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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 2023**

RESULTS HIGHLIGHTS

Chongqing Machinery & Electric Co., Ltd. (the “Company”) 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 2023 amounted to approximately RMB3,889.0 million, representing an increase of approximately 10.9% from the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2023 amounted to approximately RMB732.7 million, representing an increase of approximately 19.0% from the corresponding period of last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2023 amounted to approximately RMB181.9 million, representing an increase of approximately 3.1% from the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2023 amounted to approximately RMB0.05, being consistent with that of the corresponding period of last year.
- Net assets per share for the six months ended 30 June 2023 amounted to approximately RMB2.2, representing an increase of 1.0% from the corresponding period of last year.

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 2023 (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 LLP.

CONSOLIDATED INCOME STATEMENT

From January-June, 2023

Unit: RMB

Items	Notes	From January-June, 2023	From January-June, 2022
1. Total operating revenue	V.1	3,888,978,083.29	3,506,292,476.30
Including: Operating revenue		3,860,057,365.85	3,479,164,923.28
Interest income		28,918,641.97	27,124,251.13
Transaction fees and commission income		2,075.47	3,301.89
2. Total operating cost		3,814,642,173.30	3,494,527,962.44
Including: Operating cost	V.1	3,152,024,292.28	2,885,890,485.98
Interest expenses	V.1	4,103,914.75	4,387,541.61
Transaction cost and commission fees	V.1	82,798.62	89,753.28
Business taxes and surcharges		31,662,484.38	29,305,668.75
Selling and distribution expenses		111,693,486.11	130,272,768.98
Administrative expenses		308,735,191.07	282,591,576.61
Research and development expenses		180,470,789.71	146,040,802.66
Financial expenses		25,869,216.38	15,949,364.57
Including: Interest expenses		41,898,083.64	38,247,387.20
Interest income		13,226,858.88	10,344,356.53
Add: Other income	V.2	29,475,972.62	35,596,531.88
Investment income (Loss listed with “-”)	V.3	181,763,614.55	156,909,789.03
Including: Income from investments in associates and joint ventures		177,808,915.47	153,718,823.98
Gain arising from the changes in fair value (Loss listed with “-”)	V.4	159,297.94	1,721,289.75
Impairment loss of credit (Loss is listed by “-”)		-27,822,390.34	-13,478,872.38
Impairment loss of assets (Loss is listed by “-”)		-45,427,899.36	-68,595,219.86
Gain on disposal of assets (Loss listed with “-”)	V.5	23,953,462.92	117,490,391.44
3. Operating profit (Loss listed with “-”)		236,437,968.32	241,408,423.72
Add: Non-operating income	V.6	3,390,927.08	2,752,559.61
Less: Non-operating expenses		1,084,860.82	6,615,132.94
4. Total profit (Total loss listed with “-”)		238,744,034.58	237,545,850.39
Less: Income tax expenses	V.7	35,929,724.05	49,959,653.55

Items	Notes	From January-June, 2023	From January-June, 2022
5. Net profit (Net loss listed with “-”)		202,814,310.53	187,586,196.84
(1) Classification by continuing or discontinued operation		202,814,310.53	187,586,196.84
1. Net profit attributable to continuing operation (Net loss listed with “-”)		202,814,310.53	187,586,196.84
2. Net profit attributable to discontinued operation (Net loss listed with “-”)		-	-
(2) Classification by ownership		202,814,310.53	187,586,196.84
1. Net profit attributable to shareholders of the controlling company		181,907,404.18	176,366,072.37
2. Net profit attributable to non-controlling interests		20,906,906.35	11,220,124.47
6. Net other comprehensive income after tax		-12,388,805.33	-26,742,545.46
Net other comprehensive income after tax attributable to shareholders of the Company		-12,508,421.58	-21,356,720.21
(1). Other comprehensive incomes that cannot be reclassified into profit or loss		-1,947,948.75	-16,805,436.94
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		-1,947,948.75	-16,805,436.94
(2). Other comprehensive income that can be reclassified into profit or loss		-10,560,472.83	-4,551,283.27
1. Effective part of cash flow hedging		340,446.25	-15,328,887.25
2. Effective portion of net investment hedging gains and losses		-	-
3. Translation differences of financial statements in foreign currencies		-10,900,919.08	10,777,603.98
Net other comprehensive income after tax attributable to non-controlling interests		119,616.25	-5,385,825.25
7. Total comprehensive income		190,425,505.20	160,843,651.38
1. Total comprehensive income attributable to shareholders of the Company		169,398,982.60	155,009,352.16
2. Total comprehensive income attributable to non-controlling interests		21,026,522.60	5,834,299.22
8. Earnings per share	VI.2		
1. Basic earnings per share		0.05	0.05
2. Diluted earnings per share		0.05	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

Unit: RMB

Items	Notes	30 June 2023	31 December 2022
Current assets			
Cash and cash equivalents	V.8	2,578,898,047.67	2,596,998,658.56
Financial assets held for trade		101,627,243.87	101,853,290.98
Redemptory monetary capital for sale		300,091,760.27	100,056,986.30
Notes receivable		411,852,428.09	576,803,533.76
Accounts receivable		3,405,213,023.90	2,586,879,298.37
Receivable financing		391,165,600.64	717,870,298.49
Prepayments		460,821,023.65	196,137,186.76
Other receivables		612,119,448.94	796,413,910.59
Including: Dividends receivable		296,407,559.59	438,662,409.13
Loans and advances to customers		613,826,464.87	833,369,905.09
Inventories		2,309,258,418.02	2,083,986,156.29
Contract assets		747,069,791.46	657,039,218.09
Non-current assets due within one year		17,726,373.23	17,686,791.34
Other current assets		35,474,099.90	31,319,234.45
Total current assets		11,985,143,724.51	11,296,414,469.07
Non-current assets			
Loans and advances to customers		–	117,411,126.84
Long-term receivables		35,452,746.45	44,216,978.34
Long-term equity investments		1,379,190,317.17	1,201,299,694.12
Other equity instruments investment		164,019,735.00	166,617,000.00
Investment properties		199,748,434.56	202,364,566.43
Property, plant and equipment		2,628,461,974.25	2,656,819,049.62
Construction in progress		139,927,800.72	119,703,292.94
Right-of-use assets		235,886,460.04	100,604,017.90
Intangible assets		496,299,021.14	519,907,118.31
Development expenditures		15,637,085.81	13,192,277.05
Goodwill		90,140,403.62	106,090,917.60
Long-term deferred expenses		61,083,299.97	78,987,445.91
Deferred tax assets		129,240,639.89	118,414,851.63
Other non-current assets		306,100,239.95	475,782,102.71
Total non-current assets		5,881,188,158.57	5,921,410,439.40
Total assets		17,866,331,883.08	17,217,824,908.47

Items	<i>Notes</i>	30 June 2023	31 December 2022
Current liabilities			
Short-term loans		715,712,610.71	790,701,461.79
Due to customers, banks and other financial institutions		738,725,051.63	1,006,374,695.10
Notes payable		1,326,328,153.84	1,215,749,145.09
Accounts payable		2,570,350,331.60	2,204,231,898.05
Contract liabilities		877,104,427.76	698,373,393.42
Employee benefits payables		94,409,771.56	121,489,430.70
Taxes and levies payables		192,182,373.49	202,850,769.30
Other payables		463,988,752.47	395,252,103.21
Including: Dividends payable		130,973,885.23	32,594,421.98
Non-current liabilities due within one year		533,973,845.27	781,411,981.61
Other current liabilities		64,687,013.57	44,481,729.40
Total current liabilities		<u>7,577,462,331.90</u>	<u>7,460,916,607.67</u>
Non-current liabilities			
Long-term loans		1,761,219,562.67	1,351,096,997.70
Lease liabilities		77,269,622.50	47,643,594.96
Long-term payables		8,025,150.15	950,189.77
Long-term employee benefits payable		5,697,000.00	5,697,000.00
Provisions		44,756,426.12	41,517,147.29
Deferred revenue		203,581,356.12	216,152,209.40
Deferred tax liabilities		90,383,511.33	76,223,661.30
Total non-current liabilities		<u>2,190,932,628.89</u>	<u>1,739,280,800.42</u>
Total liabilities		<u>9,768,394,960.79</u>	<u>9,200,197,408.09</u>
Shareholder's equity			
Share capital		3,684,640,154.00	3,684,640,154.00
Capital reserves		72,278,495.51	71,991,114.02
Other comprehensive income		97,717,902.67	110,226,324.25
Surplus reserves		471,043,765.88	471,043,765.88
Undistributed profit		3,291,939,430.84	3,220,477,922.19
Total equity attributable to shareholders of the Company		<u>7,617,619,748.90</u>	<u>7,558,379,280.34</u>
Non-controlling interests		<u>480,317,173.39</u>	<u>459,248,220.04</u>
Total shareholder's equity		<u>8,097,936,922.29</u>	<u>8,017,627,500.38</u>
Total liabilities and shareholder's equity		<u>17,866,331,883.08</u>	<u>17,217,824,908.47</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unit: RMB

From January-June, 2023

Items	Equity attributable to the equity holders of the controlling Company												
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
1. Balance at 31 December 2022	3,684,640,154.00	-	-	-	71,991,114.02	-	110,226,324.25	-	471,043,765.88	-	3,220,477,922.19	459,248,220.04	8,017,627,500.38
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	93,309.09	1,130.75	94,439.84
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Balance at 1 January 2023	3,684,640,154.00	-	-	-	71,991,114.02	-	110,226,324.25	-	471,043,765.88	-	3,220,571,231.28	459,249,350.79	8,017,721,940.22
3. Increase/Decrease for the period (Decrease listed with "-")													
(1) Total comprehensive income	-	-	-	-	287,381.49	-	-12,508,421.58	-	-	-	71,368,199.56	21,067,822.60	80,214,982.07
(2) Capital contribution and reduction from shareholders	-	-	-	-	287,381.49	-	-12,508,421.58	-	-	-	181,907,404.18	21,026,522.60	190,425,505.20
1. Common stock capital contribution from shareholders	-	-	-	-	287,381.49	-	-	-	-	-	-	41,300.00	328,681.49
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	287,381.49	-	-	-	-	-	-110,539,204.62	41,300.00	328,681.49
(3) Profit appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Balance at 30 June 2023	3,684,640,154.00	-	-	-	72,278,495.51	-	97,717,902.67	-	471,043,765.88	-	3,291,939,430.84	480,317,173.39	8,097,936,922.29

Unit: RMB

For the year 2022

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
1. Balance at 31 December 2021	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	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Balance at 1 January 2022	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
3. Increase/Decrease for the period (Decrease listed with "+")	-	-	-	-	-565,806.35	-	11,077,291.40	-	26,534,418.19	-	172,387,922.02	-5,528,934.36	203,904,890.90
(1) Total comprehensive income	-	-	-	-	-	-	11,077,291.40	-	-	-	310,203,160.96	9,031,006.54	330,311,458.90
(2) Capital contribution and reduction from shareholders	-	-	-	-	-565,806.35	-	-	-	-	-	-	-	-565,806.35
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-565,806.35	-	-	-	-	-	-	-	-565,806.35
(3) Profit appropriations	-	-	-	-	-	-	-	-	26,534,418.19	-	-137,815,238.94	-16,476,390.61	-127,757,211.36
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	26,534,418.19	-	-26,534,418.19	-	-
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	1,916,449.71	1,916,449.71
4. Balance at 31 December 2022	3,684,640,154.00	-	-	-	71,991,114.02	-	110,226,324.25	-	471,043,765.88	-	3,220,477,922.19	459,248,220.04	8,017,627,500.38

CONSOLIDATED STATEMENT OF CASH FLOW

From January-June, 2023

Items	Unit: RMB	
	From January-June, 2023	From January-June, 2022
1. Cash flows from operating activities		
Cash received from sales of goods and rendering of services	3,524,622,257.93	3,153,648,209.49
Net increase in customer deposits and interbank deposits	-267,308,453.18	-56,439,335.13
Cash received from interest, surcharges and commission fee	15,492,726.12	27,127,553.02
Cash received from tax refund	7,799,085.89	5,230,414.99
Cash received relating to other operating activities	559,257,425.88	605,445,193.33
Sub-total of cash inflows from operating activities	3,839,863,042.64	3,735,012,035.70
Cash paid for goods and services	2,818,393,280.26	2,371,598,892.40
Net increase in loans and advances to customers	-345,594,433.12	-146,482,275.95
Net increase in central bank and interbank payments	-10,534,714.11	-15,461,089.48
Cash paid for interest, surcharges and commission fee	4,186,713.37	4,477,294.89
Cash paid to and on behalf of employees	508,827,843.05	501,150,111.36
Payments of taxes and surcharges	162,846,744.40	142,083,759.23
Cash paid relating to other operating activities	678,407,370.35	627,054,546.86
Sub-total of cash outflows from operating activities	3,816,532,804.20	3,484,421,239.31
Net cash flows from operating activities	23,330,238.44	250,590,796.39
2. Cash flows from investment activities		
Cash received from return of investments	108,700,000.00	80,317,149.04
Cash received from investments income	144,164,353.63	160,326,495.83
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	54,923,272.32	168,302,995.27
Cash received relating to other investing activities	-	-
Sub-total of cash inflows from investing activities	307,787,625.95	408,946,640.14

Items	From January-June, 2023	From January-June, 2022
Cash paid to acquire fixed assets, intangible assets and other long-term assets	92,672,748.17	34,485,814.19
Cash paid for investments	100,000,000.00	281,617,149.04
Cash paid relating to other investing activities	—	—
Sub-total of cash outflow from investing activities	<u>192,672,748.17</u>	<u>316,102,963.23</u>
Net cash flows from investing activities	<u>115,114,877.78</u>	<u>92,843,676.91</u>
3. Cash flows from financing activities		
Cash received from investments	—	—
Including: cash received by subsidiaries from investment of non-controlling interests	—	—
Cash received from loans granted	1,262,977,470.03	887,846,936.38
Cash received relating to other financing activities	45,000,000.00	—
Sub-total of cash inflows from financing activities	<u>1,307,977,470.03</u>	<u>887,846,936.38</u>
Cash paid for repayment of borrowings	1,201,940,887.51	875,582,644.00
Cash paid for dividends, profits or payments of interests	52,132,878.07	63,084,565.47
Including: dividends and profits paid to non-controlling interests by subsidiaries	8,887,301.81	14,757,439.56
Cash paid relating to other financing activities	40,613,457.70	87,227,270.38
Sub-total of cash outflows from financing activities	<u>1,294,687,223.28</u>	<u>1,025,894,479.85</u>
Net cash flows from financing activities	<u>13,290,246.75</u>	<u>-138,047,543.47</u>
4. Effects of changes in exchange rate on cash and cash equivalents	<u>5,911,551.68</u>	<u>-1,698,937.87</u>
5. Net increase in cash and cash equivalents	157,646,914.65	203,687,991.96
Add: opening balance of cash and cash equivalents	<u>2,160,065,586.94</u>	<u>1,828,414,971.96</u>
6. Balance of cash and cash equivalents at the end of this period	<u>2,317,712,501.59</u>	<u>2,032,102,963.92</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 and the ultimate controlling shareholder is CQMEHG. The Company was established with a registered capital of RMB2,679,740,154 (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 RMB3,684,640,154.

As of June 30, 2023, the registered capital of the Company was RMB3,684,640,154. 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 Company on 23 August 2023.

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

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

7. Revenue Recognition and Measurement

The Group's operating revenue mainly includes sales revenue of goods, revenue of providing services, revenue of 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.

(I) 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 significant changes in critical accounting policies in the current period.*

Starting from 1 January 2023, the Group has been implementing the “Interpretation of Enterprise Accounting Standards No. 16” issued by the Ministry of Finance, which stipulates that deferred income tax related to assets and liabilities arising from single transaction does not apply to accounting for the initial recognition exemption. For single transaction that occur between the beginning of the earliest period in which the financial statements are presented for the first time and the first execution date, adjustments shall be made according to this provision. We adjust the cumulative influence number to present the beginning retained earnings and other related financial statement items of the earliest period in the financial statements. The specific adjustments are as follows:

Consolidated balance sheet:

	Unit: RMB		
Items	31 Dec 2022	1 Jan 2023	Adjustments
Deferred tax assets	118,414,851.63	129,207,917.68	10,793,066.05
Deferred tax liabilities	76,223,661.30	86,922,287.51	10,698,626.21
Retained profits	<u>3,220,477,922.19</u>	<u>3,220,571,231.28</u>	<u>93,309.09</u>
Total equity attributable to shareholders of the parent company	<u>7,558,379,280.34</u>	<u>7,558,472,589.43</u>	<u>93,309.09</u>
Minority interest	<u>459,248,220.04</u>	<u>459,249,350.79</u>	<u>1,130.75</u>
Total equity	<u>8,017,627,500.38</u>	<u>8,017,721,940.22</u>	<u>94,439.84</u>

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

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

IV. TAXATION

1. Main categories of tax and corresponding tax rate

Category of tax	Tax base	Tax rate
Chinese enterprise		
Enterprise income tax	Taxable income	15%, 25% and 0%
Value-added tax (“VAT”)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	13%, 9%, 6%
VAT (easy to collect)	Taxable value-added amount multiplied by VAT collection rate	5%, 3%
City maintenance and construction tax	Taxable amounts of VAT	5% and 7%
Educational surcharge	Taxable amounts of VAT	2% and 3%
Property tax	70% of the original value of the property or rental income	1.2% or 12%
Land use tax	Land occupation area	RMB3.2-20/square metre/year
Profit tax in Hong Kong	–	16.5%
Profit tax for other regions/countries	–	15%, 21%, 25%

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. The above-mentioned subsidiaries of our group have been registered with the Chongqing State Taxation Bureau as encouraged industrial enterprises in the western region and enjoy a preferential corporate income tax rate of 15%.
- (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. The specific situation is as follows:

Name of taxpayer	Certificate of high-tech enterprises No.
Chongqing Machine Tool (Group) Co., Ltd.	GR202151100674
Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd.	GR202051101424
Chongqing Pigeon Electric Porcelain Co., Ltd.	GR202251101875
Chongqing Pigeon Electric Materials Co., Ltd.	GR202051100733
Chongqing Shunchang General Electric Equipment Co., Ltd.	GR202051100857
Chongqing Sino-Germany Smart Factory Solutions Co., Ltd.	GR202251100475
Chongqing Water Turbine Works Co., Ltd.	GR202051101602
Chongqing General Industry (Group) Co., Ltd.	GR202051101683
Chongqing Chongtong Turbine Technology Co., Ltd.	GR202251100411
Jilin ChongTong Chengfei New Material Co., Ltd.	GR202122000365
Chong Tong Chengfei Wind Power Equipment Jiangsu Co., Ltd.	GR202132000904
Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	GR202051100767
Chongqing Pump Industry Co., Ltd.	GR202251101952
Chongqing Gas Compressor Factory Co., Ltd.	GR202151100839
Chongqing Tool Factory Co., Ltd.	GR202251101839
Chongqing Industrial Enabling Innovation Center Co., Ltd.	GR202151101193

- (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 2023		Jan-Jun 2022	
	Revenue	Cost	Revenue	Cost
Main business	3,798,671,349.67	3,126,221,013.08	3,422,313,295.55	2,867,095,439.29
Other business	61,386,016.18	25,803,279.20	56,851,627.73	18,795,046.69
Interest	28,918,641.97	4,103,914.75	27,124,251.13	4,387,541.61
Transaction fees and commission income	2,075.47	82,798.62	3,301.89	89,753.28
Total	<u>3,888,978,083.29</u>	<u>3,156,211,005.65</u>	<u>3,506,292,476.30</u>	<u>2,890,367,780.87</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
Classified by region	654,890,854.19	3,201,002,104.58	32,555,851.77	529,272.75	3,888,978,083.29
Including: Mainland of China	588,474,181.48	3,136,076,344.26	32,555,851.77	529,272.75	3,757,635,650.26
Others	66,416,672.71	64,925,760.32	-	-	131,342,433.03
Types of contracts	654,890,854.19	3,201,002,104.58	32,555,851.77	529,272.75	3,888,978,083.29
Including: Equipment sales contract	575,720,265.04	2,237,134,686.95	-	-	2,812,854,951.99
Service contract	15,457,714.25	28,432,278.46	30,615,520.42	529,272.75	75,034,785.88
Materials sales contract	63,712,874.90	935,435,139.17	1,940,331.35	-	1,001,088,345.42
Classified by time of revenue recognition	654,890,854.19	3,201,002,104.58	32,555,851.77	529,272.75	3,888,978,083.29
Including: Recognizes revenue at a point in time	642,408,132.13	3,201,002,104.58	3,635,134.33	-	3,847,045,371.04
Recognizes revenue over time	12,482,722.06	-	28,920,717.44	529,272.75	41,932,712.25
Classified by sales channel	654,890,854.19	3,201,002,104.58	32,555,851.77	529,272.75	3,888,978,083.29
Including: Direct sales	624,364,224.30	3,188,527,644.34	30,317,488.35	529,272.75	3,843,738,629.74
Distribution	30,526,629.89	12,187,632.12	2,238,363.42	-	44,952,625.43
Internet sales	-	286,828.12	-	-	286,828.12

(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 RMB6,368,017,266.38 (of which the amount of income corresponding to the performance obligations that have been signed but not yet fulfilled is RMB3,734,193,364.03, and the corresponding income amount of the performance obligations that have been signed but not yet performed is RMB2,633,823,902.35).

2. Other Income

Items	Jan-Jun 2023	Jan-Jun 2022
Industrial and Innovative Development Grant Funds	5,887,200.00	3,959,800.00
Deferred income amortization – Government grants	11,020,145.77	18,999,982.49
Deferred Income amortization – Relocation grant	7,554,894.64	7,792,589.50
Subsidies for research and development projects	2,990,950.00	570,000.00
Job stabilization and social security subsidies	253,829.64	890,209.59
Various types of incentives related to business operations	1,375,000.00	2,510,000.00
Others	393,952.57	873,950.30
Total	<u>29,475,972.62</u>	<u>35,596,531.88</u>

3. Investment Income

Items	Jan-Jun 2023	Jan-Jun 2022
Income from long-term equity investments accounted for by the equity method	177,808,915.47	153,718,823.99
Investment income arising from the disposal of trading financial assets	119,552.12	97,433.97
Dividends on investments in other equity instruments	980,100.00	1,176,748.32
Gain or loss on debt restructuring	3,115,337.23	1,916,782.75
Others	-260,290.27	—
Total	<u>181,763,614.55</u>	<u>156,909,789.03</u>

4. Gain arising from the changes in fair value

Item	Jan-Jun 2023	Jan-Jun 2022
Financial assets at fair value through profit or loss	<u>159,297.94</u>	<u>1,721,289.75</u>
Total	<u>159,297.94</u>	<u>1,721,289.75</u>

5. Gain on disposal of assets

Items	Jan-Jun 2023	Jan-Jun 2022	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	23,953,462.92	117,490,391.44	23,953,462.92
Including: Income from disposal of fixed assets	2,995,925.44	34,609,391.89	2,995,925.44
Proceeds from the disposal of right-of-use assets	64,051.94	6,738.68	64,051.94
Net proceeds from environmentally friendly relocation	<u>20,893,485.54</u>	<u>82,874,260.87</u>	<u>20,893,485.54</u>
Total	<u>23,953,462.92</u>	<u>117,490,391.44</u>	<u>23,953,462.92</u>

6. Non-operating income

Items	Jan-Jun 2023	Jan-Jun 2022	The amount that is included in the non- recurring profit or loss for the current period
Profits from the scrapping of non-current assets	134,000.00	22,708.94	134,000.00
Fines, liquidated damages and damages, etc	2,455,974.58	2,089,003.08	2,455,974.58
Government grants	19,500.00	108,000.00	19,500.00
Payables that cannot be paid	452,000.26	384,514.87	452,000.26
Others	329,452.24	148,332.72	329,452.24
Total	<u>3,390,927.08</u>	<u>2,752,559.61</u>	<u>3,390,927.08</u>

7. Income tax expense

Items	Jan-Jun 2023	Jan-Jun 2022
Current income tax calculated according to tax law and provision	31,933,093.69	54,093,626.63
Deferred income tax	3,996,630.36	-4,133,973.08
Total	<u>35,929,724.05</u>	<u>49,959,653.55</u>

8. Cash and Cash Equivalents

Items	30 Jun 2023	31 Dec 2022
Cash in hand	142,463.44	188,652.07
Cash at bank	2,198,327,762.37	2,144,724,744.89
Other monetary assets	375,447,378.74	447,698,414.92
Accrued interest on Cash at bank	4,980,443.12	4,386,846.68
Total	<u>2,578,898,047.67</u>	<u>2,596,998,658.56</u>
Including: cash deposited abroad	<u>78,472,453.37</u>	<u>65,645,041.01</u>

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

Restricted cash at the end of the period

Items	30 Jun 2023
Deposits for bank acceptance bills	113,632,899.46
Guarantee deposit	132,421,426.30
Statutory reserve	119,869,903.50
Fixed deposit pledge	185,915,800.00
Deposits for letters of credit	<u>4,365,073.70</u>
Total	<u>556,205,102.96</u>

VI. SUPPLEMENTARY INFORMATION TO CONSOLIDATED FINANCIAL STATEMENTS

1. Details of Extraordinary Profit or Loss for the Period

- (1) In accordance with the requirements of the “Explanatory Announcement on Information Disclosure for Companies Offering Securities to the Public No.1 – Extraordinary Profit or Loss (2008)” issued by the China Securities Regulatory Commission, extraordinary profit or loss of the Group from January to June 2023 are as follows:

Items	Current period
Gains and losses from disposal of non-current assets	24,012,753.95
Tax refund, relief (Unauthorized approval or no formal approval document or occasionally)	–
Government grants included in the profit or loss for the period	29,495,472.62
Capital occupation fees charged to non-financial enterprises included in current profits and losses	322,480.00
Debt Restructuring Gains and Losses	3,115,337.23
Employee resettlement compensation	-2,202,045.92
Impairment reversal of receivables that were individually tested for impairment	200,467.00
Investment income generated during the holding period of financial assets	1,318,485.13
Profit and loss from changes in fair value of trading financial assets	159,297.94
Other non-operating income and expenses apart from the above	<u>2,227,275.23</u>
Sub-total	<u>58,649,523.18</u>
Impact on income tax	8,797,428.48
Impact on non-controlling interest (after tax)	<u>1,374,215.40</u>
Total	<u>48,477,879.30</u>

2. Return on Net Assets and Earnings Per Share

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

Profit for the reporting period	Weighted average return on equity (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the company	2.38	0.05	0.05
Net profit attributable to the shareholders of the Company (excluding: extraordinary profit and loss)	<u>1.75</u>	<u>0.04</u>	<u>0.04</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	
	2023	2022	2023	2022	2023	2022
		(Restated)		(Restated)		(Restated)
	<i>(RMB in millions, except for percentage)</i>					
Clean energy equipment business						
General machinery (Note 1)	1,091.4	1,000.5	308.6	272.8	98.6	75.8
Wind power blades (Note 2)	1,055.8	682.3	140.6	29.7	30.3	3.2
Electrical wires and cables	910.8	915.2	111.0	137.5	47.8	48.8
Other products (Note 2)	143.0	111.5	6.1	21.8	(78.1)	(13.6)
Total	3,201.0	2,709.5	566.3	461.8	98.6	114.2
% of total	82.3%	77.3%	77.3%	75.0%	41.7%	47.3%
High-end smart equipment business						
CNC machine tools	353.7	377.0	96.5	80.5	(31.9)	(37.7)
Intelligent manufacturing (Note 2)	183.5	264.4	31.9	42.3	0.9	16.3
Other products (Note 2)	117.8	110.6	10.8	7.0	(6.5)	(8.8)
Total	655.0	752.0	139.2	129.8	(37.5)	(30.2)
% of total	16.9%	21.4%	19.0%	21.0%	(15.9%)	(12.5%)
Industrial service business						
Financial services	28.9	27.1	24.7	22.6	26.6	21.2
Trade business	1.9	14.5	1.0	0.3	(0.4)	1.5
Other services	1.7	2.7	1.0	0.9	(3.4)	(3.0)
Total	32.5	44.3	26.7	23.8	22.8	19.7
% of total	0.8%	1.3%	3.6%	3.9%	9.7%	8.2%
Headquarters						
Total	0.5	0.5	0.5	0.5	152.5	137.7
% of total	-%	-%	0.1%	0.1%	64.5%	57.0%
Total	3,889.0	3,506.3	732.7	615.9	236.4	241.4

Note 1: The Group included the industrial pumps and gas compressors businesses in general machinery business according to the principle of combination of similar categories.

Note 2: The Group listed out the wind power blades and intelligent manufacturing businesses separately according to its core principle for presentation and grouped hydroelectric generation equipment and steering systems businesses into other products.

BUSINESS REVIEW AND OUTLOOK

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

In the first half of 2023, the clean energy equipment segment of the Group seized the market opportunity, the wind power blades business continued to optimize the production line layout, deepened the cooperation with Goldwind, China State Shipbuilding Corporation Haizhuang Windpower Co., Ltd. and other strategic customers, and obtained new orders of RMB1,396 million; the Group made breakthroughs in the electrical wires and cables business market and won a number of orders of more than RMB600 million from Seres, Chongqing Electric Power, Jiangxi Electric Power, Guangzhou-Shanwei Railway and other major customers. The special cable technical transformation project was put into production, forming a new revenue growth point. For the industrial pump business, the Group continued to deepen the cooperation with CFHI, and the amount of the orders for descaling pump system exceeded RMB108 million. For the industrial blower business, the Group achieved direct export and won orders of RMB20 million. In the market of chemical industry and new energy etc., the Group achieved the orders of RMB100 million, representing a year-on-year increase of 52%. The gas compressor business continued to grow in the oil and gas market, and the Group achieved the orders of RMB19 million for ultra-high pressure and large flow natural gas compressors. For the hydroelectric generation equipment business, the Group continuously optimized the internal production mode, improved the process manufacturing level, and realized the recovery growth of the business. Chongqing Cummins provided a strong guarantee for the peak summer, and achieved the amount of new customer orders exceeding RMB70 million.

In the first half of the year, the operating income of this segment amounted to approximately RMB3,201.0 million, representing an increase of approximately 18.1% as compared with the same period of the previous year, the gross profit was approximately RMB566.3 million, an increase of approximately RMB104.5 million or approximately 22.6% as compared with approximately RMB461.8 million for the same period, and the profit was approximately RMB98.6 million, representing a decrease of approximately RMB15.6 million or approximately 13.7% compared with approximately RMB114.2 million for the same period, which was mainly due to the decrease in gain on disposal of asset.

In the first half of the year, the industrial pump business was awarded as the benchmark enterprise of “National Science and Technology Reform Demonstration Enterprise” in 2022, and was selected as a world-class “specialized, excellent, unique and innovative” demonstration enterprise by the State-owned Assets Supervision and Administration Commission of the State Council; the industrial blower business was selected as the green factory of the Ministry of Industry and Information Technology in 2022, and the centrifugal chiller products for nuclear power were selected as the first batch (set) of major technical equipment products in Chongqing in 2023; the gas compressor business produced and manufactured the first high-pressure oil-free air supply system for commercial space launch site in China; the wind power blade business completed the aerodynamic design and independent design of the preliminary structure of onshore 100+ blades, realizing synchronous development with customers, and the application for national enterprise technology center entered the review stage; the high-end industrial pump manufacturing intelligent factory was identified as Chongqing intelligent factory, and the special flame retardant cable manufacturing digital workshop and high-end turbine machinery processing digital workshop were identified as Chongqing digital workshops. In the first half of the year, 89 new patents were granted to this segment, including 23 invention patents.

In the second half of the year, for the industrial pump business, the Company will remain committed to the field of water conservancy and water transportation, to create new growth points; for the wind power blade business, the Company will continue to expand strategic customers outreach; for the industrial blower business, the Company will break through new application fields such as petrochemical and hydrogen production from wind and light; for the wire, cable and materials business, the Company will continue to expand the cable business in new markets such as photovoltaic and wind power; for the gas compressor business, the Company will accelerate the development of hydrogen energy market; for the hydroelectric generation unit business, the Company will accelerate the implementation of international project orders, driving this segment to maintain good growth 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 new base of Chongqing Cummins was put into operation in 2022, and its R&D and manufacturing capacity has been significantly improved. Chongqing Cummins continued to accelerate the development of new products and markets customers, and successfully launched the products of Q60 engine; successfully delivered the first set of power products for large type excavator, which laid the foundation for the high-horsepower products of Chongqing Cummins to access the excavator market. In the power and industrial markets, the Company entered into annual supply agreements with 47 main engine supporting factories, which led to a substantial increase in the operating performance. During the Period, the income from investments in joint ventures was approximately RMB157.2 million, representing an increase of approximately 45.8% as compared with the corresponding period of last year. It is expected that the operating performance of the business will maintain steady growth 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 2023, the Group implemented a series of optimization measures such as business adjustment and organizational restructuring for the PTG Company in the UK under the high-end smart equipment segment, actively responded to the adverse impact of rising international lending rates and energy prices, and adjusted marketing strategy according to the market change, thus the orders of screw machine tool business achieving recovery growth. For the domestic CNC machine tool business, the market fell back due to the slowdown in user investment demand. For the smart electronic business, securing orders made slow progress due to the overall decline of the electronics manufacturing industry.

In the first half of the year, the overall operating income of this segment reached approximately RMB655.0 million, representing a decrease of approximately 12.9% as compared with the same period of the previous year. During the Period, the gross profit of the high-end smart equipment operating segment was approximately RMB139.2 million, representing an increase of approximately RMB9.4 million or 7.2% compared with approximately RMB129.8 million for the same period of last year. The loss of results was approximately RMB37.5 million, representing an increase in loss of approximately RMB7.3 million as compared with a loss of approximately RMB30.2 million for the same period of last year, mainly due to the decrease in gain on disposal of asset.

In the first half of the year, for the CNC machine tool business, YE3140 CNC gear hobbing machine, YT7226 dual-table gear grinding machine and Y(D)3136CNC high-efficiency re-cutting CNC gear hobbing machine were selected as the first batch (set) of major technical equipment products in Chongqing in 2023. The “R&D and Industrialization of Universal CNC Gear Grinding Machine” successfully passed the final acceptance of the key project of technological innovation and application development in Chongqing. The smart equipment business was selected into the fourth batch of service-oriented manufacturing demonstration enterprises issued by the Ministry of Industry and Information Technology, and the national enterprise technology center entered the review stage. In the first half of the year, 31 new patents were granted to this segment, including 3 invention patents.

In the second half of the year, for the CNC machine tool business, the Group will seize the opportunities of wind power, new energy vehicles and export markets, and accelerate the market expansion of large gear hobbing machine and gear grinding machine products. The Group will speed up the process of international cooperation, strengthen the cooperation with the PTG Company in the UK, and promote the development of HG350 horizontal gear grinding machine. For the smart equipment system integration business, the Group will continue to strengthen the in-depth cooperation with major customers such as Jinchuan Group and Guizhou Guihang Automotive Components Co., Ltd. For the smart electronic business, the Group will continue to deeply cultivate the incremental customers such as Aerospace C.Power and Mcloud Tech, and it is expected that this segment will remain basically stable throughout the year.

Industrial services (industrial empowerment, financing, centralized procurement, energy investment platform, and other businesses, etc.)

In the first half of 2023, the industrial empowerment, financing, centralized procurement business maintained stable, thus, the operating income of this segment reached approximately RMB32.5 million, representing a decrease of approximately 26.6% over the same period of last year, mainly due to the decrease in trading operations. During the Period, the gross profit of the industrial services operating segment was approximately RMB26.7 million, an increase of approximately RMB2.9 million or approximately 12.2% compared with approximately RMB23.8 million for the same period of last year. The results was approximately RMB22.8 million, an increase of approximately RMB3.1 million or approximately 15.7% compared with approximately RMB19.7 million for the same period of last year, which was mainly due to the improvement of the profit of financing business.

In the first half of the year, for the industrial empowerment business, the Group steadily promoted the digital construction and started the implementation of the project of data standards and management practices. The Group has fully completed the construction of the procurement function of the digital intelligence procurement platform, achieving the goal of centralized procurement in cost reduction and material transparency. The Group continued to promote the iterative upgrade of the Luoding Platform, completed the mobile application of the platform, and integrated the digital operation cloud with the digital operation and maintenance cloud to reduce the later operation and maintenance costs. The service efficiency of the fund settlement platform was improved, and the Group launched the interface of the digital intelligence procurement platform, realizing the interconnection with the digital platform, and the real-time external payment of settlement of sales in cash across systems.

The Company and the CHN Energy jointly obtained the construction indicators of 100,000 kilowatts wind power project, and established a wind power joint venture company, which is an important strategic layout for the Company to extend downstream of the wind power industry chain and develop wind and solar resources, laying a foundation for obtaining more opportunities for developing wind and solar resources in the future.

In the second half of the year, for the industrial empowerment business, the Group will intensify the development of the digital service market, focus on promoting the strategic cooperation with China Mobile, China Telecom and Inspur Group, and promote the implementation of the orders for informatization projects in several districts and counties. For the financing business, the Group will continue to strengthen the financial innovation and improve the service capability. For the centralized procurement business, the Group will continue to improve the functions of the digital intelligence procurement management platform. It is expected that this segment will remain stable throughout the year.

RESULTS OVERVIEW

SALES

In the first half of the year, the Group's total revenue amounted to approximately RMB3,889.0 million, an increase of approximately 10.9% as compared with approximately RMB3,506.3 million for the same period of last year.

In general, revenue of the clean energy equipment segment was approximately RMB3,201.0 million (accounting for approximately 82.3% of the total revenue), representing an increase of approximately 18.1%; revenue of the high-end smart manufacturing segment was approximately RMB655.0 million (accounting for approximately 16.9% of the total revenue), representing a decrease of approximately 12.9%; revenue of the industrial service segment was approximately RMB32.5 million (accounting for approximately 0.8% of the total revenue), representing a decrease of approximately 26.6%.

During the Period, the increase in sales revenue of the clean energy equipment segment was mainly because the Group continued to seek for strategic customers to expand the market demand for wind power blade business. The decrease in revenue from the high-end smart equipment segment was mainly due to the impact of the slowdown in user investment demand on the domestic CNC machine tools business, resulting in a decrease in revenue from this segment. The decrease in revenue in the industrial services segment was mainly attributable to the decrease in the trading operations.

It is expected that the overall operating performance of the Group for the whole year of 2023 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 2023 since the publication of the Group's annual report for the year ended 31 December 2022.

GROSS PROFIT

The gross profit of the Group for the first half of the year was approximately RMB732.7 million, showing an increase of approximately RMB116.8 million or approximately 19.0% as compared with approximately RMB615.9 million for the same period of last year, which was mainly because the Group continued to seek for strategic customers to expand the market demand for wind power blade business, resulting in the significant increase of the revenue and gross profit. The Group's gross profit is expected to basically remain stable in the second half of 2023.

GAIN ON DISPOSAL OF ASSET

Gain on disposal of asset of the Group for the first half of the year was approximately RMB24.0 million, showing a significant decrease of approximately RMB93.5 million as compared with approximately RMB117.5 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 for the same period of last year. Details are set out in Note V.5 to the interim condensed consolidated financial statements.

OTHER INCOME

Other income of the Group for the first half of the year was approximately RMB29.5 million, showing a decrease of approximately RMB6.1 million or approximately 17.1% as compared with approximately RMB35.6 million for the same period of last year, mainly due to the decrease in government subsidies income during the Period.

SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses for the first half of the year were approximately RMB420.4 million, showing an increase of approximately RMB7.5 million or approximately 1.8% as compared with approximately RMB412.9 million for the same period of last year. The ratio of selling and administrative expenses to sales decreased from approximately 11.8% in the same period last year to approximately 10.8%. A year-on-year decrease in selling expenses of approximately RMB18.6 million was mainly due to the significant decrease in property insurance premium while a year-on-year increase in administrative expenses of approximately RMB26.1 million was mainly attributable to the increase in labour costs.

OPERATING PROFIT

The operating profit for the first half of the year was approximately RMB236.4 million, showing a decrease of approximately RMB5.0 million or approximately 2.1% as compared with approximately RMB241.4 million for the same period of last year.

NET FINANCE COSTS

The net interest expenses for the first half of the year were approximately RMB25.9 million, representing an increase of approximately RMB10.0 million or approximately 62.9% as compared to approximately RMB15.9 million for the same period of last year, primarily due to the significant increase of the interest rates for loans of overseas subsidiaries as a result of the continuous hiking of interest rates by Federal Reserve and the Bank of England.

INVESTMENT INCOME

The Group's investment income for the first half of the year was approximately RMB181.8 million, representing an increase of approximately RMB24.9 million or approximately 15.9% as compared with approximately RMB156.9 million for the same period of last year. The results of related associates achieved higher growth as compared with the same period of last year, which was mainly attributable to the increase in the sales of related associates driven by the improvement of high-horsepower diesel engine business. Details are set out in Note V.3 to the interim condensed consolidated financial statements.

INCOME TAX EXPENSES

The income tax expenses for the first half of the year were approximately RMB35.9 million, representing a decrease of approximately RMB14.1 million as compared with approximately RMB50.0 million for the same period of last year, which was mainly benefited from additional tax deduction of research and development expenses. 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 RMB181.9 million, representing an increase of approximately RMB5.5 million or approximately 3.1% as compared with approximately RMB176.4 million for the same period of last year. Earnings per share of approximately RMB0.05 was the same as the same period of last year.

SECURED ASSETS

As at 30 June 2023, approximately RMB556.2 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 RMB213.6 million as at 30 June 2023. Restricted notes receivable of certain subsidiaries of the Group by pledging notes with banks and financial institutions amounted to approximately RMB87.3 million.

CASH FLOW

As at 30 June 2023, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB2,578.9 million (31 December 2022: approximately RMB2,597 million), representing a decrease of approximately RMB18.1 million or approximately 0.7%.

During the Period, the Group had a net cash flow generated from operating activities of approximately RMB23.3 million (approximately RMB250.6 million for the same period of last year), a net cash flow generated from investing activities of approximately RMB115.1 million (approximately RMB92.8 million for the same period of last year), and a net cash flow generated from financing activities of approximately RMB13.3 million (approximately RMB-138.0 million for the same period of last year).

ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

As at 30 June 2023, the total accounts receivables and other receivables of the Group amounted to approximately RMB4,017.3 million, showing an increase of approximately RMB634.0 million as compared with approximately RMB3,383.3 million as at 31 December 2022, which was mainly due to an increase of approximately RMB453.1 million in the wind power blades business and an increase of approximately RMB135.2 million in the electrical wires and cables business.

ACCOUNTS PAYABLES AND OTHER PAYABLES

As at 30 June 2023, the total accounts payables and other payables of the Group amounted to approximately RMB3,034.3 million, showing an increase of approximately RMB434.8 million as compared with approximately RMB2,599.5 million as at 31 December 2022, which was mainly due to an increase in dividends payable and the growth of the wind power blades business and the industrial pump business.

ASSETS AND LIABILITIES

As at 30 June 2023, the total assets of the Group amounted to approximately RMB17,866.3 million, showing an increase of approximately RMB648.5 million as compared with approximately RMB17,217.8 million as at 31 December 2022. The total current assets amounted to approximately RMB11,985.1 million, showing an increase of approximately RMB688.7 million as compared with approximately RMB11,296.4 million as at 31 December 2022, accounting for approximately 67.1% of the total assets (31 December 2022: approximately 65.6%). However, the total non-current assets amounted to approximately RMB5,881.2 million, showing a decrease of approximately RMB40.2 million as compared with approximately RMB5,921.4 million as at 31 December 2022, accounting for 32.9% of the total assets (31 December 2022: approximately 34.4%).

As at 30 June 2023, the total liabilities of the Group amounted to approximately RMB9,768.4 million, showing an increase of approximately RMB568.2 million as compared with approximately RMB9,200.2 million as at 31 December 2022. The total current liabilities amounted to approximately RMB7,577.5 million, showing an increase of approximately RMB116.6 million as compared with approximately RMB7,460.9 million as at 31 December 2022, accounting for approximately 77.6% of the total liabilities (31 December 2022: approximately 81.1%). The total non-current liabilities amounted to approximately RMB2,190.9 million, showing an increase of approximately RMB451.6 million as compared with approximately RMB1,739.3 million as at 31 December 2022, accounting for approximately 22.4% of the total liabilities (31 December 2022: approximately 18.9%).

As at 30 June 2023, the net current assets of the Group amounted to approximately RMB4,407.6 million, showing an increase of approximately RMB572.1 million as compared with approximately RMB3,835.5 million as at 31 December 2022.

CURRENT RATIO

As at 30 June 2023, the current ratio (the ratio of current assets divided by current liabilities) of the Group was 1.58:1 (31 December 2022: 1.51:1).

GEARING RATIO

As at 30 June 2023, by dividing borrowings by total capital, the gearing ratio of the Group was 27.1% (31 December 2022: 26.7%).

INDEBTEDNESS

As at 30 June 2023, the Group had an aggregate bank and other borrowings of approximately RMB3,005.7 million, representing an increase of approximately RMB98.5 million as compared with approximately RMB2,907.2 million as at 31 December 2022.

Borrowings repayable by the Group within one year amounted to approximately RMB1,237.0 million, representing a decrease of approximately RMB319.1 million as compared with approximately RMB1,556.1 million as at 31 December 2022. Borrowings repayable after one year amounted to approximately RMB1,768.7 million, representing an increase of approximately RMB417.6 million as compared with approximately RMB1,351.1 million as at 31 December 2022.

SIGNIFICANT EVENTS

Events in the Period

The Company held an extraordinary general meeting on 22 March 2023 to consider and approve the following matters:

(I) Appointment of an Executive Director and Change of a Non-executive Director

The Company has appointed Mr. Yue Xiangjun as an executive director of the Company and Ms. Zhu Ying as a non-executive director of the Company for a term commencing from the date of the meeting until the expiration of the sixth session of the Board of the Company. The Board was authorized to determine the remuneration of such directors pursuant to the Administrative Measures on Directors' and Supervisors' Remuneration passed at the 2021 annual general meeting and to enter into service contracts with such directors on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters (please refer to the announcement published on the website of the Stock Exchange on 22 March 2023 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 2023, the Group had no significant contingent liabilities.

CAPITAL EXPENDITURE

During the Period, the total capital expenditure of the Group was approximately RMB119.9 million, which was principally used for plant expansion, improvement of production technology and equipment upgrade and capacity improvement (for the same period of 2022: approximately RMB142.0 million).

TREASURY POLICIES

The Group has adopted treasury policies, which concentrate the financial resources available to its different subsidiaries to meet the business needs of its different subsidiaries through the subsidiaries involved with financial services qualifications of the Group. For example, the Group has adopted a centralised approach in managing the funds available to subsidiaries involved, including cash, bank deposits, 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 2023, the Group had a total of 8,179 employees (30 June 2022: a total of 7,859 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 2023, 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	Percentage of	Percentage of
					total issued domestic shares	total issued H shares	total issued shares
					(%)	(%)	(%)
Chongqing Machinery and Electronic Holding (Group) Co., Ltd.	1,924,225,189	Domestic shares	Beneficial owner	(1)	74.46(L)	–	52.22
	92,670,000	H shares	Beneficial owner	(1)	–	8.42(L)	2.52
Chongqing Yufu Capital Operation Group Co., Ltd.	232,132,514	Domestic shares	Beneficial owner	(1)	8.98(L)	–	6.30
	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 shares	total issued shares
				(%)	(%)
The Bank of New York Mellon (formerly known as “The Bank of New York”)	87,276,000 (L)	Custodian		7.93(L)	2.37(L)
	0 (P)			0(P)	0(P)
The Bank of New York Mellon Corporation	87,276,000 (L)	Interest in corporation controlled by substantial shareholders	(4)	7.93(L)	2.37(L)
	87,276,000 (P)			7.93(P)	2.37(P)

(L) Long Position

(S) Short Position

(P) Lending Pool

Notes:

- (1) As Chongqing Machinery and Electronics Holding (Group) Co., Ltd. and Chongqing Yufu Capital Operation Group Co., Ltd. are wholly owned by Chongqing State-owned Assets Supervision and Administration Commission, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 1,924,225,189 domestic shares and 92,670,000 H shares as well as 232,132,514 domestic shares of the Company held by the two companies respectively.
- (2) Chongqing Construction Engineering Group Corporation Limited is held as to 76.53% by Chongqing State-owned Assets Supervision and Administration Commission through its wholly-owned subsidiary, Chongqing Construction Investment Holding Co., Ltd. Therefore, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 232,132,514 domestic shares of the Company held by Chongqing Construction Engineering Group Corporation Limited.
- (3) China Huarong Asset Management Co., Ltd.* is held as to 63.36% directly by the Ministry of Finance of the People's Republic of China and as to 4.22% indirectly by the Ministry of Finance of the People's Republic of China through China Life Insurance (Group) Company, its wholly-owned subsidiary. Therefore, the Ministry of Finance of the People's Republic of China is deemed to be interested in 195,962,467 domestic shares of the Company held by China Huarong Asset Management Co., Ltd.*.
- (4) The Bank of New York Mellon Corporation holds 100% interest in The Bank of New York Mellon (formerly known as "The Bank of New York"), which holds 87,276,000 H shares of the Company. The interest in 87,276,000 H shares relates to the same block of shares in the Company and includes a lending pool of 87,276,000 H shares of the Company.

Save as disclosed above, the directors of the Company are not aware of any persons holding any interests or short positions in the shares or underlying shares which were required to be recorded in the register pursuant to Section 336 of the SFO as at 30 June 2023.

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 2023.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, 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 2023, 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 LLP 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, Mr. Yue Xiangjun and Mr. Yang Quan; the non-executive directors are Mr. Fu Yihong, Ms. Zhu Ying, 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.

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 13 September 2023 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
23 August 2023

As at the date of the announcement, the executive Directors are Mr. Zhang Fulun, Mr. Yue Xiangjun and Mr. Yang Quan; the non-executive Directors are Mr. Fu Yihong, Ms. Zhu Ying, 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*