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

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

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**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 2021 amounted to approximately RMB3,780.0 million, representing an increase of approximately 37.0% from the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2021 amounted to approximately RMB793.5 million, representing an increase of approximately 43.4% from the corresponding period of last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2021 amounted to approximately RMB138.4 million, representing an increase of approximately 27.7% from the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2021 amounted to approximately RMB0.04.

The board of directors (the “Board”) of the Company is pleased to announce the interim results of the Group for the six months ended 30 June 2021 (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 2021

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

Unit: RMB

Items	Notes	For the six months ended 30 June	
		2021	2020
<b>1. Total operating revenue</b>	V.1	<b>3,779,990,046.70</b>	2,758,285,266.75
Including: Operating revenue		<b>3,752,294,799.98</b>	2,734,732,446.36
Interest income		<b>27,686,917.89</b>	23,392,737.48
Transaction fee and commission income		<b>8,328.83</b>	160,082.91
<b>2. Total operating cost</b>		<b>3,734,966,382.75</b>	2,818,925,671.54
Including: Operating cost	V.1	<b>2,982,129,693.14</b>	2,201,166,381.08
Interest expenses	V.1	<b>4,235,054.63</b>	3,857,195.46
Transaction cost and commission fees	V.1	<b>137,615.10</b>	92,678.40
Business taxes and surcharges		<b>27,304,383.89</b>	22,275,046.55
Selling and distribution expenses		<b>165,254,650.65</b>	129,637,962.19
Administrative expenses		<b>316,696,179.45</b>	269,919,869.47
Research and development expenses		<b>195,570,527.96</b>	138,162,539.50
Financial expenses		<b>43,638,277.93</b>	53,813,998.89
Including: Interest expenses		<b>43,119,839.38</b>	68,532,652.99
Interest income		<b>9,859,658.25</b>	18,716,139.28
Add: Other income	V.2	<b>33,878,532.41</b>	38,682,860.31
Investment income (Loss listed with “-”)	V.3	<b>169,685,043.25</b>	168,218,313.21
Including: Income from investments in associates and joint ventures	V.4	<b>168,623,374.85</b>	167,098,200.47
Income from change in fair value (the loss is indicated as “-”)		<b>469,411.15</b>	(19,856.97)
Credit impairment loss (the loss is listed as “-”)		<b>(83,686,903.19)</b>	(304,567.97)
Asset impairment loss (loss is listed in “-”)		<b>(1,744,938.80)</b>	(15,129,662.29)
Income from asset disposal (the loss is listed as “-”)	V.5	<b>926,599.75</b>	10,496,278.63
<b>3. Operating profit (Loss listed with “-”)</b>		<b>164,551,408.52</b>	141,302,960.13
Add: Non-operating income	V.6	<b>9,974,712.76</b>	6,073,169.81
Less: Non-operating expenses		<b>4,407,360.24</b>	4,671,622.35
<b>4. Total profit (Total loss listed with “-”)</b>		<b>170,118,761.04</b>	142,704,507.59
Less: Income tax expenses	V.7	<b>16,294,357.02</b>	19,610,128.84

Items	Notes	For the six months ended 30 June	
		2021	2020
<b>5. Net profit (Net loss listed with “-”)</b>		<b>153,824,404.02</b>	123,094,378.75
<b>(1) Classification by continuing or discontinued operation</b>		<b>153,824,404.02</b>	123,094,378.75
1. Net profit attributable to continuing operation (Net loss listed with “-”)		<b>153,824,404.02</b>	123,094,378.75
2. Net profit attributable to discontinued operation (Net loss listed with “-”)		–	–
<b>(2) Classification by ownership</b>		<b>153,824,404.02</b>	123,094,378.75
1. Net profit attributable to shareholders of the controlling company		<b>138,391,342.55</b>	108,398,388.95
2. Net profit attributable to non-controlling interests		<b>15,433,061.47</b>	14,695,989.80
<b>6. Net other comprehensive income after tax</b>		<b>63,601,495.33</b>	8,329,418.98
Net other comprehensive income after tax attributable to shareholders of the Company		<b>64,409,493.43</b>	8,329,418.98
<b>(1). Other comprehensive incomes that cannot be reclassified into profit or loss</b>		<b>62,259,026.94</b>	–
(1) Changes from recalculation of defined benefit plan		–	–
(2) Transfer changes of defined benefit plan to retained earnings		–	–
(3) Changes in fair value of other equity instrument investments		<b>62,259,026.94</b>	–
<b>(2). Other comprehensive income that can be reclassified into profit or loss</b>		<b>2,150,466.49</b>	8,329,418.98
1. Profit and loss for changes in the fair value of the available-for-sale financial assets		–	–
2. Effective part of cash flow hedging		<b>(2,299,686.90)</b>	–
3. Effective portion of net investment hedging gains and losses		–	3,220,037.26
4. Translation differences of financial statements in foreign currencies		<b>4,450,153.39</b>	5,109,381.72
Net other comprehensive income after tax attributable to non-controlling interests		<b>(807,998.10)</b>	–
<b>7. Total comprehensive income</b>		<b>217,425,899.35</b>	131,423,797.73
1. Total comprehensive income attributable to shareholders of the Company		<b>202,800,835.98</b>	116,727,807.93
2. Total comprehensive income attributable to non-controlling interests		<b>14,625,063.37</b>	14,695,989.80
<b>8. Earnings per share</b>	VI.2		
1. Basic earnings per share		<b>0.04</b>	0.03
2. Diluted earnings per share		<b>0.04</b>	0.03

## CONSOLIDATED BALANCE SHEET

As at 30 June 2021

Items	Notes	30 June 2021	31 December 2020
<b>Current assets</b>			
Cash and cash equivalents	V.8	1,828,633,424.97	1,737,526,602.70
Financial assets held for trade		1,307,085.05	219,242.46
Buy and resale financial assets		30,000,000.00	–
Notes receivable		264,945,968.03	508,675,368.55
Accounts receivable		2,941,952,272.42	2,623,772,992.86
Receivable financing		549,148,503.07	977,468,569.47
Prepayments		235,543,079.91	218,888,089.37
Other receivables		1,062,187,214.85	1,098,972,212.13
Including: Interest receivable		–	–
Dividends receivable		401,404,419.27	482,280,138.64
Loans and advances to customers		977,026,291.28	898,672,611.56
Inventories		2,271,474,532.55	2,292,719,154.54
Contract assets		307,097,050.82	323,250,213.57
Non-current assets due within one year		17,400,000.00	17,400,000.00
Other current assets		54,768,545.36	40,755,760.73
<b>Total current assets</b>		<b>10,541,483,968.31</b>	<b>10,738,320,817.94</b>
<b>Non-current assets</b>			
Loans and advances to customers		17,571,849.75	60,527,271.21
Long-term receivables		69,600,000.00	78,300,000.00
Long-term equity investments		1,234,163,092.84	1,103,316,449.72
Other equity instruments investment		135,326,056.80	52,314,020.88
Investment properties		175,405,402.38	55,555,414.08
Property, plant and equipment		2,613,600,380.73	2,753,799,792.80
Construction in progress		163,816,336.88	204,123,781.19
Right-to-use assets		277,840,791.22	296,486,965.36
Intangible assets		579,138,947.26	590,314,813.12
Development expenditures		402,080.18	6,305,952.44
Goodwill		143,312,435.00	143,312,435.00
Long-term deferred expenses		132,778,248.80	162,541,861.93
Deferred tax assets		121,669,276.00	117,185,785.25
Other non-current assets		253,265,875.14	261,820,859.07
<b>Total non-current assets</b>		<b>5,917,890,772.98</b>	<b>5,885,905,402.05</b>
<b>Total assets</b>		<b>16,459,374,741.29</b>	<b>16,624,226,219.99</b>

Items	<i>Notes</i>	30 June 2021	31 December 2020
<b>Current liabilities</b>			
Short-term loans		756,930,111.66	802,345,391.39
Due to customers, banks and other financial institutions		619,372,607.59	826,570,999.28
Notes payable		1,020,101,169.43	1,015,895,479.13
Accounts payable		2,036,067,031.41	1,785,659,572.44
Contract liabilities		794,900,439.19	1,250,324,181.63
Employee benefits payables		96,606,052.01	90,077,883.60
Taxes and levies payables		175,296,338.36	222,132,567.45
Other payables		427,023,132.74	424,586,757.63
Including: the interest payable		-	-
Dividends payable		37,336,140.30	32,120,215.21
Non-current liabilities due within one year		874,997,451.06	586,277,882.55
Other current liabilities		72,032,638.33	90,095,305.15
<b>Total current liabilities</b>		<b><u>6,873,326,971.78</u></b>	<b><u>7,093,966,020.25</u></b>
<b>Non-current liabilities</b>			
Long-term loans		1,482,349,367.11	1,600,546,574.35
Lease liabilities		1,303,295.03	37,690,483.75
Long-term payables		2,530,486.14	3,068,589.72
Long-term employee benefits payable		6,276,000.00	6,276,000.00
Provisions		44,735,792.64	22,916,284.17
Deferred revenue		252,919,560.17	282,456,486.60
Deferred tax liabilities		113,709,313.86	101,553,480.94
<b>Total non-current liabilities</b>		<b><u>1,903,823,814.95</u></b>	<b><u>2,054,507,899.53</u></b>
<b>Total liabilities</b>		<b><u>8,777,150,786.73</u></b>	<b><u>9,148,473,919.78</u></b>
<b>Shareholder's equity</b>			
Share capital		3,684,640,154.00	3,684,640,154.00
Capital reserves		67,751,944.29	67,546,968.20
Other comprehensive income		100,467,989.97	36,058,496.54
Surplus reserves		406,895,352.07	406,895,352.07
Retained profits		2,965,097,853.64	2,826,706,511.09
<b>Total equity attributable to shareholders of the Company</b>		<b><u>7,224,853,293.97</u></b>	<b><u>7,021,847,481.90</u></b>
<b>Non-controlling interests</b>		<b><u>457,370,660.59</u></b>	<b><u>453,904,818.31</u></b>
<b>Total shareholder's equity</b>		<b><u>7,682,223,954.56</u></b>	<b><u>7,475,752,300.21</u></b>
<b>Total liabilities and shareholder's equity</b>		<b><u>16,459,374,741.29</u></b>	<b><u>16,624,226,219.99</u></b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2021

From January-June, 2021

Items	Due to the shareholder interests of the parent company												
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
<b>I. Balance of 31 December 2020</b>	3,684,640,154.00	-	-	-	67,546,968.20	-	36,058,496.54	-	406,895,352.07	-	2,826,706,511.09	453,904,818.31	7,475,752,300.21
Plus: Accounting policy change	-	-	-	-	-	-	-	-	-	-	-	-	-
Early-stage error correction	-	-	-	-	-	-	-	-	-	-	-	-	-
Business consolidation under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance of January 1, 2021</b>	<b>3,684,640,154.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,546,968.20</b>	<b>-</b>	<b>36,058,496.54</b>	<b>-</b>	<b>406,895,352.07</b>	<b>-</b>	<b>2,826,706,511.09</b>	<b>453,904,818.31</b>	<b>7,475,752,300.21</b>
<b>III. Increase or decrease in this year (decrease is included in "+")</b>													
(1) Total comprehensive income	-	-	-	-	204,976.09	-	64,409,493.43	-	-	-	138,391,342.55	3,465,842.28	206,471,654.35
(2) Shareholders shall invest and reduce their capital	-	-	-	-	-	-	64,409,493.43	-	-	-	138,391,342.55	14,625,063.37	217,425,899.35
Common shares invested by													
1. shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. other equity tool holders invest capital	-	-	-	-	204,976.09	-	-	-	-	-	-	330,000.00	534,976.09
3. share payment included in the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	204,976.09	-	-	-	-	-	-	-	204,976.09
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
1. withdrew the surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
2. extracts the employee reward and welfare fund	-	-	-	-	-	-	-	-	-	-	-	-	-
3. distribution to the shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-over of shareholders' interests	-	-	-	-	-	-	-	-	-	-	-	-	-
1. capital reserves are converted into share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. surplus reserves into share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. surplus reserves cover the losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. other comprehensive proceeds are carried forward over retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. is extracted this year	-	-	-	-	-	-	-	-	-	-	-	-	-
2. is used this year	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance of June 30, 2021</b>	<b>3,684,640,154.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,751,944.29</b>	<b>-</b>	<b>100,467,989.97</b>	<b>-</b>	<b>406,895,352.07</b>	<b>-</b>	<b>2,965,097,853.64</b>	<b>457,370,660.59</b>	<b>7,682,223,954.56</b>

For the year 2020

Items	Due to the shareholder interests of the parent company												
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
<b>I. Balance of 31 December 2019</b>	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
Plus: Accounting policy change	-	-	-	-	-	-	-	-	-	-	-	-	-
Early-stage error correction	-	-	-	-	-	-	-	-	-	-	-	-	-
Business consolidation under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance of January 1, 2020</b>	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
<b>III. Amount of increase or decrease in this year (reduction is filled in with "-")</b>	-	-	-	-	17,235,000.00	-	14,543,855.99	-	42,231,981.11	-	103,415,644.22	9,235,646.16	186,662,127.48
(1) Total comprehensive income	-	-	-	-	-	-	14,543,855.99	-	-	-	182,967,706.60	35,313,554.98	232,825,117.57
(2) Shareholders shall invest and reduce their capital	-	-	-	-	17,235,000.00	-	-	-	-	-	-	(128,478.22)	17,106,521.78
Common shares invested by	-	-	-	-	-	-	-	-	-	-	-	6,870,000.00	6,870,000.00
1. shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. other equity tool holders invest capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. share payment included in the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	17,235,000.00	-	-	-	-	-	-	(6,998,478.22)	10,236,521.78
(3) Profit distribution	-	-	-	-	-	-	-	-	42,231,981.11	-	(79,552,062.38)	(25,949,430.60)	(63,269,511.87)
1. withdrew the surplus reserves	-	-	-	-	-	-	-	-	42,231,981.11	-	(42,231,981.11)	-	-
2. extracts the employee reward and welfare fund	-	-	-	-	-	-	-	-	-	-	-	-	-
3. distribution to the shareholders	-	-	-	-	-	-	-	-	-	-	(473,679.73)	-	(473,679.73)
4. Other	-	-	-	-	-	-	-	-	-	-	(36,846,401.54)	(25,949,430.60)	(62,795,832.14)
(4) Internal carry-over of shareholders' interests	-	-	-	-	-	-	-	-	-	-	-	-	-
1. capital reserves are converted into share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. surplus reserves into share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. surplus reserves cover the losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. other comprehensive proceeds are carried forward over retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. is extracted this year	-	-	-	-	-	-	-	-	-	-	-	-	-
2. is used this year	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance of 31 December 2020</b>	3,684,640,154.00	-	-	-	67,546,968.20	-	36,058,496.54	-	406,895,352.07	-	2,826,706,511.09	453,904,818.31	7,475,752,300.21

## CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2021

Items	Notes	For the six months ended 30 June	
		2021	2020
<b>I. Cash flow generated from operating activities:</b>			
Cash received from sales of goods and rendering of labor services		3,175,294,820.13	2,596,387,497.52
Net increase in customer deposits and inter-bank deposits		(208,619,567.75)	(343,859,464.84)
Cash received from interest, transaction fees, and commissions		29,324,447.29	24,030,538.97
Net increase in repurchase of funds in business		–	(49,949,000.00)
Return of the taxes and fees received		10,732,958.07	17,524,352.65
Cash received relating to other operating activities		511,640,865.80	316,753,712.83
<b>Subtotal of cash inflows from operating activities</b>		<b>3,518,373,523.54</b>	<b>2,560,887,637.13</b>
Cash paid for purchasing goods and labor services		2,352,204,327.74	1,996,081,061.83
Net increase in customer loans and advances		36,289,122.75	(186,539,091.44)
Net increase in deposit of central banks and interbank payment		(7,175,769.43)	34,456,457.78
Cash paid for interest, transaction fees, and commissions		5,793,845.79	3,803,767.73
Cash paid to and on behalf of the employees		546,267,560.54	446,349,257.04
Payment of taxes and surcharge		187,371,463.05	129,346,362.00
Cash paid relating to operating activities		526,083,528.65	291,757,369.13
<b>Subtotal of cash outflows from operating activities</b>		<b>3,646,834,079.09</b>	<b>2,715,255,184.07</b>
<b>Net cash flows generated from operating activities</b>		<b>(128,460,555.55)</b>	<b>(154,367,546.94)</b>
<b>II. Cash flow generated from investment activities:</b>			
Return of the cash received from the investment		229,700,000.00	–
Cash received from the investment income		120,527,262.39	100,053,655.97
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		16,445,504.98	41,566,227.20
Cash received relating to other investment activities		–	9,800,000.00
<b>Subtotal of cash inflows from investment activities</b>		<b>366,672,767.37</b>	<b>151,419,883.17</b>

Items	Notes	For the six months ended 30 June	
		2021	2020
Cash paid to acquire fixed assets, intangible assets and other long-term assets		25,227,473.40	49,891,307.59
Cash paid for investments		212,000,000.00	154,000,000.00
Cash paid relating to other investment activities		3,207,518.74	361,187,463.73
<b>Subtotal of cash outflows from investment activities</b>		<b>240,434,992.14</b>	<b>565,078,771.32</b>
<b>Net cash flows generated from investment activities</b>		<b>126,237,775.23</b>	<b>(413,658,888.15)</b>
<b>III. Cash flow generated from financing activities:</b>			
Cash received from investments		330,000.00	371,700.00
Including: Cash received by subsidiaries from investment of non-controlling interests		330,000.00	371,700.00
Cash received from loan granted		1,024,102,431.07	1,274,205,425.00
Cash received relating to other financing activities		–	26,801,199.53
<b>Subtotal of cash inflows from financing activities</b>		<b>1,024,432,431.07</b>	<b>1,301,378,324.53</b>
Cash paid for repayment of borrowings		922,715,545.00	571,212,762.78
Cash paid for dividends, profits or the payment of interest		45,612,993.92	72,996,667.63
Including: dividends and profits paid to non-controlling interests by subsidiary		5,746,345.00	4,752,225.00
Cash paid relating to financing activities		38,932,318.64	255,927,309.71
<b>Subtotal of cash outflows from financing activities</b>		<b>1,007,260,857.56</b>	<b>900,136,740.12</b>
<b>Net cash flows generated from financing activities</b>		<b>17,171,573.51</b>	<b>401,241,584.41</b>
<b>IV. Effects of changes in exchange rate on cash and cash equivalents</b>		<b>(1,457,731.16)</b>	<b>(1,943,967.50)</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>13,491,062.03</b>	<b>(168,728,818.18)</b>
Add: opening balance of cash and cash equivalents		1,327,289,120.69	1,537,567,094.59
<b>VI. Balance of cash and cash equivalents at the end of this period</b>		<b>1,340,780,182.72</b>	<b>1,368,838,276.41</b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2021*

### 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 2021, 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 2021.

### 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 difference between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognized as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

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

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

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

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

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

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

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price confirmed by the Group does not exceed the amount that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. An entity shall recognize a refund liability if the entity expects to refund some or all of the consideration to the customer which is not included in the transaction price. Where there is significant financing component in the contract, the Group shall determine the transaction price on the basis of the amount payable in cash when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest rate method during the contract period. The Group shall not take into account the existence of a significant financing component in the contract if the Group expects, at contract inception, that the period between when the customer acquires the control of a promised good or service and when the customer pays for that good or service will be one year or less. 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
<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)	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
<b>Profit tax in Hong Kong</b>	–	16.5%
<b>Profit tax for other regions/countries</b>	–	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 (The State Taxation Administration announcement No.23, 2020), 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 January 1, 2021 to December 31, 2030, is still eligible to enjoy 15% preferential enterprise income tax rate from 2012 to 2030.
- (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. GR202051101683), Jilin Chongtong Chengfei New Material Co., Ltd. (certificate of high-tech enterprises No. GF201822000332), Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd. (certificate of high-tech enterprises No. GR202051100767), 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. GR201951100978), Chongqing Tool Factory Co., Ltd. (certificate of high-tech enterprises No. GR201851100136), Chongqing ChongTong Turbine Technology Co., Ltd (certificate of high-tech enterprises No. GR201951101411), Chongqing Sino-Germany Smart Factory Solutions Co., Ltd.(certificate of high-tech enterprises No. GR201951101134), Chongqing No.2 Machine Tool Works Co., Ltd. (certificate of high-tech enterprises No. GR201851100136), Chongqing turbine works Co., Ltd. (certificate of high-tech enterprises No. GR202051101602)

- (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	January-June, 2021		January-June, 2020	
	Revenue	Cost	Revenue	Cost
Main operations	3,707,262,855.47	2,960,548,564.53	2,708,623,111.82	2,185,191,643.89
Other operations	45,031,944.51	21,581,128.61	26,109,334.54	15,974,737.19
Interest income	27,686,917.89	4,235,054.63	23,392,737.48	3,857,195.46
Transaction fees and commission income	8,328.83	137,615.10	160,082.91	92,678.40
Total	<u>3,779,990,046.70</u>	<u>2,986,502,362.87</u>	<u>2,758,285,266.75</u>	<u>2,205,116,254.94</u>

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

#### (2) Income from contracts

Classification of contract	High-end intelligent equipment business	Clean energy equipment business	Industrial service business	Total
<b>Classified by region</b>	<b>849,668,866.60</b>	<b>2,899,039,041.50</b>	<b>3,586,891.88</b>	<b>3,752,294,799.98</b>
Including: Mainland of China	796,812,873.99	2,870,553,331.28	3,586,891.88	3,670,953,097.15
Other region	52,855,992.61	28,485,710.22	–	81,341,702.83
<b>Types of contracts</b>	<b>849,668,866.60</b>	<b>2,899,039,041.50</b>	<b>3,586,891.88</b>	<b>3,752,294,799.98</b>
Including: Equipment sales contract	640,490,544.63	1,918,718,328.18	–	2,559,208,872.81
Service contract	38,311,239.37	45,518,596.88	1,590,323.00	85,420,159.25
Materials sales contract	170,867,082.60	934,802,116.44	1,996,568.88	1,107,665,767.92
<b>Classified by time of revenue recognition</b>	<b>849,668,866.60</b>	<b>2,899,039,041.50</b>	<b>3,586,891.88</b>	<b>3,752,294,799.98</b>
Including: Recognizes revenue at a point in time	849,668,866.60	2,899,039,041.50	2,488,769.17	3,751,196,677.27
Recognizes revenue within a period of time	–	–	1,098,122.71	1,098,122.71
<b>Classified by sales channel</b>	<b>849,668,866.60</b>	<b>2,899,039,041.50</b>	<b>3,586,891.88</b>	<b>3,752,294,799.98</b>
Including: Direct sales	796,755,462.50	2,554,136,446.13	3,586,891.88	3,354,478,800.51
Distribution	52,913,404.10	344,739,319.12	–	397,652,723.22
Internet sales	–	163,276.25	–	163,276.25

### (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 on June 30, 2021 but have not been fulfilled or not yet fulfilled is RMB3,581,140,509.20 (of which the revenue corresponding to the performance obligations that have been signed but not yet fulfilled is RMB3,005,854,369.38 and the signed but not yet fulfilled is RMB575,286,139.82).

## 2. Other income

Items	January-June, 2021	January-June, 2020
Asset-related subsidies transferred from deferred income	9,764,450.85	—
Relocation grants	7,712,012.79	7,788,387.59
Industry and informationization Funds	3,756,500.00	3,420,000.00
Various kinds of rewards relating to business operation	2,660,000.00	—
Tax returns	2,000,000.00	124,462.35
Research and project subsidies	7,760,000.00	—
Employment grants	90,796.00	16,688,542.60
Intelligent manufacturing projects grants	—	1,497,549.12
Other projects grants	—	8,195,987.36
Innovation Incentive Support in Jiangjin District	—	500,000.00
Innovative development project grants	—	262,500.00
Others	134,772.77	205,431.29
<b>Total</b>	<b>33,878,532.41</b>	<b>38,682,860.31</b>

### 3. Investment Income

Items	January-June, 2021	January-June, 2020
Investment income from long-term equity investments under equity method	168,623,374.85	167,098,200.47
Investment income from holding capital preservation financial products	–	2,870,000.00
Investment income arising from net investment hedging in overseas	–	(3,220,037.26)
Dividend income from other equity instrument investments during the period of holding	735,467.70	1,470,150.00
Investment income from the disposal of trading financial assets	321,282.67	–
Interest income from the debt investment during the period of holding	4,918.03	–
<b>Total</b>	<b>169,685,043.25</b>	<b>168,218,313.21</b>

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

Item	January-June, 2021	January-June, 2020
Financial assets at fair value through profit or loss	469,411.15	(19,856.97)
<b>Total</b>	<b>469,411.15</b>	<b>(19,856.97)</b>

### 5. Gains on Disposals of Assets

Items	January-June, 2021	January-June, 2020	Amount recorded in extraordinary profit and loss
Gains on disposals of non-current assets which are not classified as held for sale	926,599.75	10,496,278.63	926,599.75
Including: Gains on disposals of PP&E	926,599.75	10,496,278.63	926,599.75
<b>Total</b>	<b>926,599.75</b>	<b>10,496,278.63</b>	<b>926,599.75</b>

## 6. Non-operating income

Items	January-June, 2021	January-June, 2020	Amount recorded in extraordinary profit and loss
Penalty incomes, default fine and compensation	<b>1,099,846.53</b>	1,617,032.72	1,099,846.53
Unpayable payables	<b>3,822,182.39</b>	2,980,862.12	3,822,182.39
Income from damage and scrapping of non-current assets	<b>4,445,317.93</b>	–	4,445,317.93
Others	<b><u>607,365.91</u></b>	<u>1,475,274.97</u>	<u>607,365.91</u>
<b>Total</b>	<b><u><u>9,974,712.76</u></u></b>	<u><u>6,073,169.81</u></u>	<u><u>9,974,712.76</u></u>

## 7. Income Tax Expense

Items	January-June, 2021	January-June, 2020
Current income tax calculated according to tax law and provision	<b>28,826,608.83</b>	19,503,996.61
Deferred income tax	<b><u>(12,532,251.81)</u></b>	<u>106,132.23</u>
<b>Total</b>	<b><u><u>16,294,357.02</u></u></b>	<u><u>19,610,128.84</u></u>

## 8. Cash and Cash Equivalents

Items	30 June 2021	31 Dec 2020
Cash in hand	521,195.40	238,170.58
Cash at bank	1,430,079,051.31	1,392,997,944.11
Other cash equivalents	390,926,857.45	338,992,966.66
Accrued interest	7,106,320.81	5,297,521.35
	<hr/>	<hr/>
Total	1,828,633,424.97	1,737,526,602.70
Including: cash deposited abroad	83,299,559.66	39,208,169.98
	<hr/> <hr/>	<hr/> <hr/>

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

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

Items	30 June 2021
Deposits for bank acceptance bills	156,467,176.66
Deposits for letters of credit	8,038,286.26
Guarantee deposit	110,320,873.35
Statutory reserve	110,389,749.71
Pledge of Deposits	94,330,835.46
Judicial freezing	1,200,000.00
	<hr/>
Total	480,746,921.44
	<hr/> <hr/>

## 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:

<b>Items</b>	<b>January-June, 2021</b>
Gains and losses from disposal of non-current assets	926,599.75
Government grants included in the profit or loss for the period	33,827,820.42
Fund occupation fees collected from non-financial enterprises included in the current profits and losses	958,916.66
Employee resettlement compensation	(14,382,397.93)
Impairment reversal of receivables that were individually tested for impairment	1,855,571.00
Investment income generated during the holding period of financial assets	735,467.70
Profit and loss from changes in fair value of trading financial assets	795,611.85
Other non-operating income and expenses apart from the above	<u>5,567,352.52</u>
<b>Sub-total</b>	<u>30,284,941.97</u>
Impact on income tax	4,542,741.30
Impact on non-controlling interest (after tax)	<u>308,168.18</u>
<b>Total</b>	<u><u>25,434,032.49</u></u>

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

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

Profit for the reporting Period	Amount	Weighted average return on equity attributable to parent company (%)	Earnings per share	
			Basic earnings per share	Diluted earnings per share
Net profit attributable to the shareholders of the Company	138,391,342.55	–	–	–
Amount of weighted average net assets attributable to the parent company	7,091,043,153.18	1.95	–	–
Number of common shares outstanding	3,684,640,154.00	–	0.04	0.04
Amount of non-recurring profit or loss attributable to the parent company	25,434,032.49	–	–	–
Net profit attributable to the shareholders of the Company (excluding: extraordinary profit and loss)	<u>112,957,310.06</u>	<u>1.60</u>	<u>–</u>	<u>–</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Sales

For the six months ended 30 June 2021, the Group's total revenue amounted to approximately RMB3,780.0 million, an increase of approximately 37.0% as compared with approximately RMB2,758.3 million for the same period of last year.

In general, revenue of the clean energy equipment segment was approximately RMB2,899.4 million (accounting for approximately 76.7% of the total revenue), representing an increase of approximately 46.4%; revenue of the high-end smart manufacturing segment was approximately RMB849.7 million (accounting for approximately 22.5% of the total revenue), representing an increase of approximately 14.9%; revenue of the industrial service segment was approximately RMB30.3 million (accounting for approximately 0.8% of the total revenue), representing a decrease of approximately 18.5%.

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, system solutions such as intelligent management software, platform software, and industrial internet have been recognized by users and achieved comparatively good growth. The decline in revenue in the industrial services segment was mainly due to the change of business model in centralized procurement, scale reduction and the postponement of some projects in industrial empowerment business to the second half of the year, 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 2021 will 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 2021 since the publication of the Group's annual report for the year ended 31 December 2020.

### Gross Profit

The gross profit for the six months ended 30 June 2021 was approximately RMB793.5 million, showing a significant increase of approximately RMB240.3 million or approximately 43.4% as compared with approximately RMB553.2 million for the same period of last year, which was mainly due to the increase in sales of wind power blades business and the increase in gross profit margin of the smart machine tools business. The Group's gross profit is expected to remain stable in the second half of 2021.

## **Gain on Disposal of Assets**

Gain on disposal of assets for the six months ended 30 June 2021 was approximately RMB0.9 million, showing a significant decrease of approximately RMB9.6 million or 91.2% as compared with approximately RMB10.5 million for the same period of last year, which was mainly attributable to the fact that there was no disposal of significant assets during the Period. Details are set out in Note V.5 to the condensed consolidated interim financial information.

## **Other Income**

Other income for the six months ended 30 June 2021 was approximately RMB33.9 million, showing a decrease of approximately RMB4.8 million or approximately 12.4% as compared with approximately RMB38.7 million for the same period of last year. Details are set out in Note V.2 to the condensed consolidated interim financial information.

## **Selling and Administrative Expenses**

The selling and administrative expenses for the six months ended 30 June 2021 were approximately RMB482.0 million, showing an increase of approximately RMB82.4 million or approximately 20.6% as compared with approximately RMB399.6 million for the same period of last year. The ratio of selling and administrative expenses to sales decreased from approximately 14.5% in the same period last year to approximately 12.8%. The selling expenses increased by approximately RMB35.6 million as compared with the same period last year, which was mainly attributable to the increase of approximately RMB50.5 million of labour costs and the “3-Aspect-Warranty” fees due to the rising of sales scale and the withdrawal of social security reduction policies during the pandemic, the newly addition of onshore wind power blades property insurance premium of approximately RMB15.9 million, and the reclassification of transportation expense to the operating costs which resulted in a decrease of the selling expenses of approximately RMB29.9 million for the Period. The administrative expenses also increased by approximately RMB46.8 million as compared with the same period last year, which was mainly attributable to a significant increase of labour cost of approximately RMB44.7 million due to the increase of revenue from wind power blades and industrial pump businesses and the withdrawal of social security reduction policies during the pandemic.

## **Operating Profit**

The operating profit for the six months ended 30 June 2021 was approximately RMB164.6 million, showing an increase of approximately RMB23.3 million or approximately 16.5% as compared with approximately RMB141.3 million for the same period of last year.

## **Net Finance Costs**

The net interest expenses for the six months ended 30 June 2021 was approximately RMB43.6 million, representing a significant decrease of approximately RMB10.2 million or approximately 18.9% as compared to approximately RMB53.8 million for the same period of last year, which was mainly due to the decrease in interest rate and the interest-bearing liability limit for the Period.

## **Investment Income**

For the six months ended 30 June 2021, the Group's investment income was approximately RMB169.7 million, representing an increase of approximately RMB1.5 million or 0.9% as compared with approximately RMB168.2 million for the same period of last year. This is due to the increase of approximately RMB4.5 million and RMB6.8 million respectively in performance of automobile transmission and braking business. Conversely, the revenue of performance of the high-horse power diesel engine business was approximately RMB132.0 million, representing a slight decrease of approximately RMB8.6 million as compared with the same period last year, which was mainly due to the increase in investment in research and development. Details are set out in Note V.3 to the condensed consolidated interim financial information.

## **Income Tax Expenses**

The income tax expenses for the six months ended 30 June 2021 were approximately RMB16.3 million, representing a decrease of approximately RMB3.3 million or approximately 16.9% as compared with approximately RMB19.6 million for the same period of last year, which was mainly due to the changes in deferred income tax during the Period. Details are set out in Note V.7 to the condensed consolidated interim financial information.

## **Profit Attributable to Shareholders**

Profit attributable to shareholders for the Period was approximately RMB138.4 million, representing an increase of approximately RMB30.0 million or approximately 27.7% as compared with approximately RMB108.4 million for the same period of last year. Earnings per share increased from approximately RMB0.03 in the same period last year to approximately RMB0.04 in the Period.

## BUSINESS PERFORMANCE

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

	Revenue		Gross Profit		Segment Results	
	Period ended		Period ended		Period ended	
	30 June		30 June		30 June	
	2021	2020	2021	2020	2021	2020
	<i>(RMB in millions, except for percentage)</i>					
<b>Clean energy equipment business</b>						
Hydropower equipment	150.4	105.4	30.3	11.4	(11.6)	(28.8)
Electrical wires and cables	914.9	545.2	106.4	90.3	46.3	42.4
General machinery	1,374.7	911.6	319.4	145.2	15.3	(9.8)
Other products	459.4	418.8	164.7	152.1	28.9	49.9
Total	<u>2,899.4</u>	<u>1,981.0</u>	<u>620.8</u>	<u>399.0</u>	<u>78.9</u>	<u>53.7</u>
% of total	76.7%	71.8%	78.2%	72.1%	47.9%	38.0%
<b>High-end smart manufacturing business</b>						
CNC machine tools	368.9	345.3	67.6	59.9	(86.5)	(85.6)
Steering systems	246.6	215.7	35.2	40.7	7.7	12.8
Other products	234.2	178.5	45.2	32.9	14.2	9.1
Total	<u>849.7</u>	<u>739.5</u>	<u>148.0</u>	<u>133.5</u>	<u>(64.6)</u>	<u>(63.7)</u>
% of total	22.5%	26.8%	18.7%	24.1%	(39.2)%	(45.1)%
<b>Industrial services business</b>						
Trade	1.6	13.6	0.1	0.5	(9.4)	(6.2)
Financial	27.7	23.6	23.3	19.6	16.9	18.1
Other services	1.0	–	0.7	–	(4.0)	(3.1)
Total	<u>30.3</u>	<u>37.2</u>	<u>24.1</u>	<u>20.1</u>	<u>3.5</u>	<u>8.8</u>
% of total	0.8%	1.4%	3.0%	3.7%	2.1%	6.3%
<b>Headquarters</b>						
Total	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>146.8</u>	<u>142.5</u>
% of total	–%	–%	0.1%	0.1%	89.2%	100.8%
Total	<u>3,780.0</u>	<u>2,758.3</u>	<u>793.5</u>	<u>553.2</u>	<u>164.6</u>	<u>141.3</u>

## **CLEAN ENERGY EQUIPMENT**

Revenue from the clean energy equipment segment for the six months ended 30 June 2021 was approximately RMB2,899.4 million, showing an increase of approximately RMB918.4 million or approximately 46.4% as compared with approximately RMB1,981.0 million for the six months ended 30 June 2020, which was primarily due to a significant increase in orders for the wind power blades business and the growth in the wire and cable business.

During the Period, the gross profit for the clean energy equipment segment was approximately RMB620.8 million, showing an increase of approximately RMB221.8 million or approximately 55.6% as compared with approximately RMB399.0 million for the six months ended 30 June 2020, which was primarily due to the increase in revenue from wind power blades business and the adjustment of other products structure.

The profit for the clean energy equipment segment for the six months ended 30 June 2021 was approximately RMB78.9 million, showing an increase of approximately RMB25.2 million or approximately 46.9% as compared with the profit of approximately RMB53.7 million for the six months ended 30 June 2020, which was mainly due to the notable increase in revenue of wind power blades business.

## **HIGH-END SMART MANUFACTURING**

Revenue from the high-end smart manufacturing segment for the six months ended 30 June 2021 was approximately RMB849.7 million, showing an increase of approximately RMB110.2 million or approximately 14.9% as compared with approximately RMB739.5 million for the six months ended 30 June 2020, which was mainly due to the increase in revenue of smart machine tools and smart equipment system integration and other businesses.

During the Period, gross profit for the high-end smart manufacturing segment was approximately RMB148.0 million, showing an increase of approximately RMB14.5 million or 10.9% as compared with approximately RMB133.5 million for the six months ended 30 June 2020, primarily due to the increase in revenue of smart manufacturing business.

For the six months ended 30 June 2021, the losses for the high-end smart manufacturing segment was approximately RMB64.6 million, showing a slight increase in loss of approximately RMB0.9 million or 1.4% as compared with a loss of approximately RMB63.7 million for the six months ended 30 June 2020, primarily due to the decrease in revenue of smart screw machine tools business affected by the pandemic.

## **INDUSTRIAL SERVICE**

Revenue from the industrial service segment for the six months ended 30 June 2021 was approximately RMB30.3 million, showing a decrease of approximately RMB6.9 million or approximately 18.5% as compared with approximately RMB37.2 million for the six months ended 30 June 2020, mainly due to a significant decrease in trade business due to the change of centralized procurement mode of the Company.

During the Period, gross profit for the industrial service segment was approximately RMB24.1 million, showing an increase of approximately RMB4.0 million or approximately 19.9% as compared with approximately RMB20.1 million for the six months ended 30 June 2020, mainly due to the increase in revenue of financial business.

For the six months ended 30 June 2021, the results for the industrial service segment amounted to approximately RMB3.5 million, showing a significant decrease of approximately RMB5.3 million or approximately 60.2% as compared with approximately RMB8.8 million for the six months ended 30 June 2020, mainly due to the significant decrease in revenue of trade business.

## **CASH FLOW**

As at 30 June 2021, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB1,828.6 million (31 December 2020: approximately RMB1,737.5 million), representing an increase of approximately RMB91.1 million or approximately 5.2%.

During the Period, the Group had a net cash flows generated from operating activities of approximately RMB-128.5 million (for the six months ended 30 June 2020: net cash flow generated from operating activities of approximately RMB-154.4 million), a net cash flows generated from investing activities of approximately RMB126.2 million (for the six months ended 30 June 2020: a net cash flows generated from investing activities of approximately RMB-413.7 million), and a net cash flows generated from financing activities of approximately RMB17.2 million (for the six months ended 30 June 2020: a net cash flows generated from financing activities of approximately RMB401.2 million).

## **TRADE RECEIVABLES AND OTHER RECEIVABLES**

As at 30 June 2021, the total trade receivables and other receivables of the Group amounted to approximately RMB4,004.1 million, showing an increase of approximately RMB281.4 million as compared with approximately RMB3,722.7 million as at 31 December 2020, which was mainly due to an increase of approximately RMB119.8 million in wind power blades business, and an increase of approximately RMB151.5 million in wire and cable business, and a decrease of approximately RMB36.8 million in other receivables.

## **TRADE PAYABLES AND OTHER PAYABLES**

As at 30 June 2021, the total trade payables and other payables of the Group amounted to approximately RMB2,463.1 million, showing an increase of approximately RMB252.9 million as compared with approximately RMB2,210.2 million as at 31 December 2020, which was mainly due to the growth of wind power blades business.

## **ASSETS AND LIABILITIES**

As at 30 June 2021, the total assets of the Group amounted to approximately RMB16,459.4 million, showing a decrease of approximately RMB164.8 million as compared with approximately RMB16,624.2 million as at 31 December 2020. The total current assets amounted to approximately RMB10,541.5 million, showing a decrease of approximately RMB196.8 million as compared with approximately RMB10,738.3 million as at 31 December 2020, accounting for approximately 64.0% of the total assets (31 December 2020: approximately 64.6%). However, the total non-current assets amounted to approximately RMB5,917.9 million, showing an increase of approximately RMB32.0 million as compared with approximately RMB5,885.9 million as at 31 December 2020, accounting for approximately 36.0% of the total assets (31 December 2020: approximately 35.4%).

As at 30 June 2021, the total liabilities of the Group amounted to approximately RMB8,777.2 million, showing a decrease of approximately RMB371.3 million as compared with approximately RMB9,148.5 million as at 31 December 2020. The total current liabilities amounted to approximately RMB6,873.3 million, showing a decrease of approximately RMB220.7 million as compared with approximately RMB7,094.0 million as at 31 December 2020, accounting for approximately 78.3% of the total liabilities (31 December 2020: approximately 77.5%). However, the total non-current liabilities amounted to approximately RMB1,903.8 million, showing a decrease of approximately RMB150.7 million as compared with approximately RMB2,054.5 million as at 31 December 2020, accounting for approximately 21.7% of the total liabilities (31 December 2020: approximately 22.5%).

As at 30 June 2021, the net current assets of the Group amounted to approximately RMB3,668.2 million, showing an increase of approximately RMB23.8 million as compared with approximately RMB3,644.4 million as at 31 December 2020.

## **CURRENT RATIO**

As at 30 June 2021, the current ratio (the ratio of current assets divided by current liabilities) of the Group was 1.53:1 (31 December 2020: 1.51:1).

## **GEARING RATIO**

As at 30 June 2021, by dividing borrowings by total capital, the gearing ratio of the Group was 39.4% (31 December 2020: 38.9%).

## **INDEBTEDNESS**

As at 30 June 2021, the Group had an aggregate bank and other borrowings of approximately RMB3,115.6 million, representing an increase of approximately RMB88.7 million as compared with approximately RMB3,026.9 million as at 31 December 2020.

Borrowings repayable by the Group within one year amounted to approximately RMB1,631.9 million, representing an increase of approximately RMB243.3 million as compared with approximately RMB1,388.6 million as at 31 December 2020. Borrowings repayable after one year amounted to approximately RMB1,483.7 million, representing a decrease of approximately RMB154.6 million as compared with approximately RMB1,638.2 million as at 31 December 2020.

## **SIGNIFICANT EVENTS**

### **Events in the Period**

*(I) The 2020 Annual General Meeting of the Company held on 24 June 2021 has considered and approved the following matters:*

The appointment of Mr. Ma Aijun and Mr. Cai Zhibin as the non-executive directors, 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 determine the remuneration of such directors pursuant to the remuneration standard for directors passed at the 2018 annual general meeting and to enter into service agreements with such directors 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.

Please refer to the announcement published on the websites of the Hong Kong Stock Exchange and the Company on 24 June 2021 for details.

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 2021, the Group had no significant contingent liabilities.

## **CAPITAL EXPENDITURE**

During the Period, the total capital expenditure of the Group was approximately RMB51.9 million (for the six months ended 30 June 2020: approximately RMB33.2 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 the 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 GBP 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 functional 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 2021, the Group had a total of 7,416 employees (30 June 2020: a total of 7,976 employees). The Group will continue to upgrade 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.

## **INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2021, 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		Status	Note	Percentage of	Percentage of	Percentage of
	shares	Stock category			total issued domestic shares (%)	total issued H shares (%)	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	Percentage of
	(L)	(P)			total issued H shares	total issued shares
The Bank of New York Mellon (formerly known as “The Bank of New York”)	87,276,000	(L)	Custodian		7.93 (L)	2.37 (L)
	0	(P)			0 (P)	0 (P)
The Bank of New York Mellon Corporation	87,276,000	(L)	Interest in corporation controlled by substantial shareholders	(4)	7.93 (L)	2.37 (L)
	87,276,000	(P)			7.93 (P)	2.37 (P)

(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 wholly-owned subsidiary, 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 its wholly-owned subsidiary, China Life Insurance (Group) Company. 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 2021.

## **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 2021.

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

During the six months ended 30 June 2021, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividends.

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

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

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

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Fulun, Ms. Chen Ping and Mr. Yang Quan; the non-executive directors are Mr. Huang Yong, Mr. Ma Aijun, Mr. Dou Bo and Mr. Cai Zhibin; and the independent non-executive directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.

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

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

The interim results announcement has been published on the websites of the Company (<http://www.chinacqme.com>) and the Stock Exchange. The interim report will also be available on the websites of the Company and the Stock Exchange on or around 15 September 2021 and will be despatched 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 2021

*As at the date of this announcement, the executive Directors are Mr. Zhang Fulun, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Ma Aijun, Mr. Dou Bo and Mr. Cai Zhibin; 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*