CQME

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

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

RESULTS HIGHLIGHTS

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

- Revenue of the Group for the six months ended 30 June 2020 amounted to approximately RMB2,758.3 million, representing an increase of approximately 13.2% from the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2020 amounted to approximately RMB553.2 million, representing an increase of approximately 13.6% from the corresponding period of last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2020 amounted to approximately RMB108.4 million, representing a decrease of approximately 33.7% from the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2020 amounted to approximately RMB0.03.

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 2020 (the "Period"). The Group's interim results have not been audited but have been reviewed by the audit and risk management committee and the Company's auditor, ShineWing Certified Public Accountants (Special General Partnership).

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

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

Items	Notes	For the six months ended 30 June 2020	2019
1. Total operating revenue	V.1	**2,758,285,266.75**	2,437,375,522.67
Including: Operating revenue		**2,734,732,446.36**	2,402,962,360.09
Interest income		**23,392,737.48**	34,387,621.46
Transaction fees and commission income		**160,082.91**	25,541.12
2. Total operating cost		**2,818,925,671.54**	2,597,514,651.01
Including: Operating cost	V.1	**2,201,166,381.08**	1,944,134,954.38
Interest expenses	V.1	**3,857,195.46**	6,186,612.31
Transaction cost and commission fees	V.1	**92,678.40**	61,983.93
Business taxes and surcharges		**22,275,046.55**	28,822,102.41
Selling and distribution expenses		**129,637,962.19**	155,458,830.60
Administrative expenses		**269,919,869.47**	237,233,280.11
Research and development expenses		**138,162,539.50**	147,065,236.22
Financial expenses		**53,813,998.89**	78,551,651.05
Including: Interest expenses		**68,532,652.99**	79,918,608.69
Interest income		**18,716,139.28**	10,061,435.33
Add: Other income	V.2	**38,682,860.31**	57,606,923.79
Investment income (Loss listed with "-")	V.3	**168,218,313.21**	158,974,553.62
Including: Income from investments in associates and joint ventures		**167,098,200.47**	155,987,807.84
Gain arising from the changes in fair value (Loss listed with "-")	V.4	**(19,856.97)**	4,808,649.57
Impairment loss of credit (Loss is listed by "-")		**(304,567.97)**	22,346,159.52
Impairment loss of assets (Loss is listed by "-")		**(15,129,662.29)**	5,412,239.96
Gain on disposal of assets (Loss listed with "-")	V.5	**10,496,278.63**	134,423,031.35
3. Operating profit (Loss listed with "-")		**141,302,960.13**	223,432,429.47
Add: Non-operating income	V.6	**6,073,169.81**	3,218,045.55
Less: Non-operating expenses		**4,671,622.35**	2,944,875.04
4. Total profit (Loss listed with "-")		**142,704,507.59**	223,705,599.98
Less: Income tax expenses	V.7	**19,610,128.84**	47,456,037.06

Items	Notes	For the six months ended 30 June 2020	2019
5. Net profit (Net loss listed with "-")		**123,094,378.75**	176,249,562.92
(1) Classification by continuing or discontinued operation		**123,094,378.75**	176,249,562.92
1. Net profit attributable to continuing operation (Net loss listed with "-")		**123,094,378.75**	176,249,562.92
2. Net profit attributable to discontinued operation (Net loss listed with "-")		**–**	–
(2) Classification by ownership		**123,094,378.75**	176,249,562.92
1. Net profit attributable to shareholders of the controlling company		**108,398,388.95**	163,618,899.53
2. Net profit attributable to non-controlling interests		**14,695,989.80**	12,630,663.39
6. Net other comprehensive income after tax		**8,329,418.98**	(13,500,404.39)
Net other comprehensive income after tax attributable to shareholders of the Company		**8,329,418.98**	(13,500,404.39)
1. Other comprehensive incomes that cannot be reclassified into profit or loss		**–**	(13,497,388.88)
(1) Changes from recalculation of defined benefit plan		**–**	(479,399.50)
(2) Transfer changes of defined benefit plan to retained earnings		**–**	(13,017,989.38)
(3) Changes in fair value of other equity instrument investments		**–**	–
2. Other comprehensive income that can be reclassified into profit or loss		**8,329,418.98**	(3,015.51)
1. Gain or loss from fair value changes of available-for-sale financial assets		**–**	–
2. Share of other comprehensive income of investee company under equity method that can be reclassified as profit or loss		**–**	–
3. Effective portion of net investment hedging gains and losses		**3,220,037.26**	79,178.23
4. Translation differences of financial statements in foreign currencies		**5,109,381.72**	(82,193.74)
Net other comprehensive income after tax attributable to non-controlling interests		**–**	–
7. Total comprehensive income		**131,423,797.73**	162,749,158.53
1. Total comprehensive income attributable to shareholders of the Company		**116,727,807.93**	150,118,495.14
2. Total comprehensive income attributable to non-controlling interests		**14,695,989.80**	12,630,663.39
8. Earnings per share	*V1.2*		
(1) Basic earnings per share		**0.03**	0.04
(2) Diluted earnings per share		**0.03**	0.04

CONSOLIDATED BALANCE SHEET

As at 30 June 2020

Items	Notes	**30 June 2020**	31 December 2019
Current assets			
Cash and cash equivalents	*V.8*	**2,129,168,976.79**	2,094,619,648.56
Financial assets held for trade		**4,249,637.16**	269,494.13
Notes receivable		**238,943,613.97**	296,071,386.86
Accounts receivable		**2,856,179,714.73**	2,688,114,256.49
Receivable financing		**554,330,108.35**	470,685,913.42
Prepayments		**336,498,510.11**	266,180,611.67
Other receivables		**1,124,753,617.09**	1,203,555,781.66
Including: Interests receivable			
Dividends receivable		**342,791,694.00**	436,478,069.56
Loans and advances to customers		**777,048,573.44**	921,848,681.16
Inventories		**2,077,075,670.58**	1,981,484,606.34
Contract assets		**326,966,077.26**	368,454,512.15
Non-current assets due within one year		**17,400,000.00**	17,500,000.00
Other current assets		**193,632,572.99**	41,915,619.38
Total current assets		**10,636,247,072.47**	10,350,700,511.82
Non-current assets			
Loans and advances to customers		**79,950,000.00**	117,000,000.00
Long-term receivables		**87,000,000.00**	95,700,000.00
Long-term equity investments		**1,162,435,058.80**	996,391,965.41
Other equity instruments investment		**52,314,020.88**	52,314,020.88
Investment properties		**76,908,704.36**	78,047,637.67
Property, plant and equipment		**2,766,443,439.77**	2,838,969,790.21
Construction in progress		**216,753,788.17**	207,448,578.58
Right-to-use assets		**311,838,084.80**	358,581,230.46
Intangible assets		**613,860,210.12**	656,254,825.20
Development expenditures		**16,675,817.82**	16,610,242.60
Goodwill		**143,312,435.00**	143,312,435.00
Long-term deferred expenses		**237,341,855.31**	232,876,050.24
Deferred tax assets		**117,433,467.29**	121,906,877.97
Other non-current assets		**259,209,771.74**	251,701,138.83
Total non-current assets		**6,141,476,654.06**	6,167,114,793.05
Total assets		**16,777,723,726.53**	16,517,815,304.87

Items	*Notes*	**30 June 2020**	31 December 2019
Current liabilities			
Short-term loans		**1,206,508,020.00**	1,156,886,625.41
Institutions		**774,194,758.03**	1,117,908,116.74
Notes payable		**908,857,210.25**	1,202,637,121.55
Accounts payable		**1,716,887,365.93**	1,686,336,446.82
Contract liabilities		**985,703,110.93**	807,469,495.64
Repurchase agreements		**–**	49,949,000.00
Employee benefits payables		**67,204,648.27**	65,766,577.42
Taxes and levies payables		**175,047,533.55**	186,244,866.97
Other payables		**503,057,174.85**	456,796,531.42
Including: Interests payable		**–**	–
Dividends payable		**60,670,292.72**	28,451,140.35
Non-current liabilities due within one year		**622,063,164.14**	281,511,419.08
Other current liabilities		**2,541,665.79**	3,259,736.35
Total current liabilities		**6,962,064,651.74**	7,014,765,937.40
Non-current liabilities			
Long-term loans		**1,941,176,399.19**	1,642,606,224.02
Lease liabilities		**71,522,473.40**	127,703,443.23
Long-term payables		**4,080,402.88**	4,505,143.84
Long-term employee benefits payable		**6,753,824.08**	6,759,000.00
Provisions		**19,550,640.57**	21,754,527.73
Deferred revenue		**284,871,460.34**	301,172,088.60
Deferred tax liabilities		**104,879,224.41**	109,458,767.32
Total non-current liabilities		**2,432,834,424.87**	2,213,959,194.74
Total liabilities		**9,394,899,076.61**	9,228,725,132.14

Items	*Notes*	**30 June 2020**	31 December 2019
Shareholder's equity			
Share capital		**3,684,640,154.00**	3,684,640,154.00
Capital reserves		**50,311,968.20**	50,311,968.20
Other comprehensive income		**29,844,059.53**	21,514,640.55
Surplus reserves		**364,663,370.96**	364,663,370.96
Retained profits		**2,794,842,854.28**	2,723,290,866.87
Total equity attributable to shareholders of the Company		**6,924,302,406.97**	6,844,421,000.58
Non-controlling interests		**458,522,242.95**	444,669,172.15
Total shareholder's equity		**7,382,824,649.92**	7,289,090,172.73
Total liabilities and shareholder's equity		**16,777,723,726.53**	16,517,815,304.87

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2020

Items	For the six months ended 30 June 2020												
	Equity attributable to the equity holders of the controlling Company												
		Other equity instruments											
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
1. Balance at 31 December 2019	**3,684,640,154.00**	**-**	**-**	**-**	**50,311,968.20**	**-**	**21,514,640.55**	**-**	**364,663,370.96**	**-**	**2,723,290,866.87**	**444,669,172.15**	**7,289,090,172.73**
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Balance at 1 January 2020	**3,684,640,154.00**	**-**	**-**	**-**	**50,311,968.20**	**-**	**21,514,640.55**	**-**	**364,663,370.96**	**-**	**2,723,290,866.87**	**444,669,172.15**	**7,289,090,172.73**
3. Increase/Decrease for the year (Decrease listed with "-")	**-**	**-**	**-**	**-**	**-**	**-**	**8,329,418.98**	**-**	**-**	**-**	**71,551,987.41**	**13,853,070.80**	**93,734,477.19**
(1) Total comprehensive income	-	-	-	-	-	-	8,329,418.98	-	-	-	108,398,388.95	14,695,989.80	131,423,797.73
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	-	-	-	371,700.00	371,700.00
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	371,700.00	371,700.00
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	-	-	(36,846,401.54)	(1,214,619.00)	(38,061,020.54)
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	(36,846,401.54)	(1,214,619.00)	(38,061,020.54)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Balance at 31 June 2020	**3,684,640,154.00**	**-**	**-**	**-**	**50,311,968.20**	**-**	**29,844,059.53**	**-**	**364,663,370.96**	**-**	**2,794,842,854.28**	**458,522,242.95**	**7,382,824,649.92**

Items	For the year 2019												
	Equity attributable to the equity holders of the controlling Company												
		Other equity instruments											
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
1. Balance at 31 December 2018	3,684,640,154.00	–	–	–	50,311,968.20	–	31,052,427.09	–	334,373,473.12	–	2,708,521,621.81	420,762,299.14	7,229,661,943.36
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	(4,927,467.14)	(515,895.43)	(5,443,362.57)
Correction of prior-period errors	–	–	–	–	–	–	–	–	–	–	–	–	–
Business combination under common control	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Balance at 1 January 2019	3,684,640,154.00	–	–	–	50,311,968.20	–	31,052,427.09	–	334,373,473.12	–	2,703,594,154.67	420,246,403.71	7,224,218,580.79
3. Increase/Decrease for the year (Decrease listed with "-")	–	–	–	–	–	–	(9,537,786.54)	–	30,289,897.84	–	19,696,712.20	24,422,768.44	64,871,591.94
(1) Total comprehensive income	–	–	–	–	–	–	3,450,550.34	–	–	–	184,834,923.25	19,185,393.90	207,470,867.49
(2) Capital contribution and reduction from shareholders	–	–	–	–	–	–	–	–	–	–	–	36,000,000.00	36,000,000.00
1. Common stock capital contribution from shareholders	–	–	–	–	–	–	–	–	–	–	–	36,000,000.00	36,000,000.00
2. Capital contribution from holders of other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Equity increase from Share-based payments	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–
(3) Profit appropriations	–	–	–	–	–	–	–	–	30,289,897.84	–	(178,126,274.36)	(24,699,291.70)	(172,535,668.22)
1. Appropriation to statutory reserve	–	–	–	–	–	–	–	–	30,289,897.84	–	(30,289,897.84)	–	–
2. Appropriation to staff bonus and welfare	–	–	–	–	–	–	–	–	–	–	(450,770.36)	–	(450,770.36)
3. Appropriation to shareholders	–	–	–	–	–	–	–	–	–	–	(147,385,606.16)	(24,699,291.70)	(172,084,897.86)
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–
(4) Transfer	–	–	–	–	–	–	(12,988,336.88)	–	–	–	12,988,336.88	–	–
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 other comprehensive income to retained earnings	–	–	–	–	–	–	(12,988,336.88)	–	–	–	12,988,336.88	–	–
5. Others	–	–	–	–	–	–	–	–	–	–	–	–	–
(5) Special reserves	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Appropriation	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Used	–	–	–	–	–	–	–	–	–	–	–	–	–
(6) Others	–	–	–	–	–	–	–	–	–	–	(273.57)	(6,063,333.76)	(6,063,607.33)
4. Balance at 31 December 2019	3,684,640,154.00	–	–	–	50,311,968.20	–	21,514,640.55	–	364,663,370.96	–	2,723,290,866.87	444,669,172.15	7,289,090,172.73

CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2020

Items	*Notes*	For the six months ended 30 June **2020**	2019
1. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		**2,596,387,497.52**	2,413,333,091.74
Net increase in customer deposits and interbank deposits		**(343,859,464.84)**	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		**24,030,538.97**	29,203,140.51
Net increase in repurchase agreements		**(49,949,000.00)**	22,711,750.00
Cash received from tax refund		**17,524,352.65**	7,327,158.72
Cash received relating to other operating activities		**316,753,712.83**	167,634,892.91
Sub-total of cash inflows from operating activities		**2,560,887,637.13**	2,633,953,149.02
Cash paid for goods and services		**1,996,081,061.83**	1,861,030,745.48
Net increase in loans and advances to customers		**(186,539,091.44)**	45,432,100.11
Net increase in central bank and interbank payments		**34,456,457.78**	(32,355,953.16)
Cash paid for interest, surcharges and commission fee		**3,803,767.73**	4,160,405.50
Cash paid to and on behalf of employees		**446,349,257.04**	474,897,624.56
Payments of taxes and surcharges		**129,346,362.00**	183,742,405.91
Cash paid relating to other operating activities		**291,757,369.13**	228,201,526.54
Sub-total of cash outflows from operating activities		**2,715,255,184.07**	2,765,108,854.94
Net cash flows from operating activities		**(154,367,546.94)**	(131,155,705.92)
2. Cash flows from investment activities			
Cash received from return of investments		**–**	5,280,782.54
Cash received from investments income		**100,053,655.97**	137,953,615.36
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**41,566,227.20**	1,138,376.00
Cash received relating to other investing activities		**9,800,000.00**	22,214,899.10
Sub-total of cash inflows from investing activities		**151,419,883.17**	166,587,673.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**49,891,307.59**	133,122,134.27
Cash paid for investments		**154,000,000.00**	450,000,000.00
Cash paid relating to other investing activities		**361,187,463.73**	7,351,503.75
Sub-total of cash outflow from investing activities		**565,078,771.32**	590,473,638.02
Net cash flows from investing activities		**(413,658,888.15)**	(423,885,965.02)

Items	*Notes*	For the six months ended 30 June **2020**	2019
3. Cash flows from financing activities			
Cash received from investments		**371,700.00**	–
Including: cash received by subsidiaries from investment of non-controlling interests		**371,700.00**	–
Cash received from loans granted		**1,274,205,425.00**	1,420,409,465.00
Cash received relating to other financing activities		**26,801,199.53**	259,553,221.50
Sub-total of cash inflows from financing activities		**1,301,378,324.53**	1,679,962,686.50
Cash paid for repayment of borrowings		**571,212,762.78**	818,271,007.09
Cash paid for dividends, profits or payments of interests		**72,996,667.63**	49,724,148.69
Including: dividends and profits paid to non-controlling interests by subsidiaries		**4,752,225.00**	–
Cash paid relating to other financing activities		**255,927,309.71**	227,852,434.21
Sub-total of cash outflows from financing activities		**900,136,740.12**	1,095,847,589.99
Net cash flows from financing activities		**401,241,584.41**	584,115,096.51
4. Effects of changes in exchange rate on cash and cash equivalents		**(1,943,967.50)**	383,269.04
5. Net increase in cash and cash equivalents		**(168,728,818.18)**	29,456,694.61
Add: opening balance of cash and cash equivalents		**1,537,567,094.59**	1,570,343,395.06
6. Balance of cash and cash equivalents at the end of this period	*V.8*	**1,368,838,276.41**	1,599,800,089.67

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

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 Capital Operation 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, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC. The Company's headquarter is located in Chongqing, the PRC. The parent company and the ultimate controlling shareholder is Chongqing Machinery & Electronics Holding (Group) Co. Ltd. The Group was established with a registered capital of RMB2,679.74 Million (RMB1 per share).

On 13 June 2008, the Group publicly issued 1,004.90 million 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 RMB3,684.64 million.

As of 30 June 2020, the registered capital of the Group was RMB3,684,640,154 yuan. The Group and its Subsidiaries (hereinafter collectively referred to as "the Group") are mainly engaged in the manufacturing, sales and services of clean energy equipment and high-end intelligent equipment.

The consolidated financial statements have been approved for issue by the Board of Directors of the Group on 26 August 2020.

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15-General Rules on Financial Reporting issued by the China Securities Regulatory Commission, Hong Kong's "Companies Ordinance" and based on the accounting policies and accounting estimates set out in "III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES" in this note.

(2) Going concern

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Declaration on Compliance with CAS

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

2. Accounting Period

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

3. Business Cycle

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

4. Functional Currency

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

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

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

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

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

6. Preparation of Consolidated Financial Statements

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

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Group and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Group.

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

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

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

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

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

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

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

7. Revenue Recognition and Measurement

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

(1) Revenue recognition

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

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

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

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

For a performance obligation satisfied over time, the Group shall recognize revenue over time by measuring the process towards complete satisfaction of the performance obligation. If the Group cannot be able to reasonably measure the progress towards complete satisfaction of a performance obligation and the costs incurred by the Group can be expected to be compensated, the revenue shall be recognized according to the costs incurred until such time that it can reasonably measure the process towards complete satisfaction of the performance obligation.

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

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

(a) Sales contracts

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

(b) *Service contracts*

Services contracts between the Group and its customers usually include performance obligations such as technical services, product after-sales maintenance services, etc. Since the Group's customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs, and the Group has an enforceable right to payment for 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 the progress of service delivery according to the input method. If 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.

(c) *Construction contract – (Only applicable if control is transferred over a period of time)*

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

(d) *Warranty obligations*

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

(e) Principal/Agent

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

(f) Interest income

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

(g) Rental income

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

8. Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities are recognized based on the temporary differences between the tax bases and the carrying amount of assets and liabilities. A deferred tax asset shall be recognized for deductible losses to the extent that it is probable that tax profit will be available against which the deductible losses can be utilized in accordance with tax law Deferred tax liabilities for temporary taxable differences relating to goodwill are not recognized to the extent they arise from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognized if the temporary differences arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. As at balance sheet date, deferred tax assets and deferred tax liabilities are determined using the applicable tax rates that are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

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

9. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Taxation

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

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

10. Changes in Critical Accounting Policies and Estimates

(1) There are no Changes in critical accounting policies in the current period.

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

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

IV. TAXATION

1. Main categories of tax and corresponding tax rate

Category of tax	Tax base	Tax rate
Chinese enterprise		
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)	13%, 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
Profit tax in Hong Kong	–	16.5%
Profit tax for other regions/countries	–	15.2%, 20%, 34%, 39%

2. Corporate income tax preferences

(1) 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.

(2) 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). Chongqing Pigeon Electric Porcelain Co., Ltd. (certificate of high-tech enterprises No. GR201651100225), Chongqing Tool Factory Co., Ltd. (certificate of high-tech enterprises No. GR201651100175).

(3) The Group's subsidiary, Xinjiang Fubaotian Cotton-picking Service Co., Ltd. ("Fubaotian") is engaged in agricultural machinery operations and its income is exempted from enterprise income tax.

V. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Operating Revenue & Operating Cost

(1) Operating revenue & operating cost

Items	Current period Revenue	Current period Cost	Last period Revenue	Last period Cost
Main operations	**2,708,623,111.82**	**2,185,191,643.89**	2,348,732,016.32	1,920,196,374.57
Other operations	**26,109,334.54**	**15,974,737.19**	54,230,343.77	23,938,579.81
Interest	**23,392,737.48**	**3,857,195.46**	34,387,621.46	6,186,612.31
Transaction fees and commission income	**160,082.91**	**92,678.40**	25,541.12	61,983.93
Total	**2,758,285,266.75**	**2,205,116,254.94**	2,437,375,522.67	1,950,383,550.62

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

(2) Income from contracts

Classification of contract	High-end intelligent equipment business	Clean energy equipment business	Industrial service business	Total
Classified by region	**739,432,886.10**	**1,981,049,536.19**	**37,802,844.46**	**2,758,285,266.75**
Including: Mainland of China	654,736,903.67	1,969,041,825.38	37,168,168.77	**2,660,946,897.82**
Others	84,695,982.43	12,007,710.81	634,675.69	**97,338,368.93**
Types of contracts	**739,432,886.10**	**1,981,049,536.19**	**37,802,844.46**	**2,758,285,266.75**
Including: Equipment sales contract	599,931,676.42	1,402,684,130.04	9,288,483.13	**2,011,904,289.59**
Service contract	137,070,157.19	17,203,331.33	28,514,361.33	**182,787,849.85**
Materials sales contract	2,431,052.49	561,162,074.82	–	**563,593,127.31**
Classified by time of revenue recognition	**739,432,886.10**	**1,981,049,536.19**	**37,802,844.46**	**2,758,285,266.75**
Including: Recognizes revenue at a point in time	597,568,234.28	1,970,007,238.93	9,288,483.13	**2,576,863,956.34**
Recognizes revenue over time	141,864,651.82	11,042,297.26	28,514,361.33	**181,421,310.41**
Classified by sales channel	**739,432,886.10**	**1,981,049,806.19**	**37,802,844.46**	**2,758,285,536.75**
Including: Direct sales	739,432,886.10	1,980,538,063.57	37,802,844.46	**2,757,773,794.13**
Distribution	–	511,742.62	–	**511,742.62**
Internet sales	–	–	–	**–**

(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 Group recognizes the revenue from the performance obligations of the project for the performance contract related to the provision of the hydropower station's EPC project construction contract and some machine tool business contracts in accordance with the guidelines, which is determined to be performed within a certain period of time. The contract costs actually incurred plus the contract gross profit are recognized as project business contract revenue.

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 about the transaction price allocated to the remaining performance obligations

The amount of revenue corresponding to the performance obligations of the Group that have signed the contract at the end of this period but have not been fulfilled or not yet fulfilled is RMB3,087,995,624.01 (of which the revenue corresponding to the performance obligations that have been signed but not yet fulfilled is RMB2,208,804,889.81, and the signed but not yet The amount of income corresponding to the performance of performance obligations is RMB879,190,734.20).

2. Other income

Items	**Current period**	Last period
Innovative development project grants	**262,500.00**	29,300,070.00
Relocation grants	**7,788,387.59**	7,699,204.18
Industry and informationization Funds	**3,420,000.00**	4,190,000.00
Intelligent manufacturing system solution suppliers grants	**–**	2,000,000.00
Employment grants	**16,688,542.60**	1,755,195.12
Intelligent manufacturing projects grants	**1,497,549.12**	1,497,549.12
Other projects grants	**8,195,987.36**	2,470,667.62
Tax returns	**124,462.35**	7,327,158.72
Innovation Incentive Support in Jiangjin District	**500,000.00**	1,220,100.00
Others	**205,431.29**	146,979.03
Total	**38,682,860.31**	57,606,923.79

3. Investment Income

Items	Current period	Last period
Investment income from long-term equity investments under equity method	**167,098,200.47**	155,987,807.84
Investment income from disposals of long-term equity investments	**–**	280,782.54
Investment income from holding capital preservation financial products	**2,870,000.00**	2,983,068.49
Others	**(1,749,887.26)**	(277,105.25)
Total	**168,218,313.21**	158,974,553.62

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

Item	Current period	Last period
Financial assets at fair value through profit or loss	**(19,856.97)**	4,808,649.57
Total	**(19,856.97)**	4,808,649.57

5. Gains on Disposals of Assets

Items	Current period	Last period	Amount recorded in extraordinary profit and loss
Gains on disposals of non-current assets which are not classified as held for sale	**10,496,278.63**	129,750,870.38	10,496,278.63
Including: Gains on disposals of PP&E	**10,496,278.63**	77,703,336.53	10,496,278.63
Gains on disposals of intangible assets	**–**	52,047,533.85	–
Gain on disposal of non-current assets classified as held for sale	**–**	4,672,160.97	–
Including: Gains on disposals of property, plant and equipment	**–**	3,947,342.13	–
Gains on disposals of intangible assets	**–**	724,818.84	–
Total	**10,496,278.63**	134,423,031.35	10,496,278.63

6. Non-operating income

Items	Current period	Last period	Amount recorded in extraordinary profit and loss
Penalty incomes, default fine and compensation	**1,617,032.72**	445,013.86	1,617,032.72
Government grants	**–**	347,750.02	–
Unpayable payables	**2,980,862.12**	–	2,980,862.12
Others	**1,475,274.97**	2,425,281.67	1,475,274.97
Total	**6,073,169.81**	3,218,045.55	6,073,169.81

7. Income Tax Expense

Items	Current period	Last period
Current income tax calculated according to tax law and provision	**19,503,996.61**	34,022,372.95
Deferred income tax	**106,132.23**	13,433,664.11
Total	**19,610,128.84**	47,456,037.06

8. Cash and Cash Equivalents

Items	**30 June 2020**	31 Dec 2019
Cash in hand	**654,715.09**	589,731.55
Cash at bank	**1,363,183,561.32**	1,536,977,363.04
Other cash equivalents	**5,000,000.00**	–
Balance of cash and cash equivalents at the end of period	**1,368,838,276.41**	1,537,567,094.59
Restricted cash	**756,033,233.71**	557,052,553.97
Accrued interest	**4,297,466.67**	–
Total	**2,129,168,976.79**	2,094,619,648.56
Including: cash deposited abroad	**16,688,842.87**	64,767,665.24

Note: There is no limit on the remittance of the group's overseas deposits.

Restricted cash at the end of the year

Items	**30 June 2020**
Deposits for bank acceptance bills	**63,468,130.41**
Deposits for letters of credit	**4,390,000.00**
Guarantee deposit	**124,384,800.95**
Restricted term deposits	**437,470,250.87**
Statutory reserve	**126,320,051.48**
Total	**756,033,233.71**

VI. SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

1. Details of Extraordinary Profit or Loss for the Period

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

Items	Current period
Gains and losses from disposal of non-current assets	**10,496,278.63**
Government grants included in the profit or loss for the period	**38,682,860.31**
Employee resettlement compensation	**(12,299,234.34)**
Impairment reversal of receivables that were individually tested for impairment	**6,717,970.05**
Investment income generated during the holding period of financial assets	**1,120,112.74**
Profit and loss from changes in fair value of trading financial assets	**(19,856.97)**
Other non-operating income and expenses apart from the above	**1,401,547.46**
Sub-total	**46,099,677.88**
Impact on income tax	**6,814,777.98**
Impact on non-controlling interest (after tax)	**1,200,498.23**
Total	**38,084,401.67**

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 for the period are as follows:

Profit for the reporting year	Amount	Weighted average return on equity attributable to parent company (%)	Earnings per share: Basic earnings per share	Earnings per share: Diluted earnings per share
Net profit attributable to the shareholders of the Company	108,398,388.95	–	–	–
Amount of weighted average net assets attributable to the parent company	6,865,938,503.01	1.58	–	–
Number of common shares outstanding	3,684,640,154.00	–	0.03	0.03
Amount of non-recurring profit or loss attributable to the parent company	38,084,401.67	–	–	–
Net profit attributable to the shareholders of the Company (excluding: extraordinary profit and loss)	70,313,987.28	1.02	–	–

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Sales

For the six months ended 30 June 2020, the Group's total revenue amounted to approximately RMB2,758.3 million, an increase of approximately 13.2% as compared with approximately RMB2,437.4 million for the same period of last year.

Overall, revenue of the clean energy equipment segment was approximately RMB1,981.0 million (accounting for approximately 71.8% of the total revenue), representing an increase of approximately 16.4%; revenue of the high-end smart manufacturing segment was approximately RMB739.5 million (accounting for approximately 26.8% of the total revenue), representing an increase of approximately 9.6%; revenue of the industrial service segment was approximately RMB37.2 million (accounting for approximately 1.4% of the total revenue), representing a decrease of approximately 37.6%.

During the Period, the growth in sales revenue of the clean energy equipment segment was mainly due to the increase in domestic investment and the impact driven by policy, which led to a rapid growth in this segment. The growth in sales revenue of the high-end smart manufacturing segment was mainly due to the recovery of the market industry, the active expansion in clientele and increase of product price in the electronic communication business in this segment, as well as the growth of revenue from the intelligent integration business and screw machine tools business, which led to the achievement of an obvious growth in this segment. The decline in revenue in the industrial services segment was mainly due to the change of business model in the trading business, scale reduction and interest rate cuts in the financial business, leading to a decline in the operating performance of the segment in the first half of the year. It is expected that the overall operating performance of the Group for the whole year of 2020 can achieve a steady growth.

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 2020 since the publication of the Group's annual report for the year ended 31 December 2019.

Gross Profit

The gross profit for the six months ended 30 June 2020 was approximately RMB553.2 million, showing an increase of approximately RMB66.2 million or approximately 13.6% as compared with approximately RMB487.0 million for the same period of last year, which was mainly due to the substantial increase in revenue from the general machinery business in the clean energy equipment segment and the smart manufacturing product business in the high-end smart manufacturing segment. The Group's gross profit is expected to remain stable in the second half of 2020.

Gain on Disposal of Assets

Gain on disposal of assets for the six months ended 30 June 2020 was approximately RMB10.5 million, showing a significant decrease of approximately RMB123.9 million or 92.2% as compared with approximately RMB134.4 million for the same period of last year, which was mainly attributable to the year-on-year decrease in gain on disposal of lands during the current period.

Other Income

Other income for the six months ended 30 June 2020 was approximately RMB38.7 million, showing a decrease of approximately RMB18.9 million or approximately 32.8% as compared with approximately RMB57.6 million for the same period of last year, which was mainly attributable to the decrease in post-government subsidy income for innovative development projects income during the current period.

Selling and Administrative Expenses

The selling and administrative expenses for the six months ended 30 June 2020 were approximately RMB399.6 million, showing an increase of approximately RMB6.9 million or approximately 1.8% as compared with approximately RMB392.7 million for the same period of last year. The ratio of selling and administrative expenses to sales decreased from approximately 16.1% in the same period last year to approximately 14.5%, in particular the selling expenses decreased by approximately RMB25.9 million compared to the same period last year, mainly due to the reduction of transportation expenses, "3-Aspect-Warranty" fees and after-sales service fees. On the contrary, the administrative expenses increased by approximately RMB32.7 million compared to the same period last year, due to the increase of approximately RMB12.3 million in restructuring costs and an increase of RMB12.8 million in amortization of intangible assets.

Operating Profit

The operating profit for the six months ended 30 June 2020 was approximately RMB141.3 million, showing a decrease of approximately RMB82.1 million or approximately 36.8% as compared with approximately RMB223.4 million for the same period of last year.

Net Finance Costs

The net interest expenses for the six months ended 30 June 2020 was approximately RMB53.8 million, representing a significant decrease of approximately RMB24.8 million or approximately 31.6% as compared to approximately RMB78.6 million for the same period of last year, which was mainly due to the interest reduction in finance costs during the current period.

Investment Income

For the six months ended 30 June 2020, the Group's investment income was approximately RMB168.2 million, representing an increase of approximately RMB9.2 million or 5.8% as compared with approximately RMB159.0 million for the same period of last year. This is due to the increase of approximately RMB14.5 million in performance of transformer business which turned loss to profit and the increase of approximately RMB6.6 million in the performance of the brake system business. On the contrary, the high-horsepower diesel engine business was affected by the epidemic, and its operating performance declined slightly by approximately RMB14.0 million.

Income Tax Expenses

The income tax expenses for the six months ended 30 June 2020 were approximately RMB19.6 million, representing a decrease of approximately RMB27.9 million or approximately 58.7% as compared with approximately RMB47.5 million for the same period of last year, which was mainly due to the decrease in current accrued income tax and the decrease in changes in deferred income tax expenses.

Profit Attributable to Shareholders

Profit attributable to shareholders for the Period was approximately RMB108.4 million, representing a decrease of approximately RMB55.2 million or approximately 33.7% as compared with approximately RMB163.6 million for the same period of last year. Earnings per share decreased from approximately RMB0.04 in the same period last year to approximately RMB0.03 in the current Period.

BUSINESS PERFORMANCE

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

	Revenue		Gross Profit		Segment Results	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2020	2019	**2020**	2019	**2020**	2019
	(RMB in millions, except for percentage)					
Clean energy equipment business						
Hydropower equipment	**105.4**	289.8	**11.4**	63.5	**(28.8)**	11.7
Electrical wires and cables	**545.2**	710.4	**90.3**	104.1	**42.4**	78.4
General machinery	**911.6**	331.9	**145.2**	47.5	**(9.8)**	(80.8)
Other products	**418.8**	370.5	**152.1**	134.9	**49.9**	122.4
Total	**1,981.0**	1,702.6	**399.0**	350.0	**53.7**	131.7
% of total	**71.8%**	69.9%	**72.1%**	71.9%	**38.0%**	58.9%
High-end smart manufacturing business						
CNC machine tools	**345.3**	305.4	**59.9**	48.7	**(85.6)**	(76.3)
Steering systems	**215.7**	237.2	**40.7**	40.5	**12.8**	10.4
Other products	**178.5**	132.0	**32.9**	15.6	**9.1**	17.1
Total	**739.5**	674.6	**133.5**	104.8	**(63.7)**	(48.8)
% of total	**26.8%**	27.7%	**24.1%**	21.5%	**(45.1)%**	(21.8)%
Industrial services business						
Domestic Trade	**13.6**	25.0	**0.5**	3.3	**(6.2)**	0.5
Financial	**23.6**	34.4	**19.6**	28.1	**18.1**	26.8
Other services	**–**	0.2	**–**	0.2	**(3.1)**	(2.5)
Total	**37.2**	59.6	**20.1**	31.6	**8.8**	24.8
% of total	**1.4%**	2.4%	**3.7%**	6.5%	**6.3%**	11.1%
Headquarters						
Total	**0.6**	0.6	**0.6**	0.6	**142.5**	115.7
% of total	**-%**	-%	**0.1%**	0.1%	**100.8%**	51.8%
Total	**2,758.3**	2,437.4	**553.2**	487.0	**141.3**	223.4

CLEAN ENERGY EQUIPMENT

Revenue from the clean energy equipment segment for the six months ended 30 June 2020 was approximately RMB1,981.0 million, showing an increase of approximately RMB278.4 million or approximately 16.4% as compared with approximately RMB1,702.6 million for the six months ended 30 June 2019, which was primarily due to the sales revenue of wind power blades business achieving a rapid growth driven by national policies.

During the Period, the gross profit for the clean energy equipment segment was approximately RMB399.0 million, showing an increase of approximately RMB49.0 million or approximately 14.0% as compared with approximately RMB350.0 million for the six months ended 30 June 2019, which was primarily due to the increase in sales revenue of wind power blades.

The results for the clean energy equipment segment for the six months ended 30 June 2020 were approximately RMB53.7 million, showing a significant decrease of approximately RMB78.0 million or approximately 59.2% as compared with the results of profit of approximately RMB131.7 million for the six months ended 30 June 2019, which were primarily because of the year-on-year decrease in land disposal income of this operating segment.

HIGH-END SMART MANUFACTURING

Revenue from the high-end smart manufacturing segment for the six months ended 30 June 2020 was approximately RMB739.5 million, showing an increase of approximately RMB64.9 million or approximately 9.6% as compared with approximately RMB674.6 million for the six months ended 30 June 2019, which was mainly due to the active expansion in the clientele and increase of product price in the electronic communication business in smart manufacturing business, recording an increase in revenue of approximately RMB46.4 million year-on-year, coupled with the growth of revenue from the intelligent integration business and screw machine tools business, the segment achieved a better growth in the first half of the year.

During the Period, gross profit for the high-end smart manufacturing segment was approximately RMB133.5 million, showing an increase of approximately RMB28.7 million or 27.4% as compared with approximately RMB104.8 million for the six months ended 30 June 2019, primarily due to increased revenue in screw machine tools business and smart manufacturing business.

For the six months ended 30 June 2020, the loss for the high-end smart manufacturing segment was approximately RMB63.7 million, showing an increase in loss of approximately RMB14.9 million or 30.5% as compared with a loss of approximately RMB48.8 million for the six months ended 30 June 2019, primarily due to the increase in losses in the CNC machine tool business.

INDUSTRIAL SERVICE

Revenue from the industrial service segment for the six months ended 30 June 2020 was approximately RMB37.2 million, showing a decrease of approximately RMB22.4 million or approximately 37.6% as compared with approximately RMB59.6 million for the six months ended 30 June 2019, mainly due to the significant decrease in the trading business of the Company and the interest rate cut in the financial business.

During the Period, gross profit for the industrial service segment was approximately RMB20.1 million, showing a decrease of approximately RMB11.5 million or approximately 36.4% as compared with approximately RMB31.6 million for the six months ended 30 June 2019, mainly due to the interest reduction in the financial business in response to the national epidemic policy.

For the six months ended 30 June 2020, the results for the industrial service segment amounted to approximately RMB8.8 million, showing a decrease of approximately RMB16.0 million or approximately 64.5% as compared with approximately RMB24.8 million for the six months ended 30 June 2019.

CASH FLOW

As at 30 June 2020, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB2,129.2 million (31 December 2019: approximately RMB2,094.6 million), representing an increase of approximately RMB34.6 million or approximately 1.7%.

During the Period, the Group had a net cash flow generated from operating activities of approximately RMB-154.4 million (for the six months ended 30 June 2019: net cash flow generated from operating activities of approximately RMB-131.2 million), a net cash flow generated from investing activities of approximately RMB-413.7 million (for the six months ended 30 June 2019: a net cash flow generated from investing activities of approximately RMB-423.9 million), and a net cash flow generated from financing activities of approximately RMB401.2 million (for the six months ended 30 June 2019: a net cash flow generated from investment activities of approximately RMB584.1 million).

TRADE RECEIVABLES AND OTHER RECEIVABLES

As at 30 June 2020, the total trade receivables and other receivables of the Group amounted to approximately RMB3,980.9 million, showing an increase of approximately RMB89.2 million as compared with approximately RMB3,891.7 million as at 31 December 2019, which was mainly due to an increase of approximately RMB75.9 million in industrial pump business in correspondence to sales turnover increase.

TRADE PAYABLES AND OTHER PAYABLES

As at 30 June 2020, the total trade payables and other payables of the Group amounted to approximately RMB2,219.9 million, showing an increase of approximately RMB76.8 million as compared with approximately RMB2,143.1 million as at 31 December 2019, which was mainly due to an increase of approximately RMB22.3 million in the wire and cable business, an increase of approximately RMB31.6 million in the industrial pumps business and an increase of approximately RMB42.2 million in the steering system business while the general machinery business decreased by approximately RMB57.4 million.

ASSETS AND LIABILITIES

As at 30 June 2020, the total assets of the Group amounted to approximately RMB16,777.7 million, showing an increase of approximately RMB259.9 million as compared with approximately RMB16,517.8 million as at 31 December 2019. The total current assets amounted to approximately RMB10,636.2 million, showing an increase of approximately RMB285.5 million as compared with approximately RMB10,350.7 million as at 31 December 2019, accounting for approximately 63.4% of the total assets (31 December 2019: approximately 62.7%). However, the total non-current assets amounted to approximately RMB6,141.5 million, showing a decrease of approximately RMB25.6 million as compared with approximately RMB6,167.1 million as at 31 December 2019, accounting for approximately 36.6% of the total assets (31 December 2019: approximately 37.3%).

As at 30 June 2020, the total liabilities of the Group amounted to approximately RMB9,394.9 million, showing an increase of approximately RMB166.2 million as compared with approximately RMB9,228.7 million as at 31 December 2019. The total current liabilities amounted to approximately RMB6,962.1 million, showing a decrease of approximately RMB52.7 million as compared with approximately RMB7,014.8 million as at 31 December 2019, accounting for approximately 74.1% of the total liabilities (31 December 2019: approximately 76.0%). However, the total non-current liabilities amounted to approximately RMB2,432.8 million, showing an increase of approximately RMB218.8 million as compared with approximately RMB2,214.0 million as at 31 December 2019, accounting for approximately 25.9% of the total liabilities (31 December 2019: approximately 24.0%).

As at 30 June 2020, the net current assets of the Group amounted to approximately RMB3,674.2 million, showing an increase of approximately RMB338.3 million as compared with approximately RMB3,335.9 million as at 31 December 2019.

CURRENT RATIO

As at 30 June 2020, the current ratio (the ratio of current assets divided by current liabilities) of the Group was 1.53:1 (31 December 2019: 1.48:1).

GEARING RATIO

As at 30 June 2020, by dividing borrowings by total capital, the gearing ratio of the Group was 50.1% (31 December 2019: 41.2%).

INDEBTEDNESS

As at 30 June 2020, the Group had an aggregate bank and other borrowings of approximately RMB3,696.4 million, representing an increase of approximately RMB690.9 million as compared with approximately RMB3,005.5 million as at 31 December 2019.

Borrowings repayable by the Group within one year amounted to approximately RMB1,755.2 million, representing an increase of approximately RMB392.3 million as compared with approximately RMB1,362.9 million as at 31 December 2019. Borrowings repayable after one year amounted to approximately RMB1,941.2 million, representing an increase of approximately RMB298.6 million as compared with approximately RMB1,642.6 million as at 31 December 2019.

SIGNIFICANT EVENTS

Events in the Period

(I) Due to work arrangements, Mr. Wang Yuxiang ("Mr. Wang") has resigned from the positions as the chairman of the fifth session of the Board, an executive director, chairman of the strategy committee and chairman of the nomination committee of the Company. The resignation of Mr. Wang has not resulted in the number of members of the fifth session of the Board of the Company falling below the required minimum quorum. For details, please refer to the announcement of the Board published on the website of the Hong Kong Stock Exchange and the website of the Company on 7 July 2020.

(II) The Extraordinary General Meeting of the Company held on 26 August 2020 has considered and approved the following matters:

1) The appointment of Mr. Zhang Fulun as the chairman and an executive Director, for a term commencing from the date of the meeting until the expiration of the fifth session of the Board. The Board was authorized to fix the remuneration of such Director pursuant to the remuneration standard for Directors passed at the 2018 annual general meeting and to enter into a service agreement with such Director 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.

2) Amendments to the articles.

For details of the above matters, please refer to the circular of the Board published on the website of the Hong Kong Stock Exchange and the website of the Company on 10 July 2020.

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 2020, the Group had no significant contingent liabilities.

CAPITAL EXPENDITURE

During the Period, the total capital expenditure of the Group was approximately RMB33.2 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 2019: approximately RMB87.5 million).

TREASURY POLICIES

The Group has adopted treasury policies, which concentrate the financial resources available to its different subsidiaries to meet the business needs of its different subsidiaries through the subsidiaries involved with financial services qualifications of the Group. For example, the Group has adopted a centralized approach in managing the funds available to subsidiaries involved, including cash, bank deposits, 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 currencies, primarily with respect to the HK dollar and US dollar. Foreign exchange risk arises when future commercial transactions and recognized 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 2020, the Group had a total of 7,976 employees (30 June 2019: a total of 8,124 employees). The Group will continue the upgrade of its technical talent base, foster and recruit technical and management personnel possessed with extensive professional experiences, optimize the distribution system that links with the remuneration 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 2020, so far as the Directors are aware, the following persons (not being a director, chief executive or supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance ("SFO"):

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

Name of shareholders	Number of shares	Stock category	Status	*Note*	Percentage of total issued domestic shares *(%)*	Percentage of total issued H shares *(%)*	Percentage of total issued shares *(%)*
Chongqing Machinery and Electronic Holding (Group) Co., Ltd.	1,924,225,189	Domestic shares	Beneficial owner	(1)	74.46*(L)*	–	52.22
	92,670,000	H shares	Beneficial owner	(1)	–	8.42*(L)*	2.52
Chongqing Yufu Capital Operation 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
	92,670,000	H shares	Beneficial owner	(1)	–	8.42*(L)*	2.52
Ministry of Finance of the PRC	195,962,467	Domestic shares	Controlled corporation interest	(3)	7.58*(L)*	–	5.32

(L) Long Position

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

Name of shareholders	Number of 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:

(1) As Chongqing Machinery and Electronics Holding (Group) Co., Ltd. and Chongqing Yufu Capital Operation 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 92,670,000 H shares as well as 232,132,514 domestic shares of the Company held by the two companies respectively.

(2) Chongqing Construction Engineering Group Corporation Limited is held as to 76.53% by Chongqing State-owned Assets Supervision and Administration Commission through its whollyowned Chongqing Construction Investment Holding Co., Ltd. Therefore, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 232,132,514 domestic shares of the Company held by Chongqing Construction Engineering Group Corporation Limited.

(3) China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司) is held as to 63.36% directly by the Ministry of Finance of the People's Republic of China and as to 4.22% indirectly by the Ministry of Finance of the People's Republic of China through China Life Insurance (Group) Company, its wholly-owned subsidiary. Therefore, the Ministry of Finance of the People's Republic of China is deemed to be interested in 195,962,467 domestic shares of the Company held by China Huarong Asset Management Co., Ltd.

(4) The Bank of New York Mellon Corporation holds 100% interest in The Bank of New York Mellon (formerly known as "The Bank of New York"), which holds 87,276,000 H shares of the Company. The interest in 87,276,000 H shares relates to the same block of shares in the Company and includes a lending pool of 87,276,000 H shares of the Company.

Save as disclosed above, the Directors of the Company are not aware of any persons holding any interests or short positions in the shares or underlying shares which were required to be recorded in the register pursuant to Section 336 of the SFO as at 30 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has complied with and adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. The Company has obtained the respective confirmations by all of its directors that they have strictly complied with the provisions set out in the Model Code for the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividends.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE

As at the date of this report, the executive Directors of the Company are Mr. Zhang Fulun, 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.

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

The interim results announcement has been published on the websites of the Company (http://www.chinacqme.com) and the Stock Exchange. The interim report will also be available on the websites of the Company and the Stock Exchange on or around 11 September 2020 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.*
Zhang Fulun
Executive Director and Chairman

Chongqing, the PRC
26 August 2020

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

*	*For identification purposes only*