipment	<b>8,983,337.11</b>	14,617,373.62
Payable on behalf of others	<b>176,428,202.79</b>	137,056,981.30
Bill pledge collection	—	10,431,400.32
Others	<b>85,439,910.87</b>	73,299,330.89
Total	<b>562,538,455.42</b>	558,527,763.24

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 33. Other payables *(Continued)*

#### 33.3 Other payables *(Continued)*

(2) Major other payables ages over one year

Company name	30 Jun 2019	Reason
Purchase of Engineering equipment	93,582,157.01	unsettled
Deposits and risk fund	27,263,846.62	Undue
CQMEHG	25,341,518.75	Related company, not yet paid
CQMEHG Asset Management Co. Ltd.	21,128,685.98	Related company, not yet paid
Staff housing fund payable	6,857,906.53	unsettled
Total	<u>174,174,114.89</u>	

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 33. Other payables *(Continued)*

#### 33.3 Other payables *(Continued)*

(3) Top 5 of payable companies as at 30 June 2019

Company name	30 Jun 2019	Aging	Reason
CQMEHG	<b>30,515,893.42</b>	Within 1 year; 1-2 year; 2-3 years; over 3 years	Related company, not yet paid
CQMEHG Asset Management Co. Ltd.	<b>23,676,678.59</b>	Within 1 year; 1-2 year; 2-3 years; over 3 years	Related company, not yet paid
Jiangsu Nantong the third construction group Limited Co., Ltd.	<b>17,449,607.41</b>	Within 1 year	Construction cost, unsettled
Kunshan Wind Speed Age New Energy Co., Ltd.	<b>6,461,683.09</b>	Within 1 year, 1-2 year	Grinding tool cost, unpaid
Tianjin Dewei coating Chemical Co., Ltd.	<b>6,100,000.00</b>	2-3 year	Construction facility cost, unpaid
Total	<b><u>84,203,862.51</u></b>		

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34. Non-current liabilities due within one year

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
Long-term Loans due within one year	<b>33,250,631.66</b>	66,722,382.85	66,722,382.85
Long-term payables due within one year	-	-	75,991,637.84
Deferred revenue due within one year	-	26,245,489.55	26,245,489.55
Lease liabilities due within one year	<b>103,725,736.76</b>	113,974,407.58	-
Other long-term liabilities due within one year	<b>1,475,000.00</b>	1,866,625.00	1,866,625.00
Total	<b><u>138,451,368.42</u></b>	<u>208,808,904.98</u>	<u>170,826,135.24</u>

### 35. Other current liabilities

Items	30 Jun 2019	31 Dec 2018
Warranty and guarantees for repair, replacement and compensation	<b><u>1,655,268.96</u></b>	<u>1,176,168.16</u>
Total	<b><u>1,655,268.96</u></b>	<u>1,176,168.16</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Long-term loans

#### (1) Classification of long-term loans

Items	30 Jun 2019	31 Dec 2018
Guaranteed loans	<b>1,150,992,100.00</b>	463,595,400.00
Mortgage loans	<b>296,000,000.00</b>	302,589,522.99
Unsecured loans	<b>67,557,395.08</b>	77,000,000.00
Total	<b><u>1,514,549,495.08</u></b>	<b><u>843,184,922.99</u></b>

Above loans need be paid in following period:

Items	30 Jun 2019	31 Dec 2018
Within 1 year	<b>33,250,631.66</b>	66,722,382.85
1 year after balance sheet date, but no more than 2 years	<b>258,250,433.33</b>	89,889,522.99
2 years after balance sheet date, but no more than 5 years	<b>1,156,200,000.00</b>	608,295,400.00
5 years after balance sheet date	<b>100,099,061.75</b>	145,000,000.00
Less: Current liabilities due within one year	<b><u>33,250,631.66</u></b>	<b><u>66,722,382.85</u></b>
Total amount presented in non-current liabilities	<b><u>1,514,549,495.08</u></b>	<b><u>843,184,922.99</u></b>

Note: As of 30 June 2019, long-term loan interest rate of the Company is from 1.2% to 4.998% (31 December 2018: 1.2% to 4.998%).

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Bonds payable

#### (1) Classification of bonds payable

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
16 CQ Machine Tools bonds	<b>826,272,934.22</b>	808,405,154.22	799,143,854.22
Including: par value	<b>800,000,000.00</b>	800,000,000.00	800,000,000.00
Add: accrued interest	<b>26,381,300.00</b>	9,261,300.00	–
Less: unrecognized financing charges	<b>108,365.78</b>	856,145.78	856,145.78
Total	<b>826,272,934.22</b>	808,405,154.22	799,143,854.22

Note: According to Zhengjian Xuke [2016] No. 701 issued by China Securities Regulatory Commission, the Group issued corporate bonds which amount is RMB800,000,000 on 29 September 2016, the bond term is five years (including the option for the Group to increase the coupon rate at the end of the third year (29 September 2019) and the option for bond holders to sell back). The interest is paid annually with annual simple rate of 4.28%.

#### (2) Bonds payable analysis

Classifications of bonds	30 Jun 2019	31 Dec 2018
16 CQ Machine Tools bonds par value	<b>800,000,000.00</b>	800,000,000.00
Total	<b>800,000,000.00</b>	800,000,000.00
Above the carrying amount of bonds need be repaid in following period:		
2 years after balance sheet date, but no more than 5 years	<b>800,000,000.00</b>	800,000,000.00
Total amount under non-current liabilities	<b>800,000,000.00</b>	800,000,000.00

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Bonds payable (Continued)

#### (3) Increase and decrease of bonds payable

Name of the bond	Par value	Issue date	Maturity of bond	Issuing value	31 Dec 2018
16 CQ Machine Tools bonds par value	800,000,000.00	September 29 2016	See the notes above for details	800,000,000.00	799,143,854.22
<b>Total</b>	<b>800,000,000.00</b>			<b>800,000,000.00</b>	<b>799,143,854.22</b>

Name of the bond	31 Dec 2018	Effect of change of the format of financial statement	1 Jan 2019	Interest accrued in current period	Amortization of premium or discount	30 Jun 2019
16 CQ Machine Tools bonds par value	799,143,854.22	9,261,300.00	808,405,154.22	17,120,000.00	-747,780.00	826,272,934.22
<b>Total</b>	<b>799,143,854.22</b>	<b>9,261,300.00</b>	<b>808,405,154.22</b>	<b>17,120,000.00</b>	<b>-747,780.00</b>	<b>826,272,934.22</b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 38. Lease liabilities

Item	30 Jun 2019	1 Jan 2019	31 Dec 2018
Lease liabilities	<u>180,157,574.55</u>	187,117,401.76	-
Total	<u>180,157,574.55</u>	<u>187,117,401.76</u>	<u>-</u>

Note: Total cash outflow of the Group due to lease payments is RMB43,522,907.96 from January to June 2019.

Above lease liabilities need be paid in following period:

Items	30 Jun 2019
Within 1 year	103,725,736.76
1 year after balance sheet date, but no more than 2 years	75,626,625.91
2 years after balance sheet date, but no more than 5 years	104,159,992.90
5 years after balance sheet date	370,955.74
Less: Current liabilities due within one year	<u>103,725,736.76</u>
Total amount presented in non-current liabilities	<u>180,157,574.55</u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 39. Long-term payables

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
Long-term payables	<b>4,433,130.64</b>	3,755,158.29	145,701,759.15
Special payables	<b>1,820,000.00</b>	1,995,000.00	1,995,000.00
Total	<b>6,253,130.64</b>	5,750,158.29	147,696,759.15

#### 39.1 Long-term payables

##### (1) Classification of long-term payable

Items	30 Jun 2019	1 Jan 2019	31 Dec 2018
Finance lease payable	-	-	141,946,600.86
Others	<b>4,433,130.64</b>	3,755,158.29	3,755,158.29
Total	<b>4,433,130.64</b>	3,755,158.29	145,701,759.15

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Long-term payables (Continued)

#### 39.1 Long-term payables (Continued)

(2) Long-term payables analysis:

Items	30 Jun 2019	31 Dec 2018
Finance lease payable	–	217,938,238.70
Others	<u>4,433,130.64</u>	<u>3,755,158.29</u>
Total	<u><u>4,433,130.64</u></u>	<u><u>221,693,396.99</u></u>
Above carrying value of long-term payables need be repaid in following period:		
Within 1 year	–	75,991,637.84
1 year after balance sheet date, but no more than 2 years	–	45,474,486.42
2 years after balance sheet date, but no more than 5 years	–	100,227,272.73
5 years after balance sheet date	<u>4,433,130.64</u>	–
Less: Current liabilities due within one year	<u>–</u>	<u>75,991,637.84</u>
Total amount under non-current liabilities	<u><u>4,433,130.64</u></u>	<u><u>145,701,759.15</u></u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 39. Long-term payables *(Continued)*

#### 39.2 Special payables

Items	31 Dec 2018	Increase	Decrease	30 Jun 2019	Reason of formation
National project grant	1,995,000.00	-	175,000.00	1,820,000.00	Note below
Total	1,995,000.00	-	175,000.00	1,820,000.00	

Note: Pursuant to Fagai Touzi [2005] No. 1201 "Notice on the Investment Plan under Special National Budget for Major Equipment Localization" issued by National Development and Reform Commission, the balance of special payables on national project as at 30 June 2019 is RMB1,820,000.00 (31 December 2018: RMB1,995,000.00), which will be respectively used for the localization projects of major equipment approved by the state.

### 40. Long-term employee benefits payables

#### (1) Classification of long-term employee benefits payable

Items	30 Jun 2019	31 Dec 2018
Post-employment benefits payable	7,748,000.00	17,460,000.00
Termination benefits payable	196,000.00	386,000.00
Less: Amounts paid within 1 year	930,000.00	1,552,000.00
Total	7,014,000.00	16,294,000.00

Note: Post-employment benefits and termination benefits that will be paid within one year is listed in employee benefits payables.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. Long-term employee benefits payables (Continued)

#### (2) Actuarial assumption

Some employees of the Company have already early retired. At balance sheet date, the actuary assumption for post-employment benefits and termination benefits is as follows:

Items	30 Jun 2019	31 Dec 2018
Discount rate (original separated employees benefits/ new express Termination benefits)	3.25%/2.5%	4.00%/3.75%
Salary increasing rate	5%	5.00%/9.5%

Post-employment benefits and termination benefits included in current gains and losses are as follows:

Items	Current period	Last period
Administrative expenses	-10,070,000.00	-1,170,332.54
Financial expenses	305,000.00	752,000.00

### 41. Provisions

Items	30 Jun 2019	31 Dec 2018
Product quality guarantee	9,117,249.82	8,001,242.71
Loss on repair, replacement and compensation	13,846,176.63	12,615,997.53
Total	22,963,426.45	20,617,240.24

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. Deferred revenue

Item	31 Dec 2018	Increase	Decrease	30 Jun 2019
Government subsidies-Relocation	192,923,386.22	7,290,650.82	-6,969,454.22	207,183,491.26
Government subsidies-Government Grant	178,151,235.54	27,174,892.82	37,318,036.06	168,008,092.30
Unrealized income of sale and lease back	1,276,101.33	56,751.30	1,171.24	1,331,681.39
Proceeds of land disposal	32,947,940.29	-	-2,595,477.29	35,543,417.58
Total	405,298,663.38	34,522,294.94	27,754,275.79	412,066,682.53

### 43. Share capital

Items	31 Dec 2018	Changes in current period (+ or -)				Subtotal	30 Jun 2019
		Issue new shares	Share donation	Reserved funds converted into shares	Others		
Restricted shares – state-owned legal person shareholdings							
COMEHG	1,924,225,189.00	-	-	-	-	-	1,924,225,189.00
China Huarong Asset Management Co., Ltd.	195,962,467.00	-	-	-	-	-	195,962,467.00
Chongqing Yufu Assets Management Co., Ltd.	232,132,514.00	-	-	-	-	-	232,132,514.00
Chongqing Construction Engineering Group Co., Ltd.	232,132,514.00	-	-	-	-	-	232,132,514.00
Total restricted shares	2,584,452,684.00	-	-	-	-	-	2,584,452,684.00
Non-restricted shares							
Overseas listing H shares	1,100,187,470.00	-	-	-	-	-	1,100,187,470.00
Total non-restricted shares	1,100,187,470.00	-	-	-	-	-	1,100,187,470.00
Total	3,684,640,154.00	-	-	-	-	-	3,684,640,154.00

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 44. Capital Reserve

Items	31 Dec 2018	Increase	Decrease	30 Jun 2019
Capital reserve transferred				
under original standard	-15,166,711.00	-	-	<b>-15,166,711.00</b>
Others	<u>65,478,679.20</u>	-	-	<u><b>65,478,679.20</b></u>
Total	<u>50,311,968.20</u>	<u>-</u>	<u>-</u>	<u><b>50,311,968.20</b></u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 45. Other Comprehensive Income

Items	31 Dec 2018	Transfer changes of defined benefit plan to retained earnings	Pre-tax amount	Current period Less: Reclassifications of other comprehensive income to profit or loss in previous period	Less: Income tax expenses	After-tax amount attributable to shareholders of the Company	After-tax amount attributable to non-controlling shareholders	30 Jun 2019
<b>1. Other comprehensive income that cannot be reclassified into profit or loss</b>								
Including: Changes in net assets or net liabilities from recalculation of defined benefit plan	14,174,820.00	-13,017,989.38	-479,399.50	-	-	-13,497,388.88	-	677,431.12
<b>2. Other comprehensive income that can be reclassified into profit or loss</b>								
Including: Other comprehensive income of the investee that can be reclassified into profit or loss under equity method	16,877,607.09	-	-3,015.51	-	-	-3,015.51	-	16,874,591.58
Effective portion of hedging gain or loss on net investment	616,639.00	-	-	-	-	-	-	616,639.00
Translation differences of financial statements in foreign currencies	-4,481,565.66	-	79,178.23	-	-	79,178.23	-	-4,402,387.43
	20,742,533.75	-	-82,193.74	-	-	-82,193.74	-	20,660,340.01
Total other comprehensive income	31,052,427.09	-13,017,989.38	-482,415.01	-	-	-13,500,404.39	-	17,552,022.70

Note: The Group's partial borrowings in US dollar amounting to USD11,500,000.00 are designated as a net investment hedging for US subsidiary. As of 30 June 2019, the fair value of the loan was approximately RMB79,082,052.53. The exchange gain arising from translating the borrowings into the corresponding functional currency is RMB79,178.23 on 30 June 2019, recognized in other comprehensive income.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Surplus Reserves

Item	31 Dec 2018	Increase	Decrease	30 Jun 2019
Statutory surplus reserves	334,373,473.12	–	–	334,373,473.12
Total	334,373,473.12	–	–	334,373,473.12

### 47. Retained Earnings

Items	For the six months ended 30 June 2019	For the Year 2018
Closing balance of last year	2,708,521,621.81	2,717,844,150.00
Add: Adjustment of opening balance	-6,138,120.63	-305,543,321.33
Including: Retroactive adjustment due to adoption of revised CAS	-6,138,120.63	-305,543,321.33
Opening balance of current year	2,702,383,501.18	2,412,300,828.67
Add: Net profit attributable to shareholders of the Company	163,618,899.53	444,060,837.38
Transfer changes of defined benefit plan to retained earnings	13,017,989.38	–
Less: Appropriation to statutory reserve	–	36,856,341.12
Appropriation to staff bonus and welfare	–	444,498.50
Declared ordinary share dividends	147,385,606.16	110,539,204.62
Closing balance	2,731,634,783.93	2,708,521,621.81

Note: According to 2018 shareholder annual general meeting of the Group held on 26 June 2019, the meeting deliberated and approved the Group's 2018 annual profit distribution scheme of RMB0.04 per share (including tax), total dividend of RMB147,385,606.16 on the basis of issued 3,684,640,154 shares.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 48. Operating Revenue & Operating Cost

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

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

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.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 48. Operating Revenue & Operating Cost (Continued)

#### (2) Income from contracts

Classification of contract	High-end	Clean energy	Industrial	Total
	intelligent equipment business	equipment business	service business	
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

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 48. Operating Revenue & Operating Cost *(Continued)*

#### (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.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49. Selling and Distribution Expenses

Items	Current period	Last period
Transportation expense	<b>37,331,968.22</b>	30,528,514.02
Employee benefits	<b>36,735,210.23</b>	32,678,195.87
Traveling expenses	<b>25,804,322.63</b>	31,879,412.05
Expenditure for repair, replacement and compensation	<b>11,476,280.97</b>	7,147,176.47
After-sale service fee	<b>14,247,830.59</b>	7,984,775.42
Advertising expense	<b>4,911,463.30</b>	4,706,891.69
Business entertainment fee	<b>2,627,064.98</b>	2,849,765.11
General office expenses	<b>1,535,772.32</b>	1,344,427.93
Depreciation expenses	<b>717,960.00</b>	484,991.32
Rental fee	<b>7,097.14</b>	–
Others	<b>20,063,860.22</b>	22,974,963.68
Total	<b><u>155,458,830.60</u></b>	<b><u>142,579,113.56</u></b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50. Administrative expenses

Items	Current period	Last period
Employee benefits	119,566,502.14	130,506,136.40
Depreciation expenses	25,491,430.40	20,420,506.03
Amortization of intangible assets	5,625,366.62	7,186,701.29
Rental fee	—	4,338,409.18
Intermediary Service Fee	4,092,737.42	1,726,953.76
Repair charges	3,670,446.51	1,933,252.55
General office expenses	2,027,133.56	3,207,624.42
Insurance expenses	7,420,032.62	10,779,946.76
Traveling expenses	3,059,415.94	3,019,076.46
Business entertainment fee	2,607,213.49	2,995,103.31
Amortization of long-term deferred expenses	12,621.36	—
Transportation fee	518,469.15	513,079.26
Others	63,141,910.90	69,456,391.86
Total	<u>237,233,280.11</u>	<u>256,083,181.28</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 51. Research and Development Expenses

Items	Current period	Last period
Employee benefits	<b>57,857,288.98</b>	48,436,813.44
Material fee	<b>44,911,140.14</b>	23,887,148.65
Depreciation expenses	<b>5,697,395.99</b>	3,261,016.91
Amortization of intangible assets	<b>3,765,068.06</b>	2,712,940.39
Traveling expenses	<b>1,374,054.73</b>	1,638,779.36
Business entertainment fee	<b>191,361.86</b>	114,832.00
Design fee	<b>762,383.21</b>	3,977,761.50
General office expenses	<b>428,111.96</b>	353,713.25
Intermediary Service Fee	<b>1,541,265.48</b>	116,705.65
Others	<b>30,537,165.81</b>	31,832,060.86
Total	<b><u>147,065,236.22</u></b>	<u>116,331,772.01</u>

### 52. Financial Expenses

Items	Current period	Last period
Interest expense	<b>79,918,608.69</b>	63,291,660.09
Less: interest income	<b>10,061,435.33</b>	12,811,729.52
Add: Exchange loss	<b>420,791.74</b>	-1,122,653.75
Other expenditure	<b>8,273,685.95</b>	13,423,317.64
Total	<b><u>78,551,651.05</u></b>	<u>62,780,594.46</u>

Note: The amount of interest charges incurred by the Group from January to June 2019 due to leasing is RMB1,793,891.88.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 53. Other Income

Items	Current period	Last period
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
<b>Total</b>	<b>57,606,923.79</b>	<b>60,759,243.59</b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 54. Investment Income

Items	Current period	Last period
Investment income from long-term equity investments under equity method	<b>155,987,807.84</b>	227,196,327.78
Investment income from disposals of financial assets held for trade	<b>280,782.54</b>	–
Investment income from disposals of available-for-sale financial assets	–	3,310,068.49
Investment income from Capital-Guaranteed financial assets	<b>2,983,068.49</b>	–
Others	<b>-277,105.25</b>	–
Total	<b><u>158,974,553.62</u></b>	<u>230,506,396.27</u>

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

Item	Current period	Last period
Financial assets at fair value through profit or loss	<b>4,808,649.57</b>	-104,916.90
Total	<b><u>4,808,649.57</u></b>	<u>-104,916.90</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 56. Impairment loss of credit

Items	Current period	Last period
Bad debts losses	<b>-18,417,227.33</b>	19,469,495.36
Impairment loss on loans and advances to customers	<b>-3,928,932.19</b>	2,122,168.94
Total	<b><u>-22,346,159.52</u></b>	<u>21,591,664.30</u>

### 57. Impairment loss of assets

Items	Current period	Last period
Impairment loss on inventory	<b>-5,412,239.96</b>	2,178,043.43
Total	<b><u>-5,412,239.96</u></b>	<u>2,178,043.43</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 58. Gains on Disposals of Assets

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

### 59. Non-operating Income

Items	Current period	Last period	Amount recognized in extraordinary profit and loss for the six months ended June 30, 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
<b>Total</b>	<b><u>3,218,045.55</u></b>	<b><u>6,970,029.97</u></b>	<b><u>3,218,045.55</u></b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 60. Non-operating Expenses

Items	Current period	Last period	Amount recognized
			in extraordinary profit and loss for the six months ended June 30, 2019
Loss of debt restructuring	<b>1,654,741.08</b>	1,320,476.16	1,654,741.08
Loss from scrap and damage of non-current assets	<b>4,734.16</b>	–	4,734.16
Penalty and overdue fee	<b>240,711.77</b>	–	240,711.77
Others	<b>1,044,688.03</b>	1,575,464.22	1,044,688.03
Total	<b><u>2,944,875.04</u></b>	<u>2,895,940.38</u>	<u>2,944,875.04</u>

### 61. Income Tax Expense

Items	Current period	Last period
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>	<u>26,320,717.25</u>

### 62. Other Comprehensive Income

Please refer to VI. 45 Other Comprehensive Income for details.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 63. Cash Flow Statement

#### (1) Supplementary information to the consolidated cash flow statement

Items	Current period	Last period
<b>1. Reconciliation of net profit to cash flows from operating activities</b>		
Net profit	176,249,562.92	243,694,878.20
Add: Impairment loss of assets	-5,412,239.96	2,178,043.43
Add: Impairment loss of credit	-22,346,159.52	21,591,664.30
Depreciation of property, plant and equipment, depletion of oil and gas assets, depreciation of productive biological assets	86,112,439.41	101,479,214.62
Amortization of investment property	2,225,476.60	3,247,248.52
Depreciation of right-of-use assets	34,045,323.24	-
Amortization of intangible assets	12,310,767.55	16,392,288.88
Amortization of long-term deferred expenses	15,134,943.03	18,374,346.43
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets (gain listed as "-")	-134,423,031.35	-623,652.43
Losses on retirement of property, plant and equipment (gain listed as "-")	4,734.16	-
Gains or losses on changes in fair value (gain listed as "-")	-4,808,649.57	104,916.90
Financing expenses (gain listed as "-")	79,918,608.69	60,589,601.57
Investment losses (gain listed as "-")	-158,974,553.62	-230,506,396.27
Decrease in deferred tax assets (increase listed as "-")	-3,646,277.37	-69,389,182.23
Increase in deferred tax liabilities (decrease listed as "-")	16,978,341.47	34,911,501.80
Decrease in inventories (increase listed as "-")	-303,601,115.36	465,220,586.86
Decrease in contract assets (increase listed as "-")	24,285,070.65	-625,308,993.40
Increase in contract liabilities (decrease listed as "-")	-20,564,391.59	44,079,785.91
Decrease in operating receivables (increase listed as "-")	-178,500,745.33	-12,798,175.66
Increase in operating payables (decrease listed as "-")	253,856,190.03	-241,940,033.26
Others	-	-
Net cash flows from operating activities	-131,155,705.92	-168,702,355.83

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 63. Cash Flow Statement *(Continued)*

#### (1) Supplementary information to the consolidated cash flow statement *(Continued)*

Items	Current period	Last period
<b>2. Significant non-cash investing and financing activities:</b>		
Property, plant and equipment acquired under bill receivable endorsement	-	-
<b>3. Changes in cash and cash equivalents:</b>		
Closing balance of cash	1,599,800,089.67	1,411,124,101.39
Less: Opening balance of cash	1,570,343,395.06	1,174,539,298.00
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	<u>29,456,694.61</u>	<u>236,584,803.39</u>

#### (2) Cash and cash equivalents

Items	30 Jun 2019	31 Dec 2018
Cash	1,599,800,089.67	1,570,343,395.06
Including: Cash in hand	1,158,025.55	879,802.59
Bank deposits available for use on demand	1,598,642,064.12	1,569,463,592.47
Cash equivalents	-	-
Including: Bond investment due within three months	-	-
Closing balance of cash and cash equivalents	1,599,800,089.67	1,570,343,395.06
Including: Restricted cash and cash equivalent in parent company or subsidiaries of the Company	-	-

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Restricted Assets of Ownership as at 30 June 2019

Items	Closing balance of net carrying amount	Reason
Cash and cash equivalents	577,580,632.62	Bank acceptance draft, letter of credit, guarantee deposit; using of restricted fixed deposit; statutory deposit reserve
Notes receivable	65,773,464.20	Pledge China Merchants Bank to open bank acceptance bill
Buildings	685,337,101.91	Note 1 、 Note 2
Land-use rights	132,433,549.89	Note 1

Note 1: The subsidiary of the Company Machine Tools Group raises a loan of RMB295,000,000.00 in Agricultural Bank of China Yubei Branch (Term of loan: 30 Mar 2015 – 15 Feb 2023, 102% of the benchmark interest rate). Machine Tools Group mortgages the Buildings located in Nan'an district Nanpingzutun Chayuan-Lujiao C section No. C15/1-03 to Agricultural Bank of China Yubei Branch. The book value of mortgaged buildings is RMB527,397,539.02 yuan and the book value of mortgaged land is RMB132,433,549.89 yuan.

Note 2: Jiangsu Chengfei, a subsidiary of the Group, mortgaged its first-stage plant to Jiangsu Rural Commercial Bank to obtain a loan of RMB49,000,000.00 (as of 30 June 2019, the actual withdrawal is RMB29,000,000.00, the term of loan is from 21 June 2019 to 20 June 2020, the contract interest rate is 4.7850%).

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 65. Foreign currency monetary items

#### (1) Foreign currency monetary items

Report items	Currency	30 Jun 2019		
		Foreign currency balance	Exchange rate	CNY balance
<b>Cash and cash equivalents</b>				
	EUR	3.87	7.8170	30.25
	JPY	1,160,536.23	0.0638	74,042.21
	RUB	2,023.85	0.1090	220.60
	KRW	989,397.51	0.0059	5,837.45
	GBP	3,606.12	8.7113	31,413.99
<b>Bank deposit</b>				
	USD	1,894,547.74	6.8747	13,024,447.35
	HKD	87,503.09	0.8797	76,976.47
	EUR	19.14	7.8170	149.62
	GBP	502,053.68	8.7113	4,373,540.22
	CHF	735,000.23	7.0388	5,173,519.62
<b>Accounts receivable</b>				
	USD	13,453,186.49	6.8747	92,486,621.16
	GBP	10,347,283.00	8.7113	90,138,286.40
<b>Accounts payable</b>				
	GBP	4,351,145.46	8.7113	37,904,133.45
	USD	393,922.64	6.8747	2,708,099.97
<b>Other Payables</b>				
	GBP	22,140,407.16	8.7113	192,871,728.89
<b>Other receivables</b>				
	JPY	34,509,226.53	0.0638	2,201,688.65
	EUR	1,301,866.62	7.8170	10,176,691.37
	GBP	23,967,816.38	8.7113	208,790,838.83

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 65. Foreign currency monetary items *(Continued)*

#### (1) Foreign currency monetary items *(Continued)*

Report items	Currency	30 Jun 2019		
		Foreign currency balance	Exchange rate	CNY balance
<b>Prepayments</b>				
	EUR	468,307.18	7.8170	3,660,757.23
	GBP	624,559.00	8.7113	5,440,720.82
<b>Non-current liabilities due within one year</b>				
	GBP	697,179.53	8.7113	6,073,340.04
<b>Contract liabilities</b>				
	USD	6,547,060.34	6.8747	45,009,075.72
	EUR	70,129.89	7.8170	548,205.35
	GBP	3,738,837.16	8.7113	32,570,132.15
<b>Short-term loan</b>				
	GBP	16,573,730.67	8.7113	144,378,739.99
<b>Long-term loans</b>				
	GBP	17,000,000.00	8.7113	148,092,100.00
<b>Other current assets</b>				
	GBP	190,014.00	8.7113	1,655,268.96

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VII. CHANGES IN CONSOLIDATION SCOPE

### 1. Business Combination not under Common Control

None in the period.

### 2. Business Combination under Common Control

None in the period.

### 3. Other reason result in the change of consolidation scope

None in the period.

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in Subsidiaries

#### (1) Group structure

No.	Name of subsidiaries	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
1	Chongqing CAFF Automotive Braking & Steering System Co., Ltd. ("CAFF")	Yubei district, Chongqing	Yubei district, Chongqing	Manufacturing, Sales, Research and Development of Automotive Parts	23,280.00	100.00	-	Invest
2	Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	Northern new district, Chongqing	Northern new district, Chongqing	Design, manufacture and sale of industrial robots, intelligent equipment, etc.	10,161.04	100.00	-	Business combinations under common control
2.1	Chongqing Unication Electronic Technology Co., Ltd.	Nan'an district, Chongqing	Nan'an district, Chongqing	Processing Electronic Products	5,431.24	-	66.26	Business combinations under common control

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Subsidiaries (Continued)

#### (1) Group structure (Continued)

No.	Name of subsidiaries	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
3	Chongqing Machine Tools (Group) Co., Ltd.	Nan'an district, Chongqing	Nan'an district, Chongqing	R&D, Manufacturing and Sales of Gear Processing Machine Tools and Lathes	59,424.13	100.00	-	Invest
3.1	Chongqing Sino-Germany Smart Factory Solutions Co., Ltd. (note 1)	Nan'an district, Chongqing	Nan'an district, Chongqing	Automation, intelligent equipment and accessories production and sales	10,000.00	-	40.00	Invest
3.2	Fu Baotian Cotton picking services Co., Ltd.	Tacheng district, Xinjiang	Tacheng district, Xinjiang	Mechanized picking services for cotton; Cotton machinery and spare parts sales, maintenance	500.00	-	51.00	Invest
3.3	Chongqing Tool Factory Co., Ltd.	Jiangjin district, Chongqing	Jiangjin district, Chongqing	Cutting tool	6,000.00	-	100.00	Invest
3.4	Chongqing No. 2 Machine Tools Factory Co., Ltd.	Nan'an district, Chongqing	Nan'an district, Chongqing	Manufacturing, marketing machine tools and machine parts, auto parts, etc	8,000.00	-	100.00	Invest
3.5	Chongqing Yinhe Forging & Founding Co., Ltd.	Jiangjin district, Chongqing	Jiangjin district, Chongqing	Casting, forging non-ferrous metal smelting, special metal smelting	1,870.41	-	100.00	Invest

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(Continued)*

#### (1) Group structure *(Continued)*

No.	Name of subsidiaries	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
3.6	Chongqing Shengong Machinery Manufacture Co., Ltd.	Nan'an district, Chongqing	Nan'an district, Chongqing	Agricultural machinery and accessories, special machine tools, spare parts, special tooling production and sales	110.28	-	100.00	Invest
3.7	Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd.	Nan'an district, Chongqing	Nan'an district, Chongqing	Precision screw design, manufacturing, marketing	4,000.00	-	100.00	Business combination not under common control
4	(PTG) Limited	United Kingdom	United Kingdom	Shell company	GBP20 million	100.00	-	Business combination not under common control
4.1	Precision Components Ltd.	United Kingdom	United Kingdom	Screw and various complex parts	GBP1	-	100.00	Business combination not under common control
4.2	PTG Heavy Industries Ltd.	United Kingdom	United Kingdom	Large multi-purpose CNC machine tools, roll grinders, deep hole boring machines	GBP2	-	100.00	Business combination not under common control

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(Continued)*

#### (1) Group structure *(Continued)*

No.	Name of subsidiaries	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
4.3	Milnrow Investments Ltd.	United Kingdom	United Kingdom	Leasing of properties	GBP198	-	100.00	Business combination not under common control
4.4	PTG Deutschland GmbH	Germany	Germany	Machine Tool Production and Sales	EUR25,000	-	100.00	Business combination not under common control
4.5	PTG Investment Development Company Ltd.	Hong Kong	Hong Kong	Trade in machinery and raw materials	HKD600,000	-	100.00	Invest
4.6	Holroyd Precision Limited.	United Kingdom	United Kingdom	Manufacturing of machine tools	GBP100	-	100.00	Business combination not under common control
4.7	Precision Technologies Group (US) Limited (US Holding)	United Kingdom	United Kingdom	First class SPV built for American plant	GBP1	-	100.00	Invest

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(Continued)*

#### (1) Group structure *(Continued)*

No.	Name of subsidiaries	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
4.7.1	Precision Technologies Group (US) Limited (PTG US)	The United States	The United States	Second class SPV built for American plant	USD1,000	-	100.00	Invest
4.7.1.1	Holroyd Precision Screw and Rotors Company (US HPR)	The United States	The United States	Manufacturing of screws	USD1	-	100.00	Invest
5	Chongqing Water Turbine Works Co., Ltd.	Jiangjin district, Chongqing	Jiangjin district, Chongqing	Design, Development and Manufacture of Turbines, Governors and Auxiliary Devices	14,709.71	100.00	-	Invest
6	Pigeon Wire	Yubei district, Chongqing	Yubei district, Chongqing	Manufacture electric wires and cables	10,010.00	74.00	-	Invest
6.1	Chongqing Pigeon Electrical Porcelain Co., Ltd	Changshou district, Chongqing	Changshou district, Chongqing	Manufacture electrical porcelain	5,300.00	-	100.00	Invest
6.2	Chongqing Pigeon Electric Materials Co., Ltd. (note 2)	Changshou district, Chongqing	Changshou district, Chongqing	PPR/PPC tubular product	680.00	-	50.00	Invest
7	Chongqing General Industry (Group) Co., Ltd.	Nan'an district, Chongqing	Nan'an district, Chongqing	Production of fan coolers, etc.	51,509.01	100.00	-	Invest

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Subsidiaries (Continued)

#### (1) Group structure (Continued)

No.	Name of subsidiaries	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
7.1	Chongqing Chongtong Wide Wisdom Air Conditioning Equipment Co., Ltd. (note 1)	Nan'an district, Chongqing	Nan'an district	Design and manufacture of evaporative cooling, water-cooled and air-cooled chillers	6,000.00	-	42.00	Invest
7.2	Chongqing Chongtong Turbine Technology Co., Ltd	Nan'an district, Chongqing	Nan'an district	Turbo mechanical product testing, equipment and system maintenance and transformation	3,000.00	-	66.67	Invest
7.3	Jilin Chongtong Chengfei New Material Co., Ltd.	Jilin province	Baicheng district, Jilin	Manufacturing of wind-power equipment	16,000.00	-	91.18	Business Combination not under Common Control
7.3.1	Jilin Chongtong Chengfei New Material Co., Ltd.- Wuwei branch	Jilin province	Jilin province	Manufacturing of wind-power equipment	-	-	100.00	Invest
7.3.2	Chongqing Chongtong Chengfei New Material Co., Ltd	Chongqing	Chongqing	Manufacturing of wind-power equipment	5,000.00	-	100.00	Invest
7.3.3	Gansu Chongtong Chengfei New Material Co., Ltd.	Gansu province	Gansu province	Manufacturing of wind-power equipment	5,000.00	-	100.00	Invest

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
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## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(Continued)*

#### (1) Group structure *(Continued)*

No.	Name of subsidiaries	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
7.3.4	Chongtong Chengfei Wind Power Equipment Jiangsu Co., Ltd.	Rudong district, Jiangsu	Rudong district, Jiangsu	Manufacturing of wind-power equipment	10,000.00	-	100.00	Invest
7.3.5	Xilinhaote Chenfei Wind-Power Equipment Co., Ltd.	Xilin, Neimeng	Xilin, Neimeng	Network products, environmental products and gas products sales	5,000.00	-	100.00	Business Combination not under Common Control
7.4	Chongqing Shunchang General Electrical Equipment Co., Ltd.	Nan'an district, Chongqing	Nan'an district, Chongqing	Network products, environmental products and gas products sales	100.00	-	100.00	Invest
7.5	Chongqing General Industry (Group) Tong Kang Water Affairs Co., Ltd	Tongnan district, Chongqing	Tongnan district, Chongqing	Sewage collection, treatment, operation management, BOT business	1,000.00	-	100.00	Invest
8	Chongqing Pump Industry Co., Ltd.	Shapingba district, Chongqing	Shapingba district, Chongqing	Design and Manufacture of Industrial Pumps and Parts and Pressure Vessels	19,641.15	100.00	-	Invest

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(Continued)*

#### (1) Group structure *(Continued)*

No.	Name of subsidiaries	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
8.1	Yongchuan General Machinery Factory, Chongqing Pump Industry Co., Ltd.	Yongchuan District, Chongqing	Yongchuan District, Chongqing	Design and Manufacture of Industrial Pumps and Parts and Pressure Vessels	-	-	100.00	Invest
9	Chongqing Gas Compressor Factory Co., Ltd.	Shapingba district, Chongqing	Shapingba district, Chongqing	Manufacturing of Gas Compressors and Components	18,721.39	100.00	-	Invest
10	Chongqing Industrial Enabling Innovation Center Co., Ltd. (note 3)	Northern new district, Chongqing	Northern new district, Chongqing	Consultation on Research and Development of Mechanical and Electrical Equipment Technology	3,000.00	100.00	-	Business Combination under Common Control
11	Chongqing Shengpu Materials Co., Ltd.	Northern new district, Chongqing	Northern new district, Chongqing	Sales of steel and other trade business	2,140.50	100.00	-	Invest
12	Chongqing Machinery and Electronics Holding Group Finance Company Limited ("CMEFC")	Northern new district, Chongqing	Northern new district, Chongqing	Providing financial and financing services to member units	60,000.00	70.00	-	Invest

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(Continued)*

#### (1) Group structure *(Continued)*

Note 1: The Group holds less than 50% shares of these companies. These companies are regarded as subsidiaries of the Group because the Group has the majority of voting rights in the board of directors of these companies in accordance with the articles of association. The Group is controlling their strategy, operations, investment and financing activities.

Note 2: The Group holds 74% shares of Pigeon Wire and the Pigeon Wire holds 50% shares of Chongqing Pigeon Electric Materials Co., Ltd (hereinafter referred to as "Pigeon Electric"). The reason why Pigeon Electric is regarded as a subsidiary of the Group is that the Group has majority voting rights in its board of directors to control its strategy, operations, investment and financing activities.

Note 3: On April 19, 2019, Chongqing Machinery & Electric Equipment Technology Research Institute Co., Ltd., a subsidiary of the Group, was renamed Chongqing Industrial Enabling Innovation Center Co., Ltd.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Subsidiaries (Continued)

#### (2) Significant partly-owned subsidiaries

Name of subsidiary	Shareholding of minority shareholders (%)	Opening balance of non-controlling interest	Jan-Jun 2019	Jan-Jun 2019	Jan-Jun 2019	Closing balance of non-controlling interest
			Profit or loss attributable to minority shareholders	Dividends distributed to minority shareholders	Decrease of minority shareholders other equity	
Pigeon Wire	26.00	86,194,988.68	17,076,904.07	-	-	103,271,892.75
CMEFC	30.00	229,672,056.89	8,362,427.99	-	-	238,034,484.88

#### (3) Key financial information of significant partly-owned subsidiaries

Name of subsidiaries	30 Jun 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pigeon Wire	767,867,035.40	230,692,871.03	998,559,906.43	565,548,141.01	13,904,378.17	579,452,519.18
CMEFC	2,809,902,503.61	19,150,611.99	2,829,053,115.60	2,029,969,407.90	5,647,836.45	2,035,617,244.35

Name of subsidiaries	31 Dec 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pigeon Wire	678,202,765.87	237,419,837.13	915,622,603.00	534,778,643.66	21,073,762.58	555,852,406.24
CMEFC	3,561,731,413.37	11,492,021.37	3,573,223,434.74	2,807,649,911.91	-	2,807,649,911.91

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(Continued)*

#### (3) Key financial information of significant partly-owned subsidiaries *(Continued)*

Name of subsidiaries	Operating revenue	30 Jun 2019		
		Net profit	Total comprehensive income	Cash flows from operating activities
Pigeon Wire	719,149,327.14	65,776,874.26	65,776,874.26	-2,560,088.89
CMEFC	56,090,530.22	27,874,759.98	27,874,759.98	-631,215,715.25

Name of subsidiaries	Operating revenue	31 Dec 2018		
		Net profit	Total comprehensive income	Cash flows from operating activities
Pigeon Wire	730,384,972.48	40,310,427.37	40,310,427.37	-35,347,415.61
CMEFC	55,332,485.95	19,104,907.05	19,104,907.05	-257,284,581.76

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(Continued)*

**(4) Significant restriction of using assets and paying off debts of the Company**

None.

**(5) Provide financial or other support to structured entity included in the scope of consolidated financial statements**

None.

**(6) The Company has no structured entity included in the scope of consolidated financial statements**

None.

**(7) Others**

As of 30 June 2019, all the subsidiary companies do not issue share capital or debt securities.

**2. The situation in which the owner's equity share of a subsidiary company changes and the subsidiary company is still under control**

None.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in Joint Ventures or Associates

#### (1) Significant joint ventures or associates

Name of associates or joint venture	Principal place of business	Place of registration	Nature of business	Proportion of shareholding (%)		Accounting method
				Directly	Indirectly	
<b>Associates</b>						
CQ Cummins	Shapingba District, Chongqing	Shapingba District, Chongqing	Largest professional manufacturer of heavy-duty and high-horse power engines in China	50.00	-	Equity method
<b>Joint ventures</b>						
Chongqing ABB	Huayan, Jiulongpo District, Chongqing	Huayan, Jiulongpo District, Chongqing	Power transformer, reactor, HVDC converter transformer, UHV AC transformer, sets of insulator	37.80	-	Equity method
Chongqing Jiangbei Machinery	Yufu, Jiangbei District, Chongqing	Yufu, Jiangbei District, Chongqing	Manufacturing and sale of large separation machinery and its systems	41.00	-	Equity method
Water Gen Power S.r.l	Huayan, Jiulongpo District, Chongqing	Huayan, Jiulongpo District, Chongqing	Power transformer, reactor, HVDC converter transformer, UHV AC transformer, sets of insulator	49.00	-	Equity method
EXEDY (Chongqing) Co., Ltd	Nanan District, Chongqing	Nanan District, Chongqing	manufacturing and sale of clutch and clutch pump	27.00	-	Equity method
Knorr-Bremse Systems for Commercial Vehicles (Chongqing) Ltd	Yubei District, Chongqing	Yubei District, Chongqing	Manufacturing and sale of commercial vehicle valves	34.00	-	Equity method
Hongyan	Yubei District, Chongqing	Yubei District, Chongqing	Development, manufacturing and sales of car leaf spring, auto air suspension, guide arm and other auto parts	44.00	-	Equity method
Chongqing gas engineering Co. Ltd	Yubei District, Chongqing	Yubei District, Chongqing	Sales of gas	-	20.00	Equity method
Chongqing Shenjian Automotive Drive Part Co., Ltd	Nanan District, Chongqing	Nanan District, Chongqing	Automobile transmission	-	35.00	Equity method

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in Joint Ventures or Associates (Continued)

#### (2) Key financial information of significant joint ventures

Items	CQ Cummins	
	30 Jun 2019/ Current period	31 Dec 2018/ Last period
Current assets	<b>1,781,785,419.13</b>	1,648,014,239.87
Including: cash and cash equivalents	<b>805,624,850.34</b>	462,610,362.85
Non-current assets	<b>817,977,334.02</b>	708,145,201.70
Total assets	<b>2,599,762,753.15</b>	2,356,159,441.57
Current liabilities	<b>1,296,421,762.49</b>	1,535,629,582.13
Non-current liabilities	<b>272,283,151.36</b>	98,737,620.94
Total liabilities	<b>1,568,704,913.85</b>	1,634,367,203.07
Non-controlling interest	–	–
Total equity attributable to shareholders of the Company	<b>1,031,057,839.30</b>	721,792,238.50
Net assets calculated based on shareholding ratio	<b>515,528,919.65</b>	360,896,119.24
Carrying amount of equity investment in joint ventures	<b>515,528,919.65</b>	360,896,119.24
Fair value of investment in joint ventures with public offer	–	–
Operating revenue	<b>1,474,681,356.65</b>	1,631,513,068.25
Financial expenses	<b>-314,043.05</b>	-488,185.33
Income tax expense	<b>61,314,911.77</b>	66,222,588.26
Net profit	<b>308,970,076.00</b>	380,275,553.61
Total comprehensive income	<b>308,970,076.00</b>	380,275,553.61
Recognized dividends from joint ventures	–	–
Received dividends from joint ventures	<b>105,952,648.40</b>	45,000,000.00

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in Joint Ventures or Associates (Continued)

#### (3) Key financial information of significant associates

Items	ABB		Hongyan Fangda		EXEDY (Chongqing) Co., Ltd	
	30 Jun 2019/ Current period	31 Dec 2018/ Last period	30 Jun 2019/ Current period	31 Dec 2018/ Last period	30 Jun 2019/ Current period	31 Dec 2018/ Last period
Current assets	1,081,128,934.06	1,131,464,767.62	585,607,959.24	409,057,537.37	312,666,022.91	329,241,586.99
Including: Cash and cash equivalents	43,589,582.45	77,821,301.18	31,605,422.99	32,020,557.04	5,135,886.91	3,575,496.89
Non-current assets	307,960,905.77	225,401,318.72	122,807,801.67	132,676,099.77	140,881,381.05	138,062,381.42
Total assets	1,389,089,839.83	1,356,866,086.34	708,415,760.91	541,733,637.14	453,547,403.96	467,303,968.41
Current liabilities	775,498,464.79	667,342,218.79	400,349,179.86	236,963,977.99	155,864,742.96	168,685,557.60
Non-current liabilities	40,613,381.23	32,763,003.35	5,153,343.00	4,999,713.72	4,537,302.00	9,059,424.00
Total liabilities	816,111,846.02	700,105,222.14	405,502,522.86	241,963,691.71	160,402,044.96	177,744,981.60
Non-controlling interest	-	-	19,444,240.64	19,301,425.49	435,895.15	560,676.28
Total equity attributable to shareholders of the Company	572,977,993.81	656,760,864.20	283,468,997.41	280,468,519.94	292,709,463.85	288,998,310.53
Net assets calculated based on shareholding ratio	216,585,681.67	248,255,606.76	124,726,358.86	123,406,148.77	79,031,555.24	78,029,543.84
Carrying amount of equity investment in associates	216,585,681.67	248,255,606.76	124,726,358.86	123,406,148.77	79,031,555.24	78,029,543.84
Fair value of investment in associates with public offer	-	-	-	-	-	-
Operating revenue	307,444,382.09	491,896,823.30	425,332,116.62	533,022,259.76	196,003,765.05	257,443,952.44
Financial expenses	2,410,517.67	-656,085.50	630,266.29	561,746.10	2,455,793.22	4,251,839.53
Income tax expense	-2,674,721.40	5,892,398.88	540,782.76	5,969,675.82	-460,568.40	4,443,145.98
Net profit	-15,698,968.79	33,178,458.69	808,967.24	25,059,289.80	1,511,601.40	11,120,764.02
Total comprehensive income	-15,698,968.79	33,178,458.69	808,967.24	25,059,289.80	1,511,601.40	11,120,764.02
Recognized dividends from joint ventures	29,349,033.00	77,650,013.00	-	-	2,651,933.96	2,104,197.09
Received dividends from joint ventures	29,349,033.00	77,650,013.00	-	-	2,651,933.96	-

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in Joint Ventures or Associates (Continued)

#### (3) Key financial information of significant associates (Continued)

Items	Knorr-Bremse Systems for Commercial Vehicles (Chongqing) Ltd.		Chongqing Jiangbei Machinery		Chongqing Shenjian Automotive Drive Part Co., Ltd	
	30 Jun 2019/ Current period	31 Dec 2018/ Last period	30 Jun 2019/ Current period	31 Dec 2018/ Last period	30 Jun 2019/ Current period	31 Dec 2018/ Last period
	Current assets	357,642,196.75	278,874,511.11	139,429,469.42	168,788,417.24	228,813,461.55
Including: Cash and cash equivalents	7,277,457.49	23,930,037.43	6,589,580.07	9,199,952.67	4,309,812.16	8,850,692.52
Non-current assets	79,291,013.63	73,808,299.70	214,754,173.17	171,260,225.59	337,932,962.15	314,438,509.98
Total assets	436,933,210.38	352,682,810.81	354,183,642.59	340,048,642.83	566,746,423.70	491,164,015.92
Current liabilities	253,331,266.86	207,167,663.66	208,170,623.37	185,227,758.84	313,380,300.87	231,619,103.77
Non-current liabilities	15,658,570.87	-	10,108,193.95	10,883,000.00	2,987,000.00	3,090,000.00
Total liabilities	268,989,837.73	207,167,663.66	218,278,817.32	196,110,758.84	316,367,300.87	234,709,103.77
Non-controlling interest	-	-	-	-	-	-
Total equity attributable to shareholders of the Company	167,943,372.65	145,515,147.15	135,904,825.27	143,937,883.99	250,379,122.83	256,454,912.15
Net assets calculated based on shareholding ratio	57,100,746.70	49,475,150.03	55,720,978.36	59,014,532.44	87,632,692.99	89,742,246.20
Carrying amount of equity investment in associates	57,100,746.70	49,475,150.03	55,720,978.36	59,014,532.44	87,632,692.99	89,742,246.20
Fair value of investment in associates with public offer	-	-	-	-	-	-
Operating revenue	278,411,960.42	203,925,026.98	56,418,037.19	92,341,277.38	85,532,762.92	83,632,437.45
Financial expenses	989,105.17	1,297,052.11	2,699,916.12	3,428,168.38	4,056,509.21	28,751.81
Income tax expense	6,163,663.03	-	-1,244,393.18	-	-	-
Net profit	18,490,989.10	16,593,221.61	-7,803,561.32	1,110,754.18	-1,122,500.62	3,509,024.39
Total comprehensive income	18,490,989.10	16,593,221.61	-7,803,561.32	1,110,754.18	-1,122,500.62	3,509,024.39
Recognized dividends from joint ventures	-	-	-	-	-	-
Received dividends from joint ventures	-	-	-	-	-	-

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 3. Interests in Joint Ventures or Associates *(Continued)*

#### (4) Financial information of insignificant joint ventures or associates

Items	30 Jun 2019/ Current period	31 Dec 2018/ Last period
<b>Associates</b>		
Total investment par value	335,438.00	335,438.00
Total amounts by shareholding ratio:		
– Net profit	-97,410.53	1,258,799.31
– Other comprehensive income	–	–
– Total comprehensive income	<u>-97,410.53</u>	<u>1,258,799.31</u>

#### (5) Significant restrictions on the capacity of joint ventures or associates to transfer financial funds to the Company

None.

#### (6) Excess deficit occurred in joint ventures or associates

None.

#### (7) Unconfirmed commitment with joint ventures investment

None.

#### (8) Contingent liabilities with joint ventures or associate's investment

None.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)***

### **4. Significant cooperative operation**

None.

### **5. Structured entity not included in the scope of consolidated financial statements**

None.

## **IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS**

The Group's business operations face various risks, including market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's basic strategy aims at the unpredictability of financial market to reduce the negative impact of risks to the financial results of the Group.

### **(1) Market risk**

#### **1) Foreign exchange risk**

The Group mainly operates in mainland China. Main business is settled in RMB. But foreign exchange risk arises when future commercial transaction or recognized assets or liabilities are denominated in a currency that is entity's functional currency. Financial department of the Group monitors the scale of foreign currency transactions, assets and liabilities to reduce the negative impact of risks on the Group business performance to the lowest level. There for the Group may sign forward exchange contracts or currency swap contracts. From 1 January 2018 to 30 June 2019, the Group didn't sign any contracts mentioned above.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### (1) Market risk

#### 1) Foreign exchange risk (Continued)

The Group's foreign currency financial assets and liabilities at beginning and ending of period presented in RMB are as follows:

Item	30 Jun 2019								Total
	USD	HKD	GBP	JPY	EUR	CHF	RUB	KRW	
Cash and cash equivalents	13,024,447.35	76,976.47	4,404,954.21	74,042.21	179.87	5,173,519.62	220.60	5,837.45	22,760,177.78
Accounts receivable	92,486,621.16	-	90,138,286.40	-	-	-	-	-	182,624,907.56
Other receivables	-	-	208,790,838.83	2,201,688.65	10,176,691.37	-	-	-	221,169,218.85
Prepayments	-	-	5,440,720.82	-	3,660,757.23	-	-	-	9,101,478.05
<b>Total</b>	<b>105,511,068.51</b>	<b>76,976.47</b>	<b>308,774,800.26</b>	<b>2,275,730.86</b>	<b>13,837,628.47</b>	<b>5,173,519.62</b>	<b>220.60</b>	<b>5,837.45</b>	<b>435,655,782.24</b>
Accounts payable	2,708,099.97	-	37,904,133.45	-	-	-	-	-	40,612,233.42
Other payables	-	-	192,871,728.89	-	-	-	-	-	192,871,728.89
Contract liabilities	45,009,075.72	-	32,570,132.15	-	548,205.35	-	-	-	78,127,413.22
Non-current liabilities due within one year	-	-	6,073,340.04	-	-	-	-	-	6,073,340.04
Short-term loans	-	-	144,378,739.99	-	-	-	-	-	144,378,739.99
Long-term loans	-	-	148,092,100.00	-	-	-	-	-	148,092,100.00
Other current liabilities	-	-	1,655,268.96	-	-	-	-	-	1,655,268.96
<b>Total</b>	<b>47,717,175.69</b>	<b>-</b>	<b>563,545,443.48</b>	<b>-</b>	<b>548,205.35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>611,810,824.52</b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### (1) Market risk (Continued)

#### 1) Foreign exchange risk (Continued)

Item	USD	HKD	31 Dec 2018			Total
			GBP	JPY	EUR	
Foreign currency financial assets						
Cash and cash equivalents	16,031,670.85	76,669.84	13,373,736.31	-	4,672,925.27	34,155,002.27
Accounts receivable	95,411,249.94	-	89,863,030.05	-	3,404,403.18	188,678,683.17
Prepayments	-	-	16,837,036.76	2,202,240.80	-	19,039,277.56
Other receivables	-	-	114,371,659.07	-	-	114,371,659.07
<b>Total</b>	<b>111,442,920.79</b>	<b>76,669.84</b>	<b>234,445,462.19</b>	<b>2,202,240.80</b>	<b>8,077,328.45</b>	<b>356,244,622.07</b>
Foreign currency financial liabilities						
Short-term loans	116,674,400.00	-	-	-	-	116,674,400.00
Contract liabilities	9,638,190.29	-	58,623,560.21	-	202,182.32	68,463,932.82
Other payables	-	-	128,618,490.76	-	-	128,618,490.76
Accounts payable	38,737,321.55	-	42,948,621.57	-	13,837,448.57	95,523,391.69
Long-term loans	-	-	147,495,400.00	-	-	147,495,400.00
<b>Total</b>	<b>165,049,911.84</b>	<b>-</b>	<b>377,686,072.54</b>	<b>-</b>	<b>14,039,630.89</b>	<b>556,775,615.27</b>

As for USD/GBP financial assets and liabilities, if RMB devalues or rises against US dollar by 1% On June 30, 2019, while other factors remain the same, the Group's net profit will decrease or increase by RMB577,938.93 yuan (December 31, 2018: RMB-536,069.91 yuan). If the RMB appreciates or depreciates against the pound by 1% and other factors remain unchanged, the Group will increase or decrease by RMB2,547,706.43 yuan (December 31, 2018: RMB1,432,406.10 yuan).

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(CONTINUED)*

### (1) Market risk *(Continued)*

#### 2) Interest rate risk

The Group's interest rate risk arises from interest bearing bank deposits and borrowings. Bank deposits and borrowings at floating rates expose the Group to cash flow interest rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. The Group determines the related proportions of its fixed and floating rate contracts depending on the prevailing market conditions. As at 30 June 2019 and 31 December 2018, The Group's bank deposits and borrowings at floating rates were denominated in RMB, USD, EUROS, HKD, and UKP. The Group currently does not hedge its exposure to interest rate risk.

The Group's bank borrowings at floating rates and at fixed rates are as follows:

Nature of borrowings	30 Jun 2019	31 Dec 2018
Borrowings at floating rates	580,820,533.41	915,000,000.00
Borrowings at fixed rates	1,820,200,000.00	906,603,923.78
Total	<u>2,401,020,533.41</u>	<u>1,821,603,923.78</u>

Financial department of the Group continuously monitors the interest rate. An increasing interest rate will increase the cost of new interest-bearing debt, as well as the interest expense of unpaid interest-bearing debt at floating rates, which makes negative impact on the financial results of the Group. The management will make adjustments according to the latest market conditions, such as interest rate swaps to reduce the interest risk. From 1 January 2019 to 30 June 2019 and the year of 2018, the Group didn't make any interest rate swap.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(CONTINUED)***

### **(1) Market risk *(Continued)***

#### **2) Interest rate risk *(Continued)***

On 30 June 2019, the Closing balance of bank borrowings at floating rates is RMB580,820,533.41 (31 December 2018: RMB915,000,000.00 yuan). If the borrowing rates at floating rates increase or decrease by 50 points, while other factors remain the same, the Group's net profit will decrease or increase by RMB2,904,102.67 yuan (31 December 2018: RMB4,575,000.00 yuan).

### **(2) Credit risk**

The Group manages credit risk according to credit risk portfolio. Credit risk mainly comes from cash and cash Equivalents, accounts receivable, other receivables and notes receivable, etc.

The Group's liquid capital is deposited in state-owned banks and listed banks of large and medium-scale. So the Group believes that there is no significant risk since there will not be significant losses due to default by the other units.

Otherwise, the Group formulates relevant policies to control credit risk. The Group assesses the credit quality of each customer by taking into account its financial position, possibility of obtaining guarantees from third parties, past experience and other factors, such as current marketing situation and set the appropriate credit period. The Group periodically monitors the customer's credit record. For customers with poor credit, the Group takes written collections, shortens or cancels the credit period so as to ensure the overall credit risk under control.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### (3) Liquidity risk

The subsidiaries are responsible for their own cash flow forecast, according to which the finance department of the Group continuously monitors the short-term and long-term capital needs. So that the Group maintains adequate cash reserve portfolio and available securities at any time. At the same time this department continuously monitors compliance with the provisions of the loan agreement, obtaining commitment from the main financial institutions of funds to meet the short-term and long-term funding requirements.

The major financial assets and liabilities held by the Group are analyzed in terms of the maturity of the remaining contractual obligations without discounting as follows:

Item	30 Jun 2019				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
Financial assets					
Cash and cash equivalents	2,177,380,722.29	-	-	-	2,177,380,722.29
Trading financial assets	305,212,452.27	-	-	-	305,212,452.27
Notes receivable	720,656,470.11	-	-	-	720,656,470.11
Accounts receivable	3,472,772,168.92	-	-	-	3,472,772,168.92
Other receivables	1,227,790,233.90	-	-	-	1,227,790,233.90
Contract assets	274,301,036.17	-	-	-	274,301,036.17
Loans and advances	1,198,812,360.15	61,202,113.54	-	-	1,260,014,473.69
Long-term receivables	365,974.92	17,765,974.92	13,052,684.92	-	31,184,634.76
Total	<u>9,377,291,418.73</u>	<u>78,968,088.46</u>	<u>13,052,684.92</u>	<u>-</u>	<u>9,469,312,192.11</u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(CONTINUED)*

### (3) Liquidity risk *(Continued)*

Item	30 Jun 2019				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
Financial liabilities					
Short-term loans	871,293,034.27	-	-	-	871,293,034.27
Notes payable	1,256,732,284.63	-	-	-	1,256,732,284.63
Accounts payable	1,843,851,275.07	-	-	-	1,843,851,275.07
Other payables	730,516,093.09	-	-	-	730,516,093.09
Contract liabilities	665,084,473.13	-	-	-	665,084,473.13
Receipt of deposits and deposits from other banks	1,368,481,496.31	-	-	-	1,368,481,496.31
Repurchase agreements	22,711,750.00	-	-	-	22,711,750.00
Non-current liabilities due within one year	144,590,517.71	-	-	-	144,590,517.71
Long-term loans	60,967,489.62	309,059,589.62	1,210,381,277.71	112,102,407.01	1,692,510,763.96
Bonds payable	34,240,000.00	34,240,000.00	808,560,000.00	-	877,040,000.00
Lease liabilities	3,974,755.38	83,098,228.55	108,732,911.95	376,617.14	196,182,513.03
Long-term payables	-	-	-	4,433,130.64	4,433,130.64
<b>Total</b>	<b><u>7,002,443,169.21</u></b>	<b><u>426,397,818.17</u></b>	<b><u>2,127,674,189.66</u></b>	<b><u>116,912,154.80</u></b>	<b><u>9,673,427,331.84</u></b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### (3) Liquidity risk (Continued)

Item	31 Dec 2018				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
Financial assets					
Cash and cash equivalents					
equivalents	2,164,670,306.18	-	-	-	2,164,670,306.18
Trading financial assets	5,124,292.21	-	-	-	5,124,292.21
Notes receivable	1,171,862,121.56	-	-	-	1,171,862,121.56
Accounts receivable	3,051,333,203.60	-	-	-	3,051,333,203.60
Other receivables	620,673,475.17	-	-	-	620,673,475.17
Loans and advances	1,181,773,786.21	41,713,993.15	-	-	1,223,487,779.36
Long-term receivables	398,400.00	26,514,400.00	7,084,000.00	-	33,996,800.00
<b>Total</b>	<b>8,195,835,584.93</b>	<b>68,228,393.15</b>	<b>7,084,000.00</b>	<b>-</b>	<b>8,271,147,978.08</b>
Financial liabilities					
Short-term loans					
Notes payable	930,290,350.44	-	-	-	930,290,350.44
Accounts payable	1,225,850,904.13	-	-	-	1,225,850,904.13
Other payables	1,522,525,538.63	-	-	-	1,522,525,538.63
Other payables	599,204,267.53	-	-	-	599,204,267.53
Receipt of deposits and deposits from other banks					
banks	1,111,051,036.81	-	-	-	1,111,051,036.81
Long-term loans	79,615,859.24	113,832,117.11	649,335,950.00	153,893,000.00	996,676,926.35
Bonds payable	34,240,000.00	34,240,000.00	825,680,000.00	-	894,160,000.00
Long-term payables	92,792,461.61	69,454,652.12	105,058,598.48	-	267,305,712.21
<b>Total</b>	<b>5,595,570,418.39</b>	<b>217,526,769.23</b>	<b>1,580,074,548.48</b>	<b>153,893,000.00</b>	<b>7,547,064,736.10</b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## X. FAIR VALUE MEASUREMENT

The fair value measurement is determined by the lowest level to which the input value, which is significant to the fair value measurement as a whole belongs to.

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: Unobservable inputs for the asset or liability.

### (1) Assets measured continuously at fair value

On 30 June 2019, assets measured continuously at fair value are presented according to three levels as follows:

Item	Level 1	Level 2	Level 3	Total
Financial assets				
Trading financial assets	297,589.26	-	304,914,863.01	305,212,452.27
Including: Equity investment	297,589.26	-	-	297,589.26
Money fund investment	-	-	-	-
Floating income structured deposit investment	-	-	304,914,863.01	304,914,863.01
Other equity instrument investment	-	-	46,693,061.00	46,693,061.00
Total assets	<u>297,589.26</u>	<u>-</u>	<u>351,607,924.01</u>	<u>351,905,513.27</u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## X. FAIR VALUE MEASUREMENT *(CONTINUED)*

### (1) Assets measured continuously at fair value *(Continued)*

On 31 December 2018, assets measured continuously at fair value are presented according to three levels as follows:

Item	Level 1	Level 2	Level 3	Total
Financial assets				
Trading financial assets	5,124,292.21	-	-	5,124,292.21
Including: Equity investment	123,356.84	-	-	123,356.84
Money fund				
investment	5,000,935.37	-	-	5,000,935.37
Other equity instrument				
investment	-	-	46,693,061.00	46,693,061.00
Total assets	<u>5,124,292.21</u>	<u>-</u>	<u>46,693,061.00</u>	<u>51,817,353.21</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## X. FAIR VALUE MEASUREMENT (CONTINUED)

### (2) Assets measured continuously at fair value of current period changes as follows:

Current period	Trading financial assets	Other equity instrument investment
<b>Opening balance</b>	<b>5,124,292.21</b>	<b>46,693,061.00</b>
<b>Increase</b>	<b>300,279,510.49</b>	-
– Chongqing Iron and steel stock	-	-
– Lutianhua Stock	<b>279,510.49</b>	-
– Purchasing money fund investment	-	-
– Beijing Youyan Equity	-	-
– Floating income structured deposit investment	<b>300,000,000.00</b>	-
<b>decrease</b>	<b>5,000,935.37</b>	-
– Chongqing Iron and steel stock	-	-
– Lutianhua Stock	-	-
– Purchasing money fund investment	<b>5,000,935.37</b>	-
– Beijing Youyan Equity	-	-
<b>Total Profit or Loss of current period</b>	<b>280,782.54</b>	-
<b>Fair Value Change Gains and Losses</b>	<b>4,809,584.94</b>	-
– Chongqing Iron and steel stock	<b>4,451.02</b>	-
– Lutianhua Stock	<b>-109,729.09</b>	-
– Purchasing money fund investment	-	-
– Beijing Youyan Equity	-	-
– Floating income structured deposit investment	<b>4,914,863.01</b>	-
<b>Closing balance</b>	<b><u>305,212,452.27</u></b>	<b><u>46,693,061.00</u></b>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## X. FAIR VALUE MEASUREMENT (CONTINUED)

### (2) Assets measured continuously at fair value of current period changes as follows: (Continued)

Item	Trading financial assets	Other equity instrument investment
<b>Balance of January 1, 2018</b>	–	–
<b>Purchase</b>	5,233,996.48	46,693,061.00
– Chongqing Iron and steel stock	233,996.48	–
– Purchasing money fund investment	5,000,000.00	–
– Beijing Youyan Equity	–	46,693,061.00
<b>Fair Value Change Gains and Losses</b>	-109,704.27	–
– Chongqing Iron and steel stock	-110,639.64	–
– Purchasing money fund investment	935.37	–
<b>Balance of December 30, 2018</b>	<u>5,124,292.21</u>	<u>46,693,061.00</u>

## XI. CAPITAL MANAGEMENT

The capital management strategies aim to guarantee the continuing operations, so that the Group can reward the shareholders and stakeholders, as while as maintain a perfect capital structure to reduce capital cost.

For maintaining or adjusting the capital structure, the Group could rearrange the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the debt.

The Group is not subject to mandatory capital requirements from the outside. It takes advantage of debt ratio to inspect and control the capital. The debt ratio is total borrowing to total capital. Total borrowing is a total of short-term loans, long-term loans, long-term accounts payable, bonds payable and loans of banks and non-bank financial institutions which are included in non-current liabilities due within one year. Total capital is the sum of total borrowing and shareholders' equity.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. CAPITAL MANAGEMENT (CONTINUED)

The ending and beginning debt ratio is as follows:

Item	30 Jun 2019	31 Dec 2018
Short-term loans	853,378,740.00	911,696,617.94
Long-term loans	1,514,549,495.08	843,184,922.99
Long-term accounts payable	–	145,701,759.15
Loans of banks and non-bank financial institutions included in non-current liabilities due within one year	136,976,368.42	142,714,020.69
Lease liabilities	180,157,574.55	–
Bonds payable	800,000,000.00	800,000,000.00
<b>Total liabilities</b>	<b>3,485,062,178.05</b>	<b>2,843,297,320.77</b>
<b>Shareholders' equity</b>	<b>6,818,512,401.95</b>	<b>6,808,899,644.22</b>
<b>Total capital</b>	<b>10,303,574,579.99</b>	<b>9,652,196,964.99</b>
<b>Debt ratio</b>	<b>33.82%</b>	<b>29.46%</b>

## XII. RELATED PARTIES AND RELATED-PARTY TRANSACTION

### (I) Related Parties

#### 1. Controlling Shareholder and Ultimate-controlling Party

##### (1) Controlling Shareholder and Ultimate-controlling Party

Controlling shareholder and ultimate controlling party	Place of Registration	Business nature	Registered capital (RMB'0000)	Shareholding proportion (%)	Voting rights (%)
CQMEHG	No. 60 Middle Section of Huangshan Avenue, New North Zone, Chongqing	Management of state-owned assets authorized by Chongqing SASAC	184,288.50	52.22	52.22

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XII. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (I) Related Parties *(Continued)*

#### 1. Controlling Shareholder and Ultimate-controlling Party *(Continued)*

(2) Registered capital of the controlling shareholder (Unit: RMB'0000)

Controlling shareholder	30 Jun 2019	Increase in current period	Decrease in current period	30 Jun 2019
CQMEHG	184,288.50	-	-	184,288.50

(3) Shareholdings attributable to controlling shareholders

Controlling shareholder	Shareholding amount		Shareholding proportion (%)	
	30 Jun 2019	30 Jun 2019	Ending proportion	Beginning proportion
CQMEHG	199,919.48	199,919.48	52.22	52.22

#### 2. Subsidiaries

Please refer to “VIII.8.1. (1) Group structure” for information about subsidiaries.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XII. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)***

### **(I) Related Parties *(Continued)***

#### **3. Joint Ventures and Associates**

Please refer to “VIII.8.3. (1) Significant joint ventures or associates” for information about joint ventures and associates. The other joint ventures or associates that entered into transactions in current or previous period with the Group are addressed below.

<b>Joint venture or associates</b>	<b>Relationship with the Group</b>
Chongqing Cummins Engine Co., Ltd.	Joint venture
Water Gen Power S.r.l	Associate
Knorr-Bremse Systems for Commercial Vehicles (Chongqing) Ltd.	Associate
Chongqing Hongyan Fangda Automotive Suspension Co. Ltd.	Associate
Chongqing Jiangbei Machinery Co. Ltd.	Associate
Chongqing Shenjian Automotive Drive Part Co., Ltd.	Associate of a subsidiary

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XII. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)***

### **(I) Related Parties *(Continued)***

#### **4. Other Related Parties**

<b>Other related parties</b>	<b>Relationship with the Group</b>
Qijiang Gear Transmission Co. Ltd.	A subsidiary of parent company
Chongqing Standard Parts Industry Co., Ltd. Chongqing Standard Parts Material Reform Factory Branch	A subsidiary of parent company
Chongqing Standard Fasteners Industrial Co. Ltd.	A subsidiary of parent company
Sales Office of Chongqing Standard Parts Industry Co., Ltd	A subsidiary of parent company
Chongqing Electrical Science Research Institute	A subsidiary of parent company
Chongqing Mechanical and Electrical Group Asset Management Co., Ltd. Shuangqiao Enterprise Management Branch	A subsidiary of parent company
CQMEHG Electrical Industry Investment Co. Ltd.	A subsidiary of parent company
CQMEHG Mechanical & Electrical Engineering Technology Co. Ltd.	A subsidiary of parent company
Chongqing Mechatronics Holding Group Foundry Co., Ltd.	A subsidiary of parent company
Chongqing Mechanical and Electrical Holding Group Asset Management Co., Ltd.	A subsidiary of parent company
Chongqing Military Industry Group Co., Ltd.	A subsidiary of parent company
Chongqing Liangjiang New Area Mechanical and Electrical Microfinance Co., Ltd.	A subsidiary of parent company

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XII. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)***

### **(I) Related Parties *(Continued)***

#### **4. Other Related Parties *(Continued)***

<b>Other related parties</b>	<b>Relationship with the Group</b>
Chongqing Crane Works Co. Ltd.	A subsidiary of parent company
Chongqing Ruishida Power Technology Co., Ltd.	A subsidiary of parent company
Chongqing General Machinery Industry Co. Ltd.	A subsidiary of parent company
Chongqing Changjiang Bearing Co. Ltd.	A subsidiary of parent company
Chongqing Chongtong Power Transformer Co. Ltd.	A subsidiary of parent company
Chongqing Heavy Vehicle Special Truck Co. Ltd.	A subsidiary of parent company
CAFUC Chongqing General Aviation Training Company Limited	Under the same control of parent company
Chongqing qichi riant transmission co., LTD	Under the same control of parent company
Qijiang Gear Factory	Under the same control of parent company
QIJIANG GEAR TRANSMISSION CO., LTD.	Under the same control of parent company
Qijiang Qichi Forge Co. Ltd.	Under the same control of parent company
Qijiang Qichi Xinxin Welfare Co. Ltd.	Under the same control of parent company
SAIC Iveco Hongyan Commercial Vehicle Co., Ltd. Parts Sales Branch	Under the same control of parent company

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XII. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)***

### **(I) Related Parties *(Continued)***

#### **4. Other Related Parties *(Continued)***

<b>Other related parties</b>	<b>Relationship with the Group</b>
Chongqing Xinan Computer Co. Ltd.	Under the same control of parent company
Chongqing Standard Fasteners Industry Co. Ltd. Huazhan Metal Material Restructuring Branch	Under the same control of parent company
Chongqing Bosen Electric (Group) Co., Ltd.	Under the same control of parent company
Chongqing Bosen Electrical Group Switchgear Co. Ltd.	Under the same control of parent company
Chongqing High Strength Fasteners Factory	Under the same control of parent company
Chongqing Hongyan Automobile Engineering Property Co. Ltd.	Under the same control of parent company
Chongqing Jidian Property Management Co. Ltd.	Under the same control of parent company
Chongqing Jianan Instrument Co. Ltd.	Under the same control of parent company
Chongqing Juntong Automobile Co. Ltd.	Under the same control of parent company
Chongqing Automotive standard parts factory Co., Ltd.	Under the same control of parent company
Chongqing Qichi Automobile Parts and Components Co. Ltd.	Under the same control of parent company
Chongqing Shuangqiao Hongyan Automobile Real Estate Development Co. Ltd.	Under the same control of parent company

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XII. RELATED PARTIES AND RELATED-PARTY TRANSACTION** ***(CONTINUED)***

### **(I) Related Parties *(Continued)***

#### **4. Other Related Parties *(Continued)***

<b>Other related parties</b>	<b>Relationship with the Group</b>
Chongqing Heavy Automobile Group Hongyan Automobile Spring Co. Ltd.	Under the same control of parent company
Chongqing Heavy Automobile Group Hongqi Property Co. Ltd.	Under the same control of parent company
Chongqing Heavy Automobile Group Kafu Parts Co., Ltd.	Under the same control of parent company
SAIC-IVECO Hongyan Commercial Vehicle Co. Ltd.	Associate of parent company
Chongqing Rail transportation industry Investment Ltd	Associate of parent company
Chongqing Transport Machinery Logistics Co., Ltd.	Associate of parent company
Chongqing Sailimeng Motor Co., Ltd.	Associate of parent company
Chongqing Special Electric Machinery Factory Co., Ltd.	Associate of parent company
Chongqing General Aircraft Industry Co., Ltd.	Associate of parent company
Chongqing General Aviation Industry Group Co., Ltd.	Associate of parent company
Chongqing General Aviation Industry Group Airport Co., Ltd.	Associate of parent company
Chongqing General Aviation Co., Ltd.	Associate of parent company
Kunlun Financial Leasing Co., Ltd.	Associate of a subsidiary
SAIC-IVECO Hongyan Cheqiao Co. Ltd.	Associate of a subsidiary
Chongqing Xitong Electric Co., Ltd.	Associate of a subsidiary

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (II) Related Party Transactions

#### 1. Procurement of goods

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>16,235,138.44</b>	12,263,985.84
Joint Ventures	<b>4,405.82</b>	224,188.03
Total	<b><u>16,239,544.26</u></b>	<u>12,488,173.87</u>

#### 2. Receiving services or services

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>12,008,421.67</b>	24,275,537.31
Total	<b><u>12,008,421.67</u></b>	<u>24,275,537.31</u>

#### 3. Deposit Service Expenditure

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>4,628,944.15</b>	3,396,041.29
Joint Ventures	<b>5,893.78</b>	18,589.29
Total	<b><u>4,634,837.93</u></b>	<u>3,414,630.58</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

### (II) Related Party Transactions (Continued)

#### 4. Housing rental expenditure

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>9,698,464.63</b>	10,420,056.60
Joint Ventures	–	1,166,366.43
Total	<b><u>9,698,464.63</u></b>	<b><u>11,586,423.03</u></b>

#### 5. Sale of goods

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>147,514,084.83</b>	136,819,898.32
Joint Ventures	<b>13,282,711.05</b>	171,927.35
Total	<b><u>160,796,795.87</u></b>	<b><u>136,991,825.67</u></b>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (II) Related Party Transactions *(Continued)*

#### 6. Rending of service

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	-	14,518,693.16
Joint venture company	-	2,337,450.48
Total	<u>-</u>	<u>16,856,143.64</u>

#### 7. Interest income from loans and advances

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>28,288,375.81</b>	23,702,355.07
Joint Ventures	<b>200.00</b>	655,883.65
Total	<u><b>28,288,575.81</b></u>	<u>24,358,238.72</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

### (II) Related Party Transactions (Continued)

#### 8. Associated rental conditions

##### (1) Associated renting

Leaser	Lessee	Asset class	Starting date of lease	Ending date of lease	The original value of Right-of-use assets	Current depreciation of right-of-use assets	Accumulated depreciation of right-of-use assets	Book value of lease liabilities
CQMEHQ	Chongqing Machinery & Electric Co., Ltd.	Buildings	2019-1-1	2019-12-31	5,373,171.48	2,686,585.74	2,686,585.74	2,720,042.35
CQMEHG Asset Management Co. Ltd.	Chongqing CAFF Automotive Braking & Steering Systems Co., Ltd.	Buildings	2019-1-1	2019-12-31	6,310,764.37	3,155,382.19	3,155,382.19	3,187,305.62
CQMEHQ	Chongqing Machinery & Electronics Holding Group Finance Co., Ltd.	Buildings	2018-12-1	2021-11-30	6,725,606.45	961,353.28	1,148,175.68	5,486,843.66
CQMEHQ	Chongqing Machinery & Electronics Holding Group Finance Co., Ltd.	Buildings	2019-2-1	2022-1-31				
CQMEHQ	Chongqing Industrial Enabling Innovation Center Co., Ltd.	Buildings	2016-6-1	2022-5-31	8,687,412.50	721,863.28	4,446,096.80	4,248,330.74
CQMEHQ	Chongqing Machine Tools Group Shengpu Machinery Complete Plant Co., Ltd.	Buildings	2018-8-1	2021-7-31	2,205,606.65	367,601.11	673,935.37	1,563,159.59
Chongqing Bosen Electric (Group) Co., Ltd.	Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	Buildings	2018-11-15	2023-11-14	3,193,443.02	319,344.30	372,568.35	2,855,198.23
Total					<u>32,496,004.47</u>	<u>8,212,129.90</u>	<u>12,482,744.13</u>	<u>20,060,880.19</u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (II) Related Party Transactions *(Continued)*

#### 8. Associated rental conditions *(Continued)*

(2) *Associated leasing*

None.

#### 9. Guarantees

(1) *The Group as guarantor*

None as at 30 June 2019.

(2) *The Group as guaranteed party*

Guarantor	Guaranteed party	Guaranteed amount	Starting date	Due date	Whether guarantee has been fulfilled
CQMEHQ	Chongqing Machinery & Electric Co., Ltd.	800,000,000.00	2016-9-29	2021-9-29	No
CQMEHQ	Chongqing Machinery & Electric Co., Ltd.	57,600,000.00	2016-3-14	2031-3-14	No
CQMEHQ	Chongqing Machinery & Electric Co., Ltd.	119,600,000.00	2018-3-14	2026-3-14	No
Total		<u>977,200,000.00</u>			

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

### (III) Balances with Related Parties

#### 1. Receivable

Item	30 Jun 2019	31 Dec 2018
Receivable		
Associated Company	29,276,213.25	853,587.94
Affiliated companies and affiliated companies' associates	170,973,707.44	133,327,825.73
Total	200,249,920.69	134,181,413.67

#### 2. Other receivables

Item	30 Jun 2019	31 Dec 2018
Other receivables		
Joint venture	17,600,000.00	8,800,000.00
Associated Company	96,506,829.05	113,031,914.98
Affiliated companies and affiliated companies' associates	17,014,770.72	16,763,886.85
Final Controller	14,940,000.00	155,000.00
Total	146,061,599.77	138,750,801.83

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)***

### **(III) Balances with Related Parties *(Continued)***

#### **3. Prepayments**

Item	30 Jun 2019	31 Dec 2018
Prepayments Affiliated companies and affiliated companies' associates	<u>1,333,697.27</u>	<u>833,122.24</u>
Total	<u><u>1,333,697.27</u></u>	<u><u>833,122.24</u></u>

#### **4. Notes receivable**

Item	30 Jun 2019	31 Dec 2018
Notes receivable Associated Company	<u>3,530,000.00</u>	–
Affiliated companies and affiliated companies' associates	<u>800,000.00</u>	<u>3,377,209.20</u>
Total	<u><u>4,330,000.00</u></u>	<u><u>3,377,209.20</u></u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION** ***(CONTINUED)***

### **(III) Balances with Related Parties *(Continued)***

#### **5. Dividend receivable**

Item	30 Jun 2019	31 Dec 2018
Dividend receivable		
Associated Company	<b>272,679,006.64</b>	378,631,655.04
Joint venture	<b>4,816,103.40</b>	4,816,103.40
Total	<b><u>277,495,110.04</u></b>	<b><u>383,447,758.44</u></b>

#### **6. Interest receivable**

Item	30 Jun 2019	31 Dec 2018
Interest receivable		
Joint venture	<b>548,023.27</b>	543,956.61
Affiliated companies and affiliated companies' associates	<b>21,726,961.69</b>	19,325,365.24
Final Controller	<b>338,333.33</b>	–
Total	<b><u>22,613,318.29</u></b>	<b><u>19,869,321.85</u></b>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)***

### **(III) Balances with Related Parties *(Continued)***

#### **7. Long-term receivables**

Item	30 Jun 2019	31 Dec 2018
Long-term receivables Joint venture	<u>24,400,000.00</u>	<u>33,200,000.00</u>
Total	<u>24,400,000.00</u>	<u>33,200,000.00</u>

#### **8. Loans and advances to customer**

Item	30 Jun 2019	31 Dec 2018
Long-term receivables Affiliated companies and affiliated companies' associates	<u>954,522,039.74</u>	<u>833,550,000.00</u>
Final Controller	<u>280,000,000.00</u>	<u>267,600,000.00</u>
Total	<u>1,234,522,039.74</u>	<u>1,101,150,000.00</u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION** ***(CONTINUED)***

### **(III) Balances with Related Parties *(Continued)***

#### **9. Accounts payable**

Item	30 Jun 2019	31 Dec 2018
Accounts payable		
Associated Company	18,037.87	–
Affiliated companies and affiliated companies' associates	12,362,559.55	21,682,553.66
Total	12,380,597.42	21,682,553.66

#### **10. Other payables**

Item	30 Jun 2019	31 Dec 2018
Other payables		
Associated Company	–	654,552.74
Affiliated companies and affiliated companies' associates	46,298,958.85	21,921,511.37
Final Controller	23,234,776.00	11,733,765.23
Total	69,533,734.85	34,309,829.34

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (III) Balances with Related Parties *(Continued)*

#### 11. Notes payable

Item	30 Jun 2019	31 Dec 2018
Notes payable Affiliated companies and affiliated companies' associates	<u>3,892,607.90</u>	<u>2,793,818.37</u>
Total	<u><u>3,892,607.90</u></u>	<u><u>2,793,818.37</u></u>

#### 12. Interests payable

Item	30 Jun 2019	31 Dec 2018
Interests payable Affiliated companies and affiliated companies' associates	-	<u>1,335,389.73</u>
Final Controller	-	<u>50,003.37</u>
Total	<u>-</u>	<u><u>1,385,393.10</u></u>

#### 13. Dividend payable

Item	30 Jun 2019	31 Dec 2018
Dividend payable Final Controller	<u>79,967,792.12</u>	-
Total	<u><u>79,967,792.12</u></u>	<u>-</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

### (III) Balances with Related Parties (Continued)

#### 14. Due to customers

Item	30 Jun 2019	31 Dec 2018
Due to customers		
Associated Company	2,161,969.42	4,575,604.77
Affiliated companies and affiliated companies' associates	542,330,007.53	901,452,377.75
Final Controller	823,989,519.36	391,824,799.76
Total	<u>1,368,481,496.31</u>	<u>1,297,852,782.28</u>

#### 15. Contract liabilities

Item	30 Jun 2019	31 Dec 2018
Contract liabilities		
Associated Company	5,952,222.96	–
Affiliated companies and affiliated companies' associates	–	19,999.99
Total	<u>5,952,222.96</u>	<u>19,999.99</u>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)***

### **(III) Balances with Related Parties *(Continued)***

#### **16. Non-current liabilities due within one year**

Item	30 Jun 2019	31 Dec 2018
Non-current liabilities due within one year Affiliated companies and affiliated companies' associates	<u>76,531,374.29</u>	<u>82,032,930.87</u>
Total	<u><u>76,531,374.29</u></u>	<u><u>82,032,930.87</u></u>

#### **17. Lease liabilities**

Item	30 Jun 2019	31 Dec 2018
Lease liabilities Affiliated companies and affiliated companies' associates' joint venture	<u>124,090,909.10</u>	<u>–</u>
Total	<u><u>124,090,909.10</u></u>	<u><u>–</u></u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

### (III) Balances with Related Parties (Continued)

#### 18. Long-term payables

Item	30 Jun 2019	31 Dec 2018
Long-term payables		
Affiliated companies and affiliated companies' associates' joint venture	—	141,946,600.86
Total	—	141,946,600.86

### (IV) Commitments

As at balance sheet date, there is no commitment associated with related parties that is contracted but not presented in balance sheet.

### (V) Remuneration of Directors, Supervisors and Senior Management

Key management compensation (including paid and payable amount of compensation to directors, supervisors and senior management)

Items	Current period	Last period
Salaries and allowances	2,500,887.00	1,459,350.00
Social Insurance, Housing Fund and Retirement Pension Costs	423,051.23	249,480.00
Bonus	2,396,285.00	2,512,610.00
Total	5,320,223.23	4,221,440.00

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)**

### **(VI) Borrowings Receivable of Directors and Directors' Related Parties**

#### **1. Borrowings receivable of directors and directors' related parties**

None.

#### **2. Borrowings of directors and directors' related parties guaranteed by corporation**

None.

### **(VII) Others**

None.

## **XIII. CONTINGENCIES**

None.

## **XIV. COMMITMENTS**

### **1. Capital Commitments**

Capital expenditure contracted during the reporting period but not yet incurred by the Group are as follows:

Items	30 Jun 2019	31 Dec 2018
House, building and equipment	<u>52,450,000.00</u>	<u>53,153,949.02</u>
Total	<u><u>52,450,000.00</u></u>	<u><u>53,153,949.02</u></u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XIV. COMMITMENTS (CONTINUED)

### 2. Operating Lease Commitments

The future aggregate minimum lease payments under of the Group non-cancelable operating leases are as follows:

Items	30 Jun 2019	31 Dec 2018
Within 1 year	-	34,094,369.84
1-2 years	-	19,796,210.88
2-3 years	-	12,464,131.20
Over 3 years	-	22,611,700.00
Total	-	88,966,411.92

## XV. LEASES

The future aggregate lease payments of property, plant and equipment, and construction in progress under of the Group finance leases are as follows:

Items	30 Jun 2019	31 Dec 2018
Within 1 year	91,973,732.25	81,015,345.65
1-2 years	62,672,703.60	63,767,228.93
2-5 years	69,229,436.55	105,058,598.48
Over 5 years	-	-
Total	223,875,872.40	249,841,173.06
Including: Unacknowledged financial charges	24,373,500.63	38,951,232.00

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XVI. EVENTS AFTER THE REPORTING PERIOD**

### **1. Significant Non-adjusting Events**

None.

### **2. Profit Distribution**

None.

### **3. Sales Return**

None.

### **4. Except for the above disclosures, the Group has no other significant events occurring after the reporting period.**

## **XVII. OTHER SIGNIFICANT EVENTS**

### **1. Correction and effect of prior period errors**

None.

### **2. Debt restructuring**

None.

### **3. Pension plan**

The Group does not have pension plans.

### **4. New guidelines to be implemented**

None.

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## **XVII. OTHER SIGNIFICANT EVENTS *(CONTINUED)***

### **5. Segment information**

Reportable segments of the Group are business units classified by different businesses or services and operated in different districts. Since different businesses and districts require corresponding technology and marketing strategy, each segment of the Group independently manages its production and operating activities. The Group evaluates operating results of each segment so as to make decisions to allocate resources and evaluate performances.

The Group has 9 reportable segments as follows:

Engine: in charge of production and sales of engines;

Hydroelectric generation equipment: in charge of production and sales of hydroelectric generation equipment;

Electrical wire and cable: production and sales of wire and cable;

General machinery: production and sales of general machinery;

Machinery tools: production and sales of machinery tools in China and Europe;

High-voltage transformers: production and sales of High-voltage transformers;

Financial services: providing financial services, such as loans, etc.

Other segments: producing and selling other products.

Inter-segment transfer prices are determined after negotiation by both parties.

The assets, liabilities, incomes and expenses are allocated based on the operations of the segment.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 6. Financial information of reportable segments for the six months ended 30 June 2019

Item	Hydroelectric							High-voltage transformers	Other segments	Offset	Total
	Engines	generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	Materials sales				
Total segment revenue	-	289,803,553.69	719,149,327.14	333,334,341.03	56,090,530.22	310,088,940.99	-	69,026,472.13	741,282,938.28	-	2,518,776,103.46
Inter-segment revenue	-	-	-8,792,883.21	-1,467,998.71	-21,677,367.64	-4,716,426.07	-	-43,991,385.86	-754,519.32	-	-81,400,580.81
Revenue from external customers	-	289,803,553.69	710,356,443.93	331,866,342.32	34,413,162.58	305,372,514.92	-	25,035,086.27	740,528,418.96	-	2,437,375,522.67
Operating costs	-	226,307,220.05	615,841,466.96	285,862,498.56	14,098,412.14	282,038,953.32	-	63,849,798.62	549,535,718.45	-	2,017,524,088.10
Inter-segment											
Transaction cost	-	-	-9,565,871.45	-1,467,998.71	-7,849,815.90	-5,388,688.36	-	-42,115,663.75	-754,519.32	-	-67,140,537.49
External transaction cost	-	226,307,220.05	606,276,615.51	284,384,498.85	6,248,586.24	256,652,284.96	-	21,734,134.87	548,781,198.13	-	1,950,383,550.62
Gross profit rates (%)	-	21.91	14.65	14.31	81.84	36.33	-	13.19	25.89	-	19.98
Operating (loss)/profit	154,632,799.93	11,660,165.37	78,467,624.24	-80,829,499.90	26,809,532.63	-76,432,819.42	-2,320,892.09	500,138.11	109,591,986.63	1,353,443.96	223,432,429.46
Interest income	-	360,400.42	65,064.49	-169,876.84	-	907,215.32	-	517.75	8,898,114.19	-	10,061,455.33
Interest costs	-	2,102,292.53	3,390,143.09	15,325,631.92	-	16,171,770.01	-	-	40,667,875.97	2,280,895.17	79,918,608.69
Investment income from associates and joint ventures	154,632,799.93	-	-	-277,105.25	-	-2,109,554.84	-2,320,892.09	-	5,785,454.84	-	155,710,702.59
Total profit	154,632,799.93	12,502,126.28	78,718,982.27	-82,218,737.18	26,811,532.63	-76,305,032.82	-2,320,892.09	506,438.11	110,024,958.88	1,353,443.96	223,705,599.97
Income tax expense	-	18,398.26	9,282,089.25	357,722.80	10,950,219.85	1,857,934.93	-	-	24,989,661.97	-	47,456,037.06
Net profit	154,632,799.93	12,483,728.02	69,436,893.02	-82,576,459.98	15,861,312.78	-78,162,967.75	-2,320,892.09	506,438.11	85,035,296.91	1,353,443.96	176,249,562.91

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 6. Financial information of reportable segments for the six months ended 30 June 2019 (Continued)

Other items	Hydroelectric							Total			
	Engines	Hydroelectric generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers				
Depreciation of Property, plant and equipment and investment	-	11,165,736.11	8,003,840.95	21,047,707.47	94,092.96	36,328,475.97	-	646.08	20,863,036.82	-	97,523,536.36
Amortisation of intangible assets	-	989,801.94	338,240.34	3,117,673.99	161,830.14	6,999,307.30	-	-	1,318,396.76	-	12,925,250.47
Provision on inventory	-	-	-3,490,795.95	-	-	-	-	-	-1,921,444.01	-	-5,412,239.96
Provision for/(reversal of) impairment of accounts and other receivables	-	-4,036,017.18	-655,710.00	-	-2,114,827.65	462,737.19	-	287,575.75	-16,289,977.63	-	-22,346,159.52
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	-24,097,677.78	-7,221,507.28	10,792,300.93	7,975,814.77	-19,950,259.58	-	1,531,025.20	6,784,127.68	-	-24,186,176.06

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 6. Financial information of reportable segments for the six months ended 30 June 2018

Item	Hydroelectric generation equipment		Engines	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers	Materials sales	Other segments	Offset	Total
	Hydroelectric generation equipment	Engines										
Total segment revenue	-	280,396,756.78	-	730,394,972.48	546,575,650.44	55,332,465.95	419,766,879.83	-	112,210,247.98	724,964,980.25	-	2,851,662,173.71
Inter-segment revenue	-	-	-	-1,935,064.46	-1,361,025.60	-21,482,337.92	-1,249,934.89	-	-55,480,056.82	-2,184,615.39	-	-83,683,035.10
Revenue from external customers	-	280,396,756.78	-	728,449,908.00	547,214,824.94	33,850,148.03	418,536,944.94	-	56,730,191.16	722,780,364.86	-	2,767,979,138.61
Operating costs	-	221,961,751.75	-	621,259,951.31	446,720,166.39	13,739,193.99	313,249,637.00	-	108,289,276.62	509,891,305.79	-	2,235,118,230.45
Inter-segment transaction cost	-	-312,765.86	-	292,547.01	-1,571,682.94	-9,167,119.95	-13,325.01	-	-55,480,056.82	-4,540,339.54	-	-71,377,817.13
External transaction cost	-	221,648,985.89	-	620,967,404.30	445,148,519.45	45,720,916.64	313,236,311.99	-	52,819,221.80	505,350,966.25	-	2,163,740,413.32
Gross profit rates (%)	-	14.88	-	14.76	18.65	86.49	25.16	-	6.89	30.08	-	21.83
Operating (loss)/profit	190,137,777.29	-21,356,366.52	-	48,292,592.42	-7,074,161.58	25,438,754.08	-35,920,657.01	12,541,457.38	2,190,146.08	43,714,295.05	7,977,668.67	265,941,516.86
Interest income	-	498,933.15	-	503,424.66	6,885,941.62	-	2,674,469.57	-	61,649.16	35,827,656.71	-33,640,365.35	12,811,729.52
Interest costs	-	-1,645,062.54	-	-7,780,811.83	-22,530,430.55	-	-37,161,002.95	-	-2,684,816.91	-48,742,001.45	44,971,792.25	-75,582,323.98
Investment income from associates and joint ventures	190,137,777.29	-	-	-	618,793.88	-	1,228,158.54	12,541,457.38	-	22,670,140.69	-	227,196,327.78
Total profit	190,137,777.29	-21,288,574.40	-	48,333,773.06	-5,664,260.47	25,438,754.08	-37,293,675.32	12,541,457.38	2,189,766.28	59,798,617.08	-4,197,839.53	270,015,595.45
Income tax expense	-	65,724.95	-	-7,908,387.64	-637,823.94	-6,333,847.03	-1,679,705.26	-	-	-9,826,678.33	-	-26,320,717.25
Net profit	190,137,777.29	-21,222,849.45	-	40,445,385.42	-6,302,084.41	19,104,907.05	-38,973,580.57	12,541,457.38	2,189,766.28	49,971,938.75	-4,197,839.53	243,694,878.20



# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 6. Financial information of reportable segments for the six months ended 30 June 2018 (Continued)

Information on the assets and liabilities of reported segments as follows:

30 Jun 2019	Engines	Hydroelectric generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers	Materials sales	Other segments	Offset	Total
Total assets	515,528,919.65	2,046,005,040.25	998,559,906.43	3,972,390,219.30	2,829,063,115.60	3,246,397,004.93	212,427,661.67	158,976,679.32	10,890,064,544.18	-7,497,544,977.65	17,421,846,133.67
Total liabilities	-	1,533,226,586.99	579,452,919.18	3,182,305,064.56	2,038,617,244.35	2,291,885,308.11	-	195,017,048.85	3,561,464,111.67	-3,162,322,919.85	10,176,634,968.85
Investment of associates or joint ventures	515,528,919.65	-	-	-	-	87,632,692.99	216,585,661.67	-	316,915,077.16	-	1,136,662,371.47

31 Dec 2018	Engines	Hydroelectric generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers	Materials sales	Other segments	Offset	Total
Total assets	360,896,119.24	2,127,311,656.08	915,622,603.00	3,638,843,585.11	3,573,223,434.74	3,276,304,803.93	248,255,606.76	178,986,451.07	9,310,078,004.98	-7,371,839,466.24	16,277,683,798.67
Total liabilities	-	1,599,004,224.32	555,852,406.24	2,764,649,561.06	2,807,649,911.91	2,228,816,512.97	-	155,138,828.08	2,703,766,781.13	-3,760,856,370.40	9,048,021,855.31
Investment of associates or joint ventures	360,896,119.24	-	-	-	-	89,742,246.20	248,255,606.76	-	310,260,813.08	-	1,009,154,785.28

### 7. Other significant transactions and events that have impact on investor decisions

None.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

### 1. Other Receivables

Item	30 Jun 2019	31 Dec 2018
Interest receivables	75,009,649.00	52,085,559.19
Dividend receivables	277,495,110.04	383,447,758.44
Other receivables	1,321,288,004.41	1,032,914,121.44
Less: Provision for bad debts	33,465,586.34	33,485,686.34
Total	1,640,327,177.11	1,434,961,752.73

#### 1.1 Interest receivables

##### 1) Classification of interest receivable

Item	30 Jun 2019	31 Dec 2018
Related-party interest receivable	75,009,649.00	52,085,559.19
Total	75,009,649.00	52,085,559.19

##### 2) Significant overdue interest

As of 30 June 2019, the major overdue interest receivable of our company is the interest receivable of the related party Qijiang Gear Transmission Co., Ltd. of RMB19,325,365.24. Judging by the management of the company, the interest is the money receivable from the affiliated company, and the risk of not recovering it in full is relatively small. The company has not yet recognized provision for impairment.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Other Receivables (Continued)

#### 1.2 Dividend receivables

Item	30 Jun 2019	31 Dec 2018	Reasons for not yet recovered	Whether impaired and criterion
Within 1 year	<b>272,679,006.64</b>	378,631,655.04		
Including: Chongqing Cummins	<b>272,679,006.64</b>	378,631,655.04	Declare in current period, Pending Payment	No, Dividends receivable of joint venture
Over 1 year	<b>4,816,103.40</b>	4,816,103.40		
Including: Chongqing Hongyan Fangda	<b>4,816,103.40</b>	4,816,103.40	Pending Payment	No, Dividends receivable of joint venture
Total	<b>277,495,110.04</b>	<b>383,447,758.44</b>		

#### 1.3 Other receivables

Item	30 Jun 2019	31 Dec 2018
Other receivables	<b>1,321,288,004.41</b>	1,032,914,121.44
Less: provision for bad debts	<b>33,465,586.34</b>	33,485,686.34
Balance at book value	<b>1,287,822,418.07</b>	<b>999,428,435.10</b>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 1. Other Receivables *(Continued)*

#### 1.3 Other receivables *(Continued)*

##### 1) Aging analysis

Aging	30 Jun 2019	31 Dec 2018
Within one year	<b>1,317,983,160.06</b>	1,032,511,448.45
1 -2 years	<b>3,304,844.35</b>	402,672.99
Total	<b>1,321,288,004.41</b>	1,032,914,121.44
Less: Provision for impairment	<b>33,465,586.34</b>	33,485,686.34
Net amount	<b>1,287,822,418.07</b>	999,428,435.10

##### 2) Classification of other receivables by nature

Nature	30 Jun 2019	31 Dec 2018
Petty cash	<b>153,117.71</b>	36,870.71
Other receivables related party	<b>1,286,297,321.77</b>	998,039,685.80
Others	<b>34,837,564.93</b>	34,837,564.93
Total	<b>1,321,288,004.41</b>	1,032,914,121.44
Less: Provision for impairment	<b>33,465,586.34</b>	33,485,686.34
Balance at book value	<b>1,287,822,418.07</b>	999,428,435.10

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 1. Other Receivables *(Continued)*

#### 1.3 Other receivables *(Continued)*

- 3) *Other receivables with provision for bad debts based on the expected credit risk portfolio*

Combinatorial classification	Book value	30 Jun 2019		book value
		Allowance for bad debts (%)	Allowance for bad debts	
Money for separate anticipated credit loss tests	34,837,564.93	96.06	33,465,586.34	1,371,978.59
Provision for bad debts based on credit risk portfolio	1,286,450,439.48	-	-	1,286,450,439.48
Among them: related company funds	1,286,297,321.77	-	-	1,286,297,321.77
Deposit, margin and reserve	153,117.71	-	-	153,117.71
<b>Total</b>	<b>1,321,288,004.41</b>	<b>2.53</b>	<b>33,465,586.34</b>	<b>1,287,822,418.07</b>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 1. Other Receivables *(Continued)*

#### 1.3 Other receivables *(Continued)*

3) *Other receivables with provision for bad debts based on the expected credit risk portfolio (Continued)*

Combinatorial classification	Book value	31 Dec 2018		book value
		Allowance for bad debts (%)	Allowance for bad debts	
Money for separate anticipated credit loss tests	34,837,564.93	96.12	33,485,686.34	1,351,878.59
Provision for bad debts based on credit risk portfolio	998,076,556.51	-	-	998,076,556.51
Among them: related company funds	998,039,685.80	-	-	998,039,685.80
Deposit, margin and reserve	36,870.71	-	-	36,870.71
<b>Total</b>	<b>1,032,914,121.44</b>	<b>3.24</b>	<b>33,485,686.34</b>	<b>999,428,435.10</b>

# Notes to Consolidated Financial Statements *(Continued)*

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 1. Other Receivables *(Continued)*

#### 1.3 Other receivables *(Continued)*

##### 4) Details of Expected Credit Loss Tests Individually

Name of debtors	30 Jun 2019			reasons
	Book balance	Provision for bad debts	Allowance for bad debts (%)	
Chongqing Huahao Smelting Co., Ltd.	3,264,844.35	3,264,844.35	100.00	Expectations are not recoverable
Chongqing Jiangbei Machinery	31,213,147.59	29,841,169.00	95.60	Expected not to be recovered in full
Qichi riant transmission co., LTD	359,572.99	359,572.99	100.00	Expectations are not recoverable
Total	<u>34,837,564.93</u>	<u>33,465,586.34</u>		

##### 5) Other receivables written off in this period

None.

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Other Receivables (Continued)

#### (3) Other receivables (Continued)

6) Top five debtors of other receivables as at 30 June 2019

Name of debtors	Nature	30 Jun 2019	Aging	Percentage of other receivables Closing balance (%)	Closing balance of bad debt provision
Chongqing General Industry (Group) Co., Ltd.	Borrowings	445,000,000.00	Within 1 year	33.68	-
Chongqing Machine Tool (Group) Co., Ltd.	Borrowings	411,500,000.00	Within 1 year	31.14	-
Chongqing Hydraulic Turbine Works Co., Ltd.	Borrowings	167,900,000.00	Within 1 year	12.71	-
Chongqing Shengpu Material Co., Ltd.	Borrowings	80,000,000.00	Within 1 year	6.05	-
Chongqing Jiangbei Machinery Co., Ltd.	Borrowings and compensation for settlement	61,213,147.59	Within 1 year	4.63	29,841,169.00
Total		<u>1,165,613,147.59</u>		<u>88.21</u>	<u>29,841,169.00</u>

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 2. Long-term equity investments

#### (1) Classification of long-term equity investments

Item	30 Jun 2019			31 Dec 2018		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
Investment in subsidiaries	3,741,666,542.05	88,741,458.00	3,652,925,084.05	3,741,666,542.05	88,741,458.00	3,652,925,084.05
Investment in associates and joint ventures	1,031,538,075.12	-	1,031,538,075.12	905,441,679.40	-	905,441,679.40
Total	4,773,204,617.17	88,741,458.00	4,684,463,159.17	4,647,108,221.45	88,741,458.00	4,558,366,763.45

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 2. Long-term equity investments (Continued)

#### (2) Investments in subsidiaries

Investee	31 Dec 2018	Increase	Decrease	30 Jun 2019	Provision for impairment	Balance of impairment
Chongqing CAFF Automotive Braking & Steering System Co., Ltd	250,367,260.00	-	-	250,367,260.00	-	-
Chongqing Huahao Smelting Co., Ltd.	88,741,458.00	-	-	88,741,458.00	-	88,741,458.00
Chongqing Water Turbine Works Co., Ltd.	360,948,318.00	-	-	360,948,318.00	-	-
Chongqing Pigeon Electric Wires & Cables Co., Ltd	126,893,602.52	-	-	126,893,602.52	-	-
Chongqing General Industry (Group) Co., Ltd	795,139,695.15	-	-	795,139,695.15	-	-
Chongqing Pump Industry Co., Ltd.	197,411,466.90	-	-	197,411,466.90	-	-
Chongqing Gas Compressor Factory Co., Ltd.	120,313,860.15	-	-	120,313,860.15	-	-
Chongqing Machine Tools (Group) Co., Ltd.	1,060,637,386.00	-	-	1,060,637,386.00	-	-
Chongqing Shengpu Materials Co., Ltd.	20,992,435.00	-	-	20,992,435.00	-	-
Chongqing Machinery and Electronics Holding Group Finance Co., Ltd.	448,068,452.58	-	-	448,068,452.58	-	-
Precision Technologies Group (PTG) Limited	145,697,206.75	-	-	145,697,206.75	-	-
Chongqing Industrial Enabling Innovation Center Co., Ltd.	25,080,288.00	-	-	25,080,288.00	-	-
Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	101,375,113.00	-	-	101,375,113.00	-	-
<b>Total</b>	<b>3,741,666,542.05</b>	<b>-</b>	<b>-</b>	<b>3,741,666,542.05</b>	<b>-</b>	<b>88,741,458.00</b>

**XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY  
(CONTINUED)**

**2. Long-term equity investments (Continued)**

**(3) Investments in subsidiaries**

Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

Investee	Balance of impairment	31 Dec 2018	Additional investment	Reduced investment	Increase or decrease in current period Investment profit and loss recognized under equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends declared in current period	Provision for impairment	Others	30 Jun 2019	Balance of impairment
1. Joint venture												
OO Cummins	370,189,551.00	360,896,119.72	-	-	154,632,799.93	-	-	-	-	-	515,528,919.65	-
Sub Total	370,189,551.00	360,896,119.72	-	-	154,632,799.93	-	-	-	-	-	515,528,919.65	-
2. Associates												
Chongqing ABB	236,651,166.00	246,255,606.76	-	-	2,320,892.09	-	-	29,349,033.00	-	-	216,585,681.67	-
Hongyan Fangda	51,306,166.00	123,406,146.66	-	-	1,320,212.20	-	-	-	-	-	124,726,358.86	-
Eedy	16,880,157.00	81,550,289.15	-	-	133,200.05	-	-	2,651,933.96	-	-	79,031,555.24	-
Kron-Brense Systems for Commercial Vehicles (Chongqing) Ltd.	44,231,368.00	49,475,150.03	-	-	7,625,596.67	-	-	-	-	-	57,100,746.70	-
Chongqing Jiangbei Machinery	57,933,968.00	41,898,367.08	-	-	3,293,554.08	-	-	-	-	-	38,564,813.00	-
WPG Italy	6,068,193.00	-	-	-	-	-	-	-	-	-	-	-
Sub Total	413,061,019.00	544,545,559.68	-	-	3,464,582.75	-	-	32,000,966.96	-	-	516,019,155.47	-
Total	783,250,570.00	905,441,679.40	-	-	158,097,382.68	-	-	32,000,966.96	-	-	1,031,538,075.12	-

# Notes to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

## XVIII. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Operating revenue & operating cost

Items	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Other operations	<u>621,573.16</u>	<u>-</u>	<u>575,752.80</u>	<u>-</u>
Total	<u><u>621,573.16</u></u>	<u><u>-</u></u>	<u><u>575,752.80</u></u>	<u><u>-</u></u>

### 4. Investment income

Items	Current period	Last period
Investment income from long-term equity investments in equity method	<u>158,097,362.68</u>	224,144,505.79
Investment income from disposal of available-for-sale financial assets	<u>-</u>	3,310,068.49
Investment income from Capital-guaranteed financing	<u>2,983,068.49</u>	<u>-</u>
Total	<u><u>161,080,431.17</u></u>	<u><u>227,454,574.28</u></u>

Notes: No significant restriction of investment income of the Group.

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

# Supplementary Information to Consolidated 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	Amount for the period	Explanation
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	273,170.51	-
Sub-total	222,564,511.46	-
Impact on income tax	30,630,275.31	-
Impact on non-controlling interest (after tax)	5,015,645.91	-
Total	186,918,590.24	-

## Supplementary Information to Consolidated Financial Statements (Continued)

From 31 December 2018 to 30 June 2019  
(All amounts are presented in RMB except otherwise stated)

### 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>

Chongqing Machinery & Electric Co., Ltd.  
21 August 2019



**重慶機電股份有限公司**  
CHONGQING MACHINERY & ELECTRIC CO., LTD.\*