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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 with limited liability)*  
(Stock Code: 02722)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**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 2022 amounted to approximately RMB3,506.3 million, representing a decrease of approximately 7.2% from the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2022 amounted to approximately RMB615.9 million, representing a decrease of approximately 22.4% from the corresponding period of last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2022 amounted to approximately RMB176.4 million, representing an increase of approximately 27.5% from the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2022 amounted to approximately RMB0.05.

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 2022 (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

From January-June, 2022

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

Unit: RMB

Items	Notes	From January-June, 2022	From January-June, 2021
<b>1. Total operating revenue</b>	V.1	<b>3,506,292,476.30</b>	3,779,990,046.70
Including: Operating revenue		<b>3,479,164,923.28</b>	3,752,294,799.98
Interest income		<b>27,124,251.13</b>	27,686,917.89
Transaction fees and commission income		<b>3,301.89</b>	8,328.83
<b>2. Total operating cost</b>		<b>3,494,527,962.44</b>	3,734,966,382.75
Including: Operating cost	V.1	<b>2,885,890,485.98</b>	2,982,129,693.14
Interest expenses	V.1	<b>4,387,541.61</b>	4,235,054.63
Transaction cost and commission fees	V.1	<b>89,753.28</b>	137,615.10
Business taxes and surcharges		<b>29,305,668.75</b>	27,304,383.89
Selling and distribution expenses		<b>130,272,768.98</b>	165,254,650.65
Administrative expenses		<b>282,591,576.61</b>	316,696,179.45
Research and development expenses		<b>146,040,802.66</b>	195,570,527.96
Financial expenses		<b>15,949,364.57</b>	43,638,277.93
Including: Interest expenses		<b>38,247,387.20</b>	43,119,839.38
Interest income		<b>10,344,356.53</b>	9,859,658.25
Add: Other income	V.2	<b>35,596,531.88</b>	33,878,532.41
Investment income (Loss listed with “-”)	V.3	<b>156,909,789.03</b>	169,685,043.25
Including: Income from investments in associates and joint ventures		<b>153,718,823.98</b>	168,623,374.85
Gain arising from the changes in fair value (Loss listed with “-”)	V.4	<b>1,721,289.75</b>	469,411.15
Impairment loss of credit (Loss is listed by “-”)		<b>(13,478,872.38)</b>	(83,686,903.19)
Impairment loss of assets (Loss is listed by “-”)		<b>(68,595,219.86)</b>	(1,744,938.80)
Gain on disposal of assets (Loss listed with “-”)	V.5	<b>117,490,391.44</b>	926,599.75
<b>3. Operating profit (Loss listed with “-”)</b>		<b>241,408,423.72</b>	164,551,408.52
Add: Non-operating income	V.6	<b>2,752,559.61</b>	9,974,712.76
Less: Non-operating expenses		<b>6,615,132.94</b>	4,407,360.24
<b>4. Total profit (Total loss listed with “-”)</b>		<b>237,545,850.39</b>	170,118,761.04
Less: Income tax expenses	V.7	<b>49,959,653.55</b>	16,294,357.02

Items	Notes	From January-June, 2022	From January-June, 2021
<b>5. Net profit (Net loss listed with “-”)</b>		<b>187,586,196.84</b>	153,824,404.02
<b>(1) Classification by continuing or discontinued operation</b>		<b>187,586,196.84</b>	153,824,404.02
1. Net profit attributable to continuing operation (Net loss listed with “-”)		<b>187,586,196.84</b>	153,824,404.02
2. Net profit attributable to discontinued operation (Net loss listed with “-”)		-	-
<b>(2) Classification by ownership</b>		<b>187,586,196.84</b>	153,824,404.02
1. Net profit attributable to shareholders of the controlling company		<b>176,366,072.37</b>	138,391,342.55
2. Net profit attributable to non-controlling interests		<b>11,220,124.47</b>	15,433,061.47
<b>6. Net other comprehensive income after tax</b>		<b>(26,742,545.46)</b>	63,601,495.33
Net other comprehensive income after tax attributable to shareholders of the Company		<b>(21,356,720.21)</b>	64,409,493.43
<b>(1). Other comprehensive incomes that cannot be reclassified into profit or loss</b>		<b>(16,805,436.94)</b>	62,259,026.94
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>(16,805,436.94)</b>	62,259,026.94
<b>(2). Other comprehensive income that can be reclassified into profit or loss</b>		<b>(4,551,283.27)</b>	2,150,466.49
1. Effective part of cash flow hedging		<b>(15,328,887.25)</b>	(2,299,686.90)
2. Effective portion of net investment hedging gains and losses		-	-
3. Translation differences of financial statements in foreign currencies		<b>10,777,603.98</b>	4,450,153.39
Net other comprehensive income after tax attributable to non-controlling interests		<b>(5,385,825.25)</b>	(807,998.10)
<b>7. Total comprehensive income</b>		<b>160,843,651.38</b>	217,425,899.35
1. Total comprehensive income attributable to shareholders of the Company		<b>155,009,352.16</b>	202,800,835.98
2. Total comprehensive income attributable to non-controlling interests		<b>5,834,299.22</b>	14,625,063.37
<b>8. Earnings per share</b>	VI.2		
1. Basic earnings per share		<b>0.05</b>	0.04
2. Diluted earnings per share		<b>0.05</b>	0.04

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Unit: RMB

Items	Notes	30 June 2022	31 December 2021
<b>Current assets</b>			
Cash and cash equivalents	V.8	2,509,710,790.06	2,178,851,965.55
Financial assets held for trade		214,847,667.98	3,303,288.23
Redemptory monetary capital for sale		–	200,000,000.00
Notes receivable		459,727,843.44	694,406,169.06
Accounts receivable		3,128,114,588.17	2,517,917,402.87
Receivable financing		387,093,007.90	681,564,554.57
Prepayments		197,245,326.21	248,162,385.38
Other receivables		804,400,905.75	949,236,551.19
Including: Dividends receivable		403,895,084.94	562,427,607.42
Loans and advances to customers		668,990,664.93	802,055,701.48
Inventories		2,024,090,195.62	2,129,070,494.07
Contract assets		353,760,129.04	371,647,306.25
Held-for-sale assets		2,922,348.96	2,922,348.96
Non-current assets due within one year		17,400,000.00	17,400,000.00
Other current assets		22,727,872.48	53,175,046.31
<b>Total current assets</b>		<b>10,791,031,340.54</b>	<b>10,849,713,213.92</b>
<b>Non-current assets</b>			
Loans and advances to customers		84,450,423.47	94,205,605.96
Long-term receivables		52,200,000.00	60,900,000.00
Long-term equity investments		1,361,465,590.21	1,207,708,236.11
Other equity instruments investment		117,527,738.46	139,934,987.72
Investment properties		162,140,618.50	166,912,701.11
Property, plant and equipment		2,623,657,561.61	2,562,081,567.51
Construction in progress		187,796,739.97	141,496,563.68
Right-to-use assets		221,881,958.72	260,066,371.99
Intangible assets		537,278,440.22	562,027,040.56
Development expenditures		10,212,054.07	1,355,649.75
Goodwill		115,583,741.47	131,023,552.79
Long-term deferred expenses		89,847,578.87	108,428,301.90
Deferred tax assets		105,735,583.30	100,196,219.91
Other non-current assets		352,776,354.99	349,335,218.60
<b>Total non-current assets</b>		<b>6,022,554,383.86</b>	<b>5,885,672,017.59</b>
<b>Total assets</b>		<b>16,813,585,724.40</b>	<b>16,735,385,231.51</b>

Items	<i>Notes</i>	30 June 2022	31 December 2021
<b>Current liabilities</b>			
Short-term loans		479,991,076.49	518,976,799.53
Due to customers, banks and other financial institutions		883,269,306.04	939,708,641.17
Notes payable		1,249,020,757.80	1,176,743,855.98
Accounts payable		1,933,821,539.26	1,846,574,174.57
Contract liabilities		720,108,170.57	893,509,599.02
Employee benefits payables		75,319,178.73	81,501,621.21
Taxes and levies payables		194,371,778.20	168,645,739.36
Other payables		554,932,805.85	460,159,820.62
Including: Dividends payable		136,446,453.97	33,910,296.08
Non-current liabilities due within one year		634,679,114.84	449,529,410.73
Other current liabilities		52,135,811.06	54,281,115.54
<b>Total current liabilities</b>		<b><u>6,777,649,538.84</u></b>	<b><u>6,589,630,777.73</u></b>
<b>Non-current liabilities</b>			
Long-term loans		1,785,073,415.45	1,968,258,239.06
Lease liabilities		57,556,628.11	5,650,872.92
Long-term payables		1,214,222.80	2,182,769.39
Long-term employee benefits payable		6,148,000.00	6,148,000.00
Provisions		39,546,685.95	37,701,462.30
Deferred revenue		224,638,770.42	240,134,120.88
Deferred tax liabilities		64,104,420.24	71,956,379.75
<b>Total non-current liabilities</b>		<b><u>2,178,282,142.97</u></b>	<b><u>2,332,031,844.30</u></b>
<b>Total liabilities</b>		<b><u>8,955,931,681.81</u></b>	<b><u>8,921,662,622.03</u></b>
<b>Shareholder's equity</b>			
Share capital		3,684,640,154.00	3,684,640,154.00
Capital reserves		72,938,331.54	72,556,920.37
Other comprehensive income		77,792,312.64	99,149,032.85
Surplus reserves		444,509,347.69	444,509,347.69
Retained profits		3,113,916,867.92	3,048,090,000.17
<b>Total equity attributable to shareholders of the Company</b>		<b><u>7,393,797,013.79</u></b>	<b><u>7,348,945,455.08</u></b>
<b>Non-controlling interests</b>		<b><u>463,857,028.80</u></b>	<b><u>464,777,154.40</u></b>
<b>Total shareholder's equity</b>		<b><u>7,857,654,042.59</u></b>	<b><u>7,813,722,609.48</u></b>
<b>Total liabilities and shareholder's equity</b>		<b><u>16,813,585,724.40</u></b>	<b><u>16,735,385,231.51</u></b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unit: RMB

From January-June, 2022

Items	Equity attributable to the equity holders of the controlling Company										Total equity		
	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
<b>1. Balance of 31 December 2021</b>	3,684,640,154.00	-	-	-	72,556,920.37	-	99,149,032.85	-	444,509,347.69	-	3,048,090,000.17	464,777,154.40	7,813,722,609.48
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2022</b>	3,684,640,154.00	-	-	-	72,556,920.37	-	99,149,032.85	-	444,509,347.69	-	3,048,090,000.17	464,777,154.40	7,813,722,609.48
<b>3. Increase/Decrease for the year (Decrease listed with "+")</b>													
(1) Total comprehensive income	-	-	-	-	381,411.17	-	(21,356,720.21)	-	-	-	65,826,867.75	(920,125.60)	43,931,433.11
(2) Capital contribution and reduction from shareholders	-	-	-	-	381,411.17	-	(21,356,720.21)	-	-	-	176,366,072.37	5,834,299.22	160,843,651.38
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	381,411.17
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	381,411.17	-	-	-	-	-	(110,539,204.62)	(6,754,424.82)	(117,293,629.44)
(3) Profit appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	(110,539,204.62)	(6,754,424.82)	(117,293,629.44)
4. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(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. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>4. Balance at 30 June 2022</b>	3,684,640,154.00	-	-	-	72,938,331.54	-	77,792,312.64	-	444,509,347.69	-	3,113,916,867.92	463,857,028.80	7,857,654,042.59

Unit: RMB

For the year 2021

Equity attributable to the equity holders of the controlling Company

Items	Other equity instruments										Total equity		
	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
<b>1. Balance at 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
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2021</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
<b>3. Increase/Decrease for the year (Decrease listed with "+")</b>													
(1) Total comprehensive income	-	-	-	-	5,009,952.17	-	63,090,536.31	-	37,613,995.62	-	221,383,489.08	10,872,336.09	337,970,309.27
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	63,090,536.31	-	-	-	296,511,290.59	22,031,557.18	381,633,384.08
1. Common stock capital contribution from shareholders	-	-	-	-	5,009,952.17	-	-	-	-	-	-	330,000.00	5,339,952.17
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	330,000.00	330,000.00
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	5,009,952.17	-	-	-	-	-	-	-	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(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. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>4. Balance at 31 December 2021</b>	3,684,640,154.00	-	-	-	72,556,920.37	-	99,149,032.85	-	444,509,347.69	-	3,048,090,000.17	464,777,154.40	7,813,722,609.48

## CONSOLIDATED STATEMENT OF CASH FLOW

From January-June, 2022

Items	Unit: RMB	
	From January-June, 2022	From January-June, 2021
<b>1. Cash flows from operating activities</b>		
Cash received from sales of goods and rendering of services	3,153,648,209.49	3,175,294,820.13
Net increase in customer deposits and interbank deposits	(56,439,335.13)	(208,619,567.75)
Cash received from interest, surcharges and commission fee	27,127,553.02	29,324,447.29
Cash received from tax refund	5,230,414.99	10,732,958.07
Cash received relating to other operating activities	605,445,193.33	511,640,865.80
<b>Sub-total of cash inflows from operating activities</b>	<b>3,735,012,035.70</b>	<b>3,518,373,523.54</b>
Cash paid for goods and services	2,371,598,892.40	2,352,204,327.74
Net increase in loans and advances to customers	(146,482,275.95)	36,289,122.75
Net increase in central bank and interbank payments	(15,461,089.48)	(7,175,769.43)
Cash paid for interest, surcharges and commission fee	4,477,294.89	5,793,845.79
Cash paid to and on behalf of employees	501,150,111.36	546,267,560.54
Payments of taxes and surcharges	142,083,759.23	187,371,463.05
Cash paid relating to other operating activities	627,054,546.86	526,083,528.65
<b>Sub-total of cash outflows from operating activities</b>	<b>3,484,421,239.31</b>	<b>3,646,834,079.09</b>
<b>Net cash flows from operating activities</b>	<b>250,590,796.39</b>	<b>(128,460,555.55)</b>
<b>2. Cash flows from investment activities</b>		
Cash received from return of investments	80,317,149.04	229,700,000.00
Cash received from investments income	160,326,495.83	120,527,262.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	168,302,995.27	16,445,504.98
Cash received relating to other investing activities	-	-
<b>Sub-total of cash inflows from investing activities</b>	<b>408,946,640.14</b>	<b>366,672,767.37</b>

Items	From January-June, 2022	From January-June, 2021
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34,485,814.19	25,227,473.40
Cash paid for investments	281,617,149.04	212,000,000.00
Cash paid relating to other investing activities	—	3,207,518.74
<b>Sub-total of cash outflow from investing activities</b>	<u>316,102,963.23</u>	<u>240,434,992.14</u>
<b>Net cash flows from investing activities</b>	<u>92,843,676.91</u>	<u>126,237,775.23</u>
<b>3. Cash flows from financing activities</b>		
Cash received from investments	—	330,000.00
Including: cash received by subsidiaries from investment of non-controlling interests	—	330,000.00
Cash received from loans granted	887,846,936.38	1,024,102,431.07
Cash received relating to other financing activities	—	—
<b>Sub-total of cash inflows from financing activities</b>	<u>887,846,936.38</u>	<u>1,024,432,431.07</u>
Cash paid for repayment of borrowings	875,582,644.00	922,715,545.00
Cash paid for dividends, profits or payments of interests	63,084,565.47	45,612,993.92
Including: dividends and profits paid to non-controlling interests by subsidiaries	14,757,439.56	5,746,345.00
Cash paid relating to other financing activities	87,227,270.38	38,932,318.64
<b>Sub-total of cash outflows from financing activities</b>	<u>1,025,894,479.85</u>	<u>1,007,260,857.56</u>
<b>Net cash flows from financing activities</b>	<u>(138,047,543.47)</u>	<u>17,171,573.51</u>
<b>4. Effects of changes in exchange rate on cash and cash equivalents</b>	<u>(1,698,937.87)</u>	<u>(1,457,731.16)</u>
<b>5. Net increase in cash and cash equivalents</b>	203,687,991.96	13,491,062.03
Add: opening balance of cash and cash equivalents	<u>1,828,414,971.96</u>	<u>1,327,289,120.69</u>
<b>6. Balance of cash and cash equivalents at the end of this period</b>	<u>2,032,102,963.92</u>	<u>1,340,780,182.72</u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2022*

## 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”, previously called Chongqing Yufu Assets Management Co., Ltd), China Huarong Assets Management Co., Ltd. (“Huarong Company”), and Chongqing Construction Engineering Group Co. Ltd. (“CCEG”, originally named Chongqing Construction Engineering Group Co., Ltd). 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 of the Company and the ultimate controlling shareholder is Chongqing Machinery & Electronics Holding (Group) Co. Ltd. The Company was established with a registered capital of 2,679.74 million (RMB1 per share).

On 13 June 2008, the Company 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 June 30, 2022, the registered capital of the Company was RMB3,684,640,154 yuan. The Company 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 24 August 2022.

## 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”, the Listing Rules of Hong Kong Stock Exchange 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, inventory cost flow assumptions, 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 liabilities acquired in the merger of enterprises not under the same control are measured at fair value on the acquisition date. The 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, Adjust 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: (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (ii) the customer can control the asset which is created by the Group's performance; (iii) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for 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 the payment for 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 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 account the following factors and identifies revenue at the time when the customer accepts the goods: the present right to the payment for the good; the transfer of the significant risks and rewards in the ownership of commodities; the transfer of legal ownership of commodities; the transfer of physical possession 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) *Revenue from construction contracts (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, accounting treatments are as set out in Note IV.25. 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 recognised only if it is probable that future taxable amounts will be available to utilise 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	RMB20/square metre/year, RMB18/square metre/year, RMB16/square metre/year, RMB14/square metre/year, RMB12/square metre/year, RMB10/square metre/year, RMB8/square metre/year, RMB7/square metre/year, RMB5/square metre/year, RMB4/square metre/year, RMB3.2/square metre/year
<b>Profit tax in Hong Kong</b>	–	16.5%
<b>Profit tax for other regions/countries</b>	–	15%, 19%, 26%

### 2. Corporate income tax preferences

- (1) According to the announcement published by the Ministry of finance, the State Administration of Taxation and the National Development and Reform Commission on the continuation of the enterprise income tax policy for the western development (Announcement No. 23, 2020 of the Ministry of finance, the State Administration of Taxation and the national development and Reform Commission), since January 1, 2021 to December 31, 2030, the enterprise income tax shall be levied at a reduced rate of 15% on the encouraged industrial enterprises located in the western region. According to the judgment of the management of the group, the group has filed with Chongqing State Administration of taxation as a subsidiary of encouraged industrial enterprises in the western region with a preferential corporate income tax rate of 15%. Since there is no significant change in its major business, it is continuing to get favorable tax policy which corporate income tax rate by 15% from 2021 to 2030 very likely.
- (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 Machine Tool (Group) Co., Ltd. (certificate of high-tech enterprises No. GR202151100674), 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. GR202122000365), 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. GR202151101193), Chongqing Chengfei Wind Power Equipment Jiangsu Co. LTD (certificate of high-tech enterprises No. GR202132000904). Chongqing Pigeon Electric Porcelain Co., Ltd. (certificate of high-tech enterprises No. GR201951100978), Chongqing Tool Factory Co., Ltd. (certificate of high-tech enterprises No. GR201951100030), 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. GR202151101223), Chongqing Water turbine works Co., Ltd. (certificate of high-tech enterprises No. GR202051101602), Chongqing Shunchang General Electric Equipment Co., Ltd. (certificate of high-tech enterprises No. GR202051100857), Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd. (certificate of high-tech enterprises No. GR202051101424).

- (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	Jan-Jun 2022		Jan-Jun 2021	
	Revenue	Cost	Revenue	Cost
Main business	3,422,313,295.55	2,867,095,439.29	3,707,262,855.47	2,960,548,564.53
Other business	56,851,627.73	18,795,046.69	45,031,944.51	21,581,128.61
Interest	27,124,251.13	4,387,541.61	27,686,917.89	4,235,054.63
Transaction fees and commission income	3,301.89	89,753.28	8,328.83	137,615.10
Total	<u>3,506,292,476.30</u>	<u>2,890,367,780.87</u>	<u>3,779,990,046.70</u>	<u>2,986,502,362.87</u>

*Note:* Interest income and fee and commission income are derived from the business of the financial company; Interest expense and handling fees and commission expenses are derived from the costs associated with the finance company.

#### (2) Income from contracts

Classification of contract	High-end intelligent equipment business	Clean energy equipment business	Industrial service business	Headquarters	Total
<b>Classified by region</b>	<b>751,993,798.31</b>	<b>2,709,456,525.88</b>	<b>44,312,701.19</b>	<b>529,450.92</b>	<b>3,506,292,476.30</b>
Including: Mainland of China	694,078,889.32	2,669,479,867.94	44,312,701.19	529,450.92	3,408,400,909.37
Other	57,914,908.99	39,976,657.94	-	-	97,891,566.93
<b>Types of contracts</b>	<b>751,993,798.31</b>	<b>2,709,456,525.88</b>	<b>44,312,701.19</b>	<b>529,450.92</b>	<b>3,506,292,476.30</b>
Including: Equipment sales contract	683,029,065.71	1,783,426,253.52	-	-	2,466,455,319.23
Service contract	44,173,070.97	15,720,143.65	29,902,009.77	529,450.92	90,324,675.31
Materials sales contract	24,791,661.63	910,310,128.71	14,410,691.42	-	949,512,481.76
<b>Classified by time of revenue recognition</b>	<b>751,993,798.31</b>	<b>2,709,456,525.88</b>	<b>44,312,701.19</b>	<b>529,450.92</b>	<b>3,506,292,476.30</b>
Including: Recognizes revenue at a point in time	745,494,403.65	2,709,456,525.88	476,415.08	-	3,455,427,344.61
Recognizes revenue over time	6,499,394.66	-	43,836,286.11	529,450.92	50,865,131.69
<b>Classified by sales channel</b>	<b>751,993,798.31</b>	<b>2,709,456,525.88</b>	<b>44,312,701.19</b>	<b>529,450.92</b>	<b>3,506,292,476.30</b>
Including: Direct sales	707,069,620.09	2,360,209,161.43	29,792,562.71	529,450.92	3,097,600,795.15
Distribution	44,924,178.22	348,861,609.24	14,520,138.48	-	408,305,925.94
Internet sales	-	385,755.21	-	-	385,755.21

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

The Group's transactions involving performance obligations are in the form of the sale of goods, services and materials, and the Group has fulfilled its contractual obligations to recognize revenue when the customer acquires control of the relevant goods or services.

For contracts involving the provision of hydropower station EPC project construction business contracts and some machine tool business contracts that are judged to be performed within a certain period of time in accordance with the provisions of the standards, the Group recognizes revenue according to the performance progress of the project, that is, according to the performance progress of the project, the Group recognizes the contract income of the project business based on the actual contract costs incurred plus the contract gross profit.

The Group's sales of goods and equipment performance time is 3-4 days to about 2 years, the relevant performance terms are according to the type of customer, first receive part of the feeding payment, after the completion of the product, in advance receipt of part of the payment after delivery. Typically, control of the product has been transferred after it has been delivered to the carrier.

The contract performance time of the hydropower station EPC project is long, the contract stipulates the payment conditions in installments, and the two parties settle the settlement according to the completion progress of the contract, and the warranty period after the completion of the project is usually 2 years.

### (4) *Information about the transaction price allocated to the remaining performance obligations*

The amount of revenue corresponding to the Group's performance obligations that have been signed but have not yet been performed or have not been fulfilled in the current period is RMB1,898,283,540.99 (of which the amount of income corresponding to the performance obligations that have been signed but not yet fulfilled is RMB1,174,929,258.28, and the corresponding income amount of the performance obligations that have been signed but not yet performed is RMB723,354,282.71).

## 2. Other income

<b>Items</b>	<b>Jan-Jun 2022</b>	Jan-Jun 2021
Industrial and Innovative Development Grant Funds	<b>3,959,800.00</b>	3,756,500.00
Deferred earnings amortization	<b>18,999,982.49</b>	9,764,450.85
Relocation compensation amortization	<b>7,792,589.50</b>	7,712,012.79
Subsidies for research and development projects	<b>570,000.00</b>	7,760,000.00
Job stabilization and social security subsidies	<b>890,209.59</b>	90,796.00
Various types of incentives related to business operations	<b>2,510,000.00</b>	2,660,000.00
Tax returns	–	2,000,000.00
Others	<b>873,950.30</b>	134,772.77
<b>Total</b>	<b><u>35,596,531.88</u></b>	<b><u>33,878,532.41</u></b>

### 3. Investment Income

Items	Jan-Jun 2022	Jan-Jun 2021
Income from long-term equity investments accounted for by the equity method	153,718,823.99	168,623,374.85
Investment income arising from the disposal of trading financial assets	97,433.97	321,282.67
Dividends on investments in other equity instruments	1,176,748.32	735,467.70
Gain or loss on debt restructuring	1,916,782.75	–
Others	–	4,918.03
<b>Total</b>	<b><u>156,909,789.03</u></b>	<b><u>169,685,043.25</u></b>

### 4. Fair value change profit or loss

Item	Jan-Jun 2022	Jan-Jun 2021
Financial assets at fair value through profit or loss	<u>1,721,289.75</u>	<u>469,411.15</u>
<b>Total</b>	<b><u>1,721,289.75</u></b>	<b><u>469,411.15</u></b>

### 5. Gain on disposal of assets

Items	Jan-Jun 2022	Jan-Jun 2021	The amount that is included in the non-recurring profit or loss for the current period
Proceeds from the disposal of non-current assets not classified as held for sale	117,490,391.44	926,599.75	117,490,391.44
Including: income from disposal of fixed assets	34,609,391.89	926,599.75	34,609,391.89
Proceeds from disposal of intangible assets	–	–	–
Proceeds from the disposal of right-of-use assets	6,738.68	–	6,738.68
Net proceeds from environmentally friendly relocation	<u>82,874,260.87</u>	<u>–</u>	<u>82,874,260.87</u>
<b>Total</b>	<b><u>117,490,391.44</u></b>	<b><u>926,599.75</u></b>	<b><u>117,490,391.44</u></b>

## 6. Non-operating income

Items	Jan-Jun 2022	Jan-Jun 2021	The amount that is included in the non- recurring profit or loss for the current period
Profits from the scrapping of non-current assets	<b>22,708.94</b>	4,445,317.93	22,708.94
Fines, liquidated damages and damages, etc	<b>2,089,003.08</b>	1,099,846.53	2,089,003.08
Government grants	<b>108,000.00</b>	–	108,000.00
Payables that cannot be paid	<b>384,514.87</b>	3,822,182.39	384,514.87
Others	<b>148,332.72</b>	607,365.91	148,332.72
<b>Total</b>	<b><u>2,752,559.61</u></b>	<b><u>9,974,712.76</u></b>	<b><u>2,752,559.61</u></b>

## 7. Income tax expense

Items	Jan-Jun 2022	Jan-Jun 2021
Current income tax calculated according to tax law and provision	<b>54,093,626.63</b>	28,826,608.83
Deferred income tax	<b>(4,133,973.08)</b>	(12,532,251.81)
<b>Total</b>	<b><u>49,959,653.55</u></b>	<b><u>16,294,357.02</u></b>

## 8. Cash and Cash Equivalents

Items	30 Jun 2022	31 Dec 2021
Cash in hand	<b>160,101.31</b>	229,324.78
Cash at bank	<b>2,072,387,374.23</b>	1,718,264,784.85
Other monetary assets	<b>434,272,888.25</b>	459,148,148.11
Accrued interest on Cash at bank	<b>2,890,426.27</b>	1,209,707.81
<b>Total</b>	<b><u>2,509,710,790.06</u></b>	<b><u>2,178,851,965.55</u></b>
Including: cash deposited abroad	<b><u>70,317,250.20</u></b>	<b><u>49,768,194.60</u></b>

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

*Restricted cash at the end of the period*

<b>Items</b>	<b>30 Jun 2022</b>
Deposits for bank acceptance bills	191,163,710.57
Deposits for letters of credit	3,202,683.96
Guarantee deposit	116,142,765.25
Statutory reserve	118,000,879.00
Fixed deposit pledge	<u>46,207,361.09</u>
<b>Total</b>	<b><u>474,717,399.87</u></b>

**VI. SUPPLEMENTARY INFORMATION TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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 from January to June 2022 are as follows:

<b>Items</b>	<b>Jan-Jun, 2022</b>
Gains and losses from disposal of non-current assets	117,490,391.44
Tax refund, relief (Unauthorized approval or no formal approval document or occasionally)	—
Government grants included in the profit or loss for the period	35,596,531.88
Capital occupation fees charged to non-financial enterprises included in current profits and losses	1,059,887.48
Debt Restructuring Gains and Losses	1,916,782.76
Employee resettlement compensation	(1,943,123.32)
Impairment reversal of receivables that were individually tested for impairment	27,138,360.68
Investment income generated during the holding period of financial assets	1,176,748.32
Profit and loss from changes in fair value of trading financial assets	(245,275.77)
Other non-operating income and expenses apart from the above	<u>(3,862,573.33)</u>
<b>Sub-total</b>	<b><u>178,327,730.14</u></b>
Impact on income tax	26,749,159.52
Impact on non-controlling interest (after tax)	<u>5,786,617.56</u>
<b>Total</b>	<b><u>145,791,953.06</u></b>

## 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 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 shareholders of the company	176,366,072.37	–	–	–
Amount of weighted average net assets attributable to the parent company	7,437,128,491.27	2.37	–	–
Number of common shares outstanding	3,684,640,154.00	–	0.05	0.05
Amount of non-recurring profit or loss attributable to the parent company	145,791,953.06	–	–	–
Net profit attributable to the shareholders of the Company (excluding: extraordinary profit and loss)	<u>30,574,119.31</u>	<u>0.41</u>	<u>–</u>	<u>–</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 30 June		Period ended 30 June		Period ended 30 June	
	2022	2021	2022	2021	2022	2021
	<i>(RMB in millions, except for percentage)</i>					
<b>Clean energy equipment business</b>						
Hydropower equipment	111.5	150.4	21.8	30.3	(13.6)	(11.6)
Electrical wires and cables	915.2	914.9	137.5	106.4	48.8	46.3
General machinery	1,061.1	1,374.7	83.3	319.4	(6.7)	15.3
Other products	621.7	459.4	219.2	164.7	85.7	28.9
Total	2,709.5	2,899.4	461.8	620.8	114.2	78.9
% of total	77.3%	76.7%	75.0%	78.2%	47.3%	47.9%
<b>High-end smart manufacturing business</b>						
CNC machine tools	377.0	368.9	80.5	67.6	(37.7)	(86.5)
Steering systems	110.6	246.6	7.0	35.2	(8.8)	7.7
Other products	264.4	234.2	42.3	45.2	16.3	14.2
Total	752.0	849.7	129.8	148.0	(30.2)	(64.6)
% of total	21.4%	22.5%	21.0%	18.7%	(12.5%)	(39.2%)
<b>Industrial services business</b>						
Trade	14.5	1.6	0.3	0.1	1.5	(9.4)
Financial	27.1	27.7	22.6	23.3	21.2	16.9
Other services	2.7	1.0	0.9	0.7	(3.0)	(4.0)
Total	44.3	30.3	23.8	24.1	19.7	3.5
% of total	1.3%	0.8%	3.9%	3.0%	8.2%	2.1%
<b>Headquarters</b>						
Total	0.5	0.6	0.5	0.6	137.7	146.8
% of total	-%	-%	0.1%	0.1%	57.0%	89.2%
<b>Total</b>	<b>3,506.3</b>	<b>3,780.0</b>	<b>615.9</b>	<b>793.5</b>	<b>241.4</b>	<b>164.6</b>

## BUSINESS REVIEW AND OUTLOOK

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

In the first half of 2022, the clean energy equipment segment of the Group seized the market opportunity, and industrial pumps won the bids for large diaphragm pump orders of RMB180 million. The industrial blower business actively adjusted the market structure, achieving zero breakthrough in the carbon dioxide compressor market, and gas compressors obtained shale gas orders of RMB74 million, which drove various businesses to achieve good growth. The electrical wire, cable and material business remained stable. However, the wind power blade business was affected by the large-scale adjustment of the unit power and models of wind turbine blades, and the export project of RMB320 million originally planned to be completed in the first half of the year was canceled due to the Russia-Ukraine conflict, resulting in a significant decline in the wind power blade business's performance. At the same time, the hydroelectric generation equipment business was affected by the epidemic, so the commencement of some projects and the delivery of their goods were delayed. Thus, the operating income of this segment reached approximately RMB2,709.5 million, representing a decrease of approximately 6.5% from the corresponding period of last year. During the Period, the gross profit of the clean energy equipment operating segment was approximately RMB461.8 million, a decrease of approximately RMB159.0 million or approximately 25.6% compared with approximately RMB620.8 million for the same period. For the six months ended 30 June 2022, the profit of the clean energy equipment operating segment was approximately RMB114.2 million, representing an increase of approximately RMB35.3 million or approximately 44.7% compared with approximately RMB78.9 million for the same period, which was mainly driven by the growth of the industrial pump business and the gas compressor business.

In the first half of the year, the high-pressure slurry diaphragm pump unit with a flow rate of 280m<sup>3</sup>/h and a pressure of 16Mpa which was self-developed by the industrial pump business was successfully commissioned and delivered to customers, breaking the foreign monopoly. The Group focused on the layout of hydrogen energy, energy storage and other fields, and the hydrogen energy project has been licensed and approved. The research and development and test of high-pressure oil-free hydrogen compressors and hydrogen refueling station complete sets of equipment for hydrogen production of the gas compressor business were completed. The preliminary line design of the key technical research of pumped storage equipment of the hydroelectric generation equipment business and the industrialization project has been completed. The wind power blade business successfully achieved the photovoltaic index of 200,000 kilowatts in Wuwei, Gansu. The first domestic million-ton CCUS (Carbon Capture, Utilization and Storage) project which was self-developed by the industrial blower business was successfully debugged at one time and put into operation. The "High-efficiency and energy-saving Ventilator and System" won the bronze medal in the 2nd National Machinery Industry Design Innovation Competition, and "A Blower and Air Conveying Equipment" won the 23rd China Patent Excellence Award.

With the gradual improvement of domestic epidemic prevention and control, a package of policies and measures to stabilize the economy will be implemented and come into effect. It is expected that the recovery of domestic economy will accelerate in the second half of the year. The industrial pump business will fully expand the incremental market of diaphragm pumps, the industrial blower business will focus on “double carbon” expansion, and the gas compressor business will accelerate the seizing of the hydrogen energy industry chain to achieve rapid growth. Under the support of incremental orders such as accelerating the production of special cable technical transformation projects, the electrical wire, cable and material business will remain stable. The wind power blade business will rebound compared with the first half of the year, driving this segment to remain basically stable throughout the year.

In addition, Chongqing Cummins Engine Company Limited (“Chongqing Cummins”), a joint venture of the Company, is principally engaged in the production of high-horsepower diesel engine. The Group entered into the Chongqing Cummins joint venture contract, articles of association and related ancillary agreement with China Cummins, which planned the joint development and extended the joint venture period to 2040. For details, please refer to the announcement published on the website of the Stock Exchange on 17 May 2022.

In the first half of the year, Chongqing Cummins paid attention to and increased R&D investment, continuously maintained the leading technology and R&D strength in the industry, and promoted the core competitiveness of the market under the guidance of new products and customized products. Chongqing Cummins successfully recommended QSK38 as the preferred product for 1000kW high-voltage mobile power vehicles, and became the preferred supplier of the State Grid and the Southern Power Grid. At the same time, the second phase of the new high-horsepower engine factory has been put into operation, and the production capacity was gradually being released. The operating performance exceeded the expectation in the first half of the year. It is expected that the operating performance of such business will remain stable in the second half of the year.

### **High-end smart equipment (smart machine tools, smart equipment system integration, smart electronics, etc.)**

In the first half of 2022, the intelligent equipment system integration and intelligent electronic business of the Group’s high-end intelligent equipment segment built a diversified customer structure, successfully developed a number of new customers such as Wuhan Tianyu and Chongqing Mcloud Tech, and achieved more than double-digit growth in new orders, driving the steady improvement of operating efficiency. Affected by the adjustment of the automobile industry and the epidemic, the domestic CNC machine tool business actively grasped opportunities in the new energy market, the gear grinding machine achieved strong support and the operating income remained stable. However, the operating income of this segment amounted to approximately RMB752.0 million due to the decline in other relevant business representing a decrease of approximately 11.5% over the same period of last year. During the Period, the gross profit of the high-end smart equipment operating segment was approximately RMB129.8 million, representing a decrease of approximately RMB18.2 million or 12.3% compared with approximately RMB148.0 million for the same period. For the six months ended 30 June 2022, the loss of the high-end smart equipment operating segment was approximately RMB30.2 million, showing a significant decrease in loss of approximately RMB34.4 million as compared with a loss of approximately RMB64.6 million for the same period, mainly due to the active adjustment of the product structure in the market with respect of CNC machine tools.

In the first half of the year, the intelligent equipment system integration and intelligent electronic business was promoted in the “Industry Innovation Industrial Internet Platform”, providing digital solutions for small and medium-sized enterprises. The Group completed the key technology research of large-scale equipment welding, successfully built a set of test prototype, focused on the research and development of robot application technologies such as machine welding and laser processing, and expanded to form industrial solutions such as flexible manufacturing. The CNC machine tool business promoted the research and development of high-end gear grinding machines, friction welding and other new products, expanded products such as wind power blade puncher and diamond wire silicon slicer, and expanded the market to the new energy field.

In the second half of the year, the Group will seize the opportunity of the recovery of the traditional automobile market, accelerate the market expansion of CNC machine tools, and at the same time, rely on the growth opportunity of new energy vehicles to vigorously expand the markets of gear grinding machines, friction welding, etc. Intelligent equipment system integration, intelligent electronics and other businesses will accelerate the research and development and application of energy storage and system integration, and promote the implementation of energy storage demonstration projects. The foreign screw machine tool business accelerates new product research and development and market promotion. It is expected that this segment will remain stable throughout the year.

#### **Industrial services (industrial empowerment, financing, centralized procurement, etc.)**

In the first half of 2022, the industrial empowerment, financing, centralized procurement business maintained stable, thus, the operating income of this segment reached approximately RMB44.3 million, representing an increase of approximately 46.2% over the same period of last year, mainly due to the increase in the external business. During the Period, the gross profit of the industrial services operating segment was approximately RMB23.8 million, a slight decrease of approximately RMB0.3 million or approximately 1.2% compared with approximately RMB24.1 million for the same period. For the six months ended 30 June 2022, the results of the industrial services operating segment was approximately RMB19.7 million, an increase of approximately RMB16.2 million or approximately 462.9% compared with approximately RMB3.5 million for the same period.

The industrial empowerment business persisted in innovation. The Group paid attention to the improvement of R&D capability, gradually consolidating its soft power, and was recognized by Chongqing Small and Medium-sized Enterprise Technology Research and Development Center. The Group carried out the construction of the secondary analytic node platform of industrial Internet, successfully passed the review by Chongqing Economy and Informatization Commission and Chongqing Communications Administration.

In the second half of the year, the industrial empowerment business will intensify the development of digital service market. The Group will pay close attention to the informatization construction projects of Great Chongqing, and at the same time, promote the implementation of the Inner Mongolia electric power operation and maintenance and research and development project, and strive for multi-channel and multi-dimensional market breakthroughs. The Group will pay close attention to the demand of rail transit construction. The financial business will strengthen financial innovation and improve service capacities. The centralized procurement business will promote the full launch of the digital intelligent procurement management platform. It is expected that this segment will remain stable throughout the year.

## **RESULTS OVERVIEW**

### **SALES**

For the six months ended 30 June 2022, the Group's total revenue amounted to approximately RMB3,506.3 million, a decrease of approximately 7.2% as compared with approximately RMB3,780.0 million for the same period of last year.

In general, revenue of the clean energy equipment segment was approximately RMB2,709.5 million (accounting for approximately 77.3% of the total revenue), representing a decrease of approximately 6.5%; revenue of the high-end smart manufacturing segment was approximately RMB752.0 million (accounting for approximately 21.4% of the total revenue), representing a decrease of approximately 11.5%; revenue of the industrial service segment was approximately RMB44.3 million (accounting for approximately 1.3% of the total revenue), representing an increase of approximately 46.2%.

During the Period, the decline in sales revenue of the clean energy equipment segment was mainly due to the impact of the upsizing of unit power and models of wind power blades and the Russia-Ukraine conflict on wind power blade business. The decrease in revenue from the high-end smart manufacturing segment was mainly due to the impact of adjustment of the automobile industry and the epidemic, resulting in a significant decrease in revenue from this segment. The growth in revenue in the industrial services segment was mainly attributable to the increase in the external business. It is expected that the overall operating performance of the Group for the whole year of 2022 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 2022 since the publication of the Group's annual report for the year ended 31 December 2021.

### **GROSS PROFIT**

The gross profit for the six months ended 30 June 2022 was approximately RMB615.9 million, showing a decrease of approximately RMB177.6 million or approximately 22.4% as compared with approximately RMB793.5 million for the same period of last year, which was mainly due to the decrease in revenue from wind power blade business affected by the upsizing of unit power and models of wind power blades as well as the Russia-Ukraine conflict, resulting in a decrease in the overall gross profit margin of 3.4 percentage points as compared with the same period of last year. The Group's gross profit margin is expected to remain stable in the second half of 2022.

## **GAIN ON DISPOSAL OF ASSETS**

Gain on disposal of assets for the six months ended 30 June 2022 was approximately RMB117.5 million, showing a significant increase of approximately RMB116.6 million as compared with approximately RMB0.9 million for the same period of last year, which was mainly attributable to gains from disposal of the land with respect to the high-end smart equipment business and clean energy equipment segment during the Period. Details are set out in Note V.5 to the interim condensed consolidated financial statements.

## **OTHER INCOME**

Other income for the six months ended 30 June 2022 was approximately RMB35.6 million, showing an increase of approximately RMB1.7 million or approximately 5% as compared with approximately RMB33.9 million for the same period of last year, mainly due to an increase in government subsidies income during the Period.

## **SELLING AND ADMINISTRATIVE EXPENSES**

The selling and administrative expenses for the six months ended 30 June 2022 were approximately RMB412.9 million, showing a decrease of approximately RMB69.1 million or approximately 14.3% as compared with approximately RMB482.0 million for the same period of last year. The ratio of selling and administrative expenses to sales decreased from approximately 12.8% in the same period last year to approximately 11.8%. A year-on-year decrease in selling expenses of approximately RMB35.0 million was mainly due to the decrease in “3-Aspect-Warranty” fees and labour costs while a year-on-year decrease in administrative expenses of approximately RMB34.1 million was mainly attributable to the decrease in labour costs and relevant costs paid for the termination of contractual labour relationship.

## **OPERATING PROFIT**

The operating profit for the six months ended 30 June 2022 was approximately RMB241.4 million, showing an increase of approximately RMB76.8 million or approximately 46.7% as compared with approximately RMB164.6 million for the same period of last year.

## **NET FINANCE COSTS**

The net interest expenses for the six months ended 30 June 2022 was approximately RMB15.9 million, representing a sharp decrease of approximately RMB27.7 million or approximately 63.5% as compared to approximately RMB43.6 million for the same period of last year, primarily due to the increase in exchange gains and reduction of finance cost.

## **INVESTMENT INCOME**

For the six months ended 30 June 2022, the Group's investment income was approximately RMB156.9 million, representing a decrease of approximately RMB12.8 million or 7.5% as compared with approximately RMB169.7 million for the same period of last year. This is mainly due to the decrease in results of related associates as compared with the same period of last year resulting from the adjustment of the automobile industry. Details are set out in Note V.3 to the interim condensed consolidated financial statements.

## **INCOME TAX EXPENSES**

The income tax expenses for the six months ended 30 June 2022 were approximately RMB50.0 million, representing a significant increase of approximately RMB33.7 million as compared with approximately RMB16.3 million for the same period of last year, which was mainly due to the increase in profits for the Period and the failure of wind power blades business segment to obtain the tax preferences policy of additional tax deduction for research and development expenses in the final re-application of tax assessment in the place where it is registered. Details are set out in Note V.7 to the interim condensed consolidated financial statements.

## **PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

Profit attributable to shareholders for the Period was approximately RMB176.4 million, representing an increase of approximately RMB38.0 million or approximately 27.5% as compared with approximately RMB138.4 million for the same period of last year. Earnings per share increased from approximately RMB0.04 in the same period last year to approximately RMB0.05 in the Period.

## **SECURED ASSETS**

As at 30 June 2022, approximately RMB474.7 million of the Group was deposited with the banks with pledge or restriction for use. In addition, certain bank borrowings of the Group were secured by certain certificates of deposit, land use rights, properties, plant and equipment and investment properties of the Group, and other assets of the Group, which had a net book value of approximately RMB220.3 million as at 30 June 2022. Restricted notes receivable of certain subsidiaries of the Group by pledging notes with banks and financial institutes amounted to approximately RMB98.2 million.

## **CASH FLOW**

As at 30 June 2022, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB2,509.7 million (31 December 2021: approximately RMB2,178.9 million), representing an increase of approximately RMB330.8 million or approximately 15.2%.

During the Period, the Group had a net cash flow generated from operating activities of approximately RMB250.6 million (approximately RMB-128.5 million for the same period of last year), a net cash flow generated from investing activities of approximately RMB92.8 million (approximately RMB126.2 million for the same period of last year), and a net cash flow generated from financing activities of approximately RMB-138.0 million (approximately RMB17.2 million for the same period of last year).

## **ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES**

As at 30 June 2022, the total accounts receivables and other receivables of the Group amounted to approximately RMB3,932.5 million, showing an increase of approximately RMB465.4 million as compared with approximately RMB3,467.1 million as at 31 December 2021, which was mainly due to an increase of approximately RMB235.8 million in the electrical wires and cables business, and an increase of approximately RMB216.6 million in the wind power blades business.

## **ACCOUNTS PAYABLES AND OTHER PAYABLES**

As at 30 June 2022, the total accounts payables and other payables of the Group amounted to approximately RMB2,488.7 million, showing an increase of approximately RMB181.9 million as compared with approximately RMB2,306.8 million as at 31 December 2021, which was mainly due to an increase in dividends payable and the growth of the industrial pump business.

## **ASSETS AND LIABILITIES**

As at 30 June 2022, the total assets of the Group amounted to approximately RMB16,813.6 million, showing an increase of approximately RMB78.2 million as compared with approximately RMB16,735.4 million as at 31 December 2021. The total current assets amounted to approximately RMB10,791.0 million, showing a decrease of approximately RMB58.7 million as compared with approximately RMB10,849.7 million as at 31 December 2021, accounting for approximately 64.2% of the total assets (31 December 2021: approximately 64.8%). However, the total non-current assets amounted to approximately RMB6,022.6 million, showing an increase of approximately RMB136.9 million as compared with approximately RMB5,885.7 million as at 31 December 2021, accounting for approximately 35.8% of the total assets (31 December 2021: approximately 35.2%).

As at 30 June 2022, the total liabilities of the Group amounted to approximately RMB8,955.9 million, showing an increase of approximately RMB34.2 million as compared with approximately RMB8,921.7 million as at 31 December 2021. The total current liabilities amounted to approximately RMB6,777.6 million, showing an increase of approximately RMB188.0 million as compared with approximately RMB6,589.6 million as at 31 December 2021, accounting for approximately 75.7% of the total liabilities (31 December 2021: approximately 73.9%). However, the total non-current liabilities amounted to approximately RMB2,178.3 million, showing a decrease of approximately RMB153.7 million as compared with approximately RMB2,332.0 million as at 31 December 2021, accounting for approximately 24.3% of the total liabilities (31 December 2021: approximately 26.1%).

As at 30 June 2022, the net current assets of the Group amounted to approximately RMB4,013.4 million, showing a decrease of approximately RMB246.7 million as compared with approximately RMB4,260.1 million as at 31 December 2021.

## **CURRENT RATIO**

As at 30 June 2022, the current ratio (the ratio of current assets divided by current liabilities) of the Group was 1.59:1 (31 December 2021: 1.65:1).

## **GEARING RATIO**

As at 30 June 2022, by dividing borrowings by total capital, the gearing ratio of the Group was 26.8% (31 December 2021: 27%).

## **INDEBTEDNESS**

As at 30 June 2022, the Group had an aggregate bank and other borrowings of approximately RMB2,878.0 million, representing a decrease of approximately RMB17.9 million as compared with approximately RMB2,895.9 million as at 31 December 2021.

Borrowings repayable by the Group within one year amounted to approximately RMB1,093.0 million, representing an increase of approximately RMB165.3 million as compared with approximately RMB927.7 million as at 31 December 2021. Borrowings repayable after one year amounted to approximately RMB1,785.0 million, representing a decrease of approximately RMB183.2 million as compared with approximately RMB1,968.2 million as at 31 December 2021.

## **SIGNIFICANT EVENTS**

### **Events in the Period**

The 2021 Annual General Meeting of the Company held on 23 June 2022 has considered and approved the following matters:

- (I) Re-election of Directors (please refer to the circular published on the website of the Stock Exchange on 24 May 2022 for details)
- (II) Re-election of Supervisors (please refer to the circular published on the website of the Stock Exchange on 24 May 2022 for details)
- (III) Appointment of Non-executive Director

The appointment of Ms. Wang Tingting as the non-executive director, for a term commencing from the date of the meeting until the expiration of the sixth session of the Board. The Board was authorized to determine the remuneration of such director pursuant to the Administrative Measures on Directors' and Supervisors' Remuneration passed at the 2021 annual general meeting and to enter into service contract 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 (please refer to the announcement published on the website of the Stock Exchange on 23 June 2022 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 events.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group had no significant contingent liabilities.

## **CAPITAL EXPENDITURE**

During the Period, the total capital expenditure of the Group was approximately RMB142.0 million, which was principally used for plant expansion, improvement of production technology and equipment upgrade and capacity improvement (for the six months ended 30 June 2021: approximately RMB51.9 million).

## **TREASURY POLICIES**

The Group has adopted treasury policies, which concentrate the financial resources available to its different subsidiaries to meet the business needs of its different subsidiaries through the subsidiaries involved with financial services qualifications of the Group. For example, the Group has adopted a centralised approach in managing the funds available to subsidiaries involved, including cash, bank deposits, 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 HKD, 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 2022, the Group had a total of 7,859 employees (30 June 2021: a total of 7,416 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 2022, 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 (the “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	Percentage of
				total issued H	total issued
				Shares	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)

(L) Long Position

(S) Short Position

(P) Lending Pool

### Notes:

- 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.
- 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.
- 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..
- 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 2022.

## **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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 2022.

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

During the six months ended 30 June 2022, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

During the six months ended 30 June 2022, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

## **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, Ms. Wang Tingting, 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 2022 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  
24 August 2022

*As at the date of the announcement, the executive Directors are Zhang Fulun, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Ms. Wang Tingting, 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*