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**CQME**

**Chongqing Machinery & Electric Co., Ltd.\***

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

*(Stock Code: 02722)*

**ANNOUNCEMENT OF GROUP RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately 11.8% to approximately RMB8,058.5 million yuan
- Gross profit increased by approximately 7.9% to approximately RMB1,539.6 million yuan
- Profit attributable to shareholders slightly decreased by approximately 2.2% to approximately RMB303.6 million yuan
- Earnings per share was approximately RMB0.08 yuan

**ANNUAL RESULTS**

The board of directors (the “Board”) of Chongqing Machinery & Electric Co., Ltd.\* (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023 and the comparative figures for the corresponding period of 2022 as follows:

\* *For identification purposes only*

## CONSOLIDATED INCOME STATEMENT

For the year 2023

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

Unit: RMB

Items	Notes	For the Year 2023	For the Year 2022 (Restated)
<b>1. Total operating revenue</b>	4.1	<b>8,058,534,342.38</b>	7,205,352,432.71
Including: Operating revenue	4.1	<b>8,004,430,705.93</b>	7,138,100,171.71
Interest income	4.1	<b>54,098,357.11</b>	67,246,411.95
Transaction fees and commission income	4.1	<b>5,279.34</b>	5,849.05
<b>2. Total operating cost</b>		<b>8,004,702,835.37</b>	7,104,455,866.66
Including: Operating cost	4.1	<b>6,510,651,923.44</b>	5,769,247,708.70
Interest expenses	4.1	<b>7,982,759.12</b>	9,314,149.88
Transaction cost and commission fees	4.1	<b>201,154.88</b>	224,296.45
Business taxes and surcharges	4.2	<b>60,695,965.96</b>	64,911,651.01
Selling and distribution expenses	4.3	<b>287,908,338.64</b>	266,001,522.49
Administrative expenses	4.4	<b>656,279,297.37</b>	594,757,559.95
Research and development expenses	4.5	<b>407,466,824.38</b>	343,012,354.11
Financial expenses	4.6	<b>73,516,571.58</b>	56,986,624.07
Add: Other income	4.7	<b>141,172,157.67</b>	179,056,241.95
Investment income (Loss listed with “-”)	4.8	<b>300,067,584.94</b>	229,664,925.53
Including: Income from investments in associates and joint ventures	4.8	<b>284,779,634.76</b>	226,084,890.63
Gain arising from the changes in fair value (Loss listed with “-”)	4.9	<b>1,518,900.24</b>	1,629,302.38
Impairment loss of credit (Loss is listed by “-”)	4.1	<b>-145,251,235.91</b>	-49,570,766.32
Impairment loss of assets (Loss is listed by “-”)	4.11	<b>-65,978,403.81</b>	-186,018,115.70
Gain on disposal of assets (Loss listed with “-”)	4.12	<b>90,859,016.01</b>	103,337,051.63
<b>3. Operating profit (Loss listed with “-”)</b>		<b>376,219,526.15</b>	378,995,205.52
Add: Non-operating income	4.13	<b>15,030,265.96</b>	12,253,844.26
Less: Non-operating expenses	4.14	<b>3,525,358.15</b>	9,667,289.33
<b>4. Total profit (Total loss listed with “-”)</b>		<b>387,724,433.96</b>	381,581,760.45
Less: Income tax expenses	4.15	<b>47,908,983.67</b>	61,462,558.76

Items	<i>Notes</i>	<b>For the Year 2023</b>	For the Year 2022 (Restated)
<b>5. Net profit (Net loss listed with “-”)</b>		<b>339,815,450.29</b>	320,119,201.69
(1) Classification by continuing or discontinued operation		<b>339,815,450.29</b>	320,119,201.69
1. Net profit attributable to continuing operation (Net loss listed with “-”)		<b>339,815,450.29</b>	320,119,201.69
2. Net profit attributable to discontinued operation (Net loss listed with “-”)		–	–
(2) Classification by ownership		<b>339,815,450.29</b>	320,119,201.69
1. Net profit attributable to shareholders of the controlling company		<b>303,626,849.13</b>	310,296,470.05
2. Net profit attributable to non-controlling interests		<b>36,188,601.16</b>	9,822,731.64
<b>6. Net other comprehensive income after tax</b>		<b>-48,675,925.17</b>	10,286,697.05
Net other comprehensive income after tax attributable to shareholders of the Company		<b>-48,439,720.37</b>	11,077,291.40
(1). Other comprehensive incomes that cannot be reclassified into profit or loss		<b>-22,816,478.22</b>	19,900,839.21
1. Changes from recalculation of defined benefit plan		<b>16,198.00</b>	-110,670.00
2. Transfer changes of defined benefit plan to retained earnings		–	–
3. Changes in fair value of other equity instrument investments		<b>-22,832,676.22</b>	20,011,509.21
(2). Other comprehensive income that can be reclassified into profit or loss		<b>-25,623,242.15</b>	-8,823,547.81
1. Effective part of cash flow hedging		<b>-679,823.20</b>	-2,136,933.15
2. Effective portion of net investment hedging gains and losses		–	–
3. Translation differences of financial statements in foreign currencies		<b>-24,943,418.95</b>	-6,686,614.66
Net other comprehensive income after tax attributable to non-controlling interests		<b>-236,204.80</b>	-790,594.35

Items	<i>Notes</i>	<b>For the Year 2023</b>	For the Year 2022 (Restated)
<b>7. Total comprehensive income</b>		<b>291,139,525.12</b>	330,405,898.74
1. Total comprehensive income attributable to shareholders of the Company		<b>255,187,128.76</b>	321,373,761.45
2. Total comprehensive income attributable to non-controlling interests		<u><b>35,952,396.36</b></u>	<u>9,032,137.29</u>
<b>8. Earnings per share</b>			
1. Basic earnings per share		<b>0.08</b>	0.08
2. Diluted earnings per share		<u><b>0.08</b></u>	<u>0.08</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

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

Unit: RMB

Items	Notes	31 December 2023	31 December 2022 (Restated)
<b>Current assets</b>			
Cash and cash equivalents	4.16	2,318,562,064.85	2,596,998,658.56
Financial assets held for trade		213,172,331.55	101,853,290.98
Redemptory monetary capital for sale		400,579,125.00	100,056,986.30
Notes receivable	4.17	341,195,461.65	576,803,533.76
Accounts receivable	4.18	2,744,375,342.87	2,586,879,298.37
Receivable financing		524,226,967.08	717,870,298.49
Prepayments		284,495,451.43	196,137,186.76
Other receivables		656,269,208.66	796,413,910.59
Including: Dividends receivable		405,074,939.52	438,662,409.13
Loans and advances to customers		486,199,033.99	833,369,905.09
Inventories		2,342,683,029.07	2,083,986,156.29
Contract assets		815,879,761.40	657,039,218.09
Non-current assets due within one year		62,082,416.99	17,686,791.34
Other current assets		189,048,200.19	31,319,234.45
<b>Total current assets</b>		<b>11,378,768,394.73</b>	<b>11,296,414,469.07</b>
<b>Non-current assets</b>			
Loans and advances to customers		380,485,692.71	117,411,126.84
Long-term receivables		26,670,593.81	44,216,978.34
Long-term equity investments		1,309,306,619.00	1,201,299,694.12
Other equity instruments investment		143,581,611.62	166,617,000.00
Investment properties		197,174,474.94	202,364,566.43
Property, plant and equipment		2,682,037,796.18	2,656,819,049.62
Construction in progress		91,987,334.25	119,703,292.94
Right-of-use assets		334,750,957.34	100,604,017.90
Intangible assets		475,836,222.46	519,907,118.31
Development expenditures		8,030,198.67	13,192,277.05
Goodwill		88,799,237.25	106,090,917.60
Long-term deferred expenses		51,900,414.33	78,987,445.91
Deferred tax assets		159,274,530.62	129,207,917.68
Other non-current assets		157,480,079.05	475,782,102.71
<b>Total non-current assets</b>		<b>6,107,315,762.23</b>	<b>5,932,203,505.45</b>
<b>Total assets</b>		<b>17,486,084,156.96</b>	<b>17,228,617,974.52</b>

Items	<i>Notes</i>	<b>31 December 2023</b>	31 December 2022 (Restated)
<b>Current liabilities</b>			
Short-term loans		<b>568,383,530.32</b>	790,701,461.79
Due to customers, banks and other financial institutions		<b>663,854,525.48</b>	1,006,374,695.10
Notes payable	4.19	<b>1,489,169,192.29</b>	1,215,749,145.09
Accounts payable	4.20	<b>2,381,077,388.42</b>	2,204,231,898.05
Contract liabilities		<b>696,998,128.90</b>	698,373,393.42
Employee benefits payables		<b>100,117,332.01</b>	121,489,430.70
Taxes and levies payables		<b>152,291,578.15</b>	202,850,769.30
Other payables		<b>436,607,482.19</b>	395,252,103.21
Including: Dividends payable		<b>33,038,337.51</b>	32,594,421.98
Non-current liabilities due within one year		<b>581,745,790.92</b>	781,411,981.61
Other current liabilities		<b>43,501,657.16</b>	44,481,729.40
<b>Total current liabilities</b>		<b><u>7,113,746,605.84</u></b>	<b><u>7,460,916,607.67</u></b>
<b>Non-current liabilities</b>			
Long-term loans		<b>1,632,646,116.22</b>	1,351,096,997.70
Lease liabilities		<b>143,467,534.22</b>	47,643,594.96
Long-term payables		<b>2,883,277.24</b>	950,189.77
Long-term employee benefits payable		<b>5,318,000.00</b>	5,697,000.00
Provisions		<b>53,301,196.48</b>	41,517,147.29
Deferred revenue		<b>186,763,428.92</b>	216,152,209.40
Deferred tax liabilities		<b>108,126,660.59</b>	86,922,287.51
<b>Total non-current liabilities</b>		<b><u>2,132,506,213.67</u></b>	<b><u>1,749,979,426.63</u></b>
<b>Total liabilities</b>		<b><u>9,246,252,819.51</u></b>	<b><u>9,210,896,034.30</u></b>

Items	<i>Notes</i>	<b>31 December 2023</b>	31 December 2022 (Restated)
<b>Shareholder's equity</b>			
Share capital		<b>3,684,640,154.00</b>	3,684,640,154.00
Capital reserves		<b>80,949,073.14</b>	71,991,114.02
Other comprehensive income		<b>61,786,603.88</b>	110,226,324.25
Surplus reserves		<b>479,851,957.61</b>	471,043,765.88
Undistributed profit		<b>3,404,126,480.53</b>	3,220,571,231.28
		<u><b>7,711,354,269.16</b></u>	<u>7,558,472,589.43</u>
<b>Total equity attributable to shareholders of the Company</b>		<b>7,711,354,269.16</b>	7,558,472,589.43
<b>Non-controlling interests</b>		<b>528,477,068.29</b>	459,249,350.79
		<u><b>8,239,831,337.45</b></u>	<u>8,017,721,940.22</u>
<b>Total shareholder's equity</b>		<b>8,239,831,337.45</b>	8,017,721,940.22
<b>Total liabilities and shareholder's equity</b>		<b>17,486,084,156.96</b>	17,228,617,974.52

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Unit: RMB

For the year 2023

Equity attributable to the equity holders of the controlling Company

Items	Other equity instruments							Less: treasury shares	Other comprehensive income	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Special reserves	Surplus reserves							
1. Balance at 31 December 2022 (As restated)	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
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 "+")	-	-	-	-	8,957,959.12	-	-	-48,439,720.37	8,808,191.73	-	-	183,555,249.25	69,227,717.50	222,109,397.23
(1) Total comprehensive income	-	-	-	-	-	-	-	-48,439,720.37	-	-	-	303,626,849.13	35,952,396.36	291,139,525.12
(2) Capital contribution and reduction from shareholders	-	-	-	-	-2,099,367.87	-	-	-	-	-	-	-	-	-
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-2,099,367.87	-	-	-	8,808,191.73	-	-	-	2,099,367.87	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	8,808,191.73	-	-	-120,071,599.88	-12,975,246.73	-124,238,654.88
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-8,808,191.73	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-724,203.53	-	-724,203.53
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-	-110,539,204.62	-12,975,246.73	-123,514,451.35
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-



## Equity attributable to the equity holders of the controlling Company

## Other equity instruments

Items	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
(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	-	-	-	-	11,057,326.99	-	-	-	-	-	-	-	11,057,326.99
4. Balance at 31 December 2023	3,684,640,154.00	-	-	-	80,949,073.14	-	61,786,603.88	-	479,851,957.61	-	3,404,126,480.53	528,477,068.29	8,239,831,337.45

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
<b>1. Balance at 31 December 2021</b>	3,684,640,154.00	-	-	-	72,556,920.37	-	99,149,032.85	444,509,347.69	3,048,090,000.17	-	464,777,154.40	7,813,722,609.48
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2022</b>	3,684,640,154.00	-	-	-	72,556,920.37	-	99,149,032.85	444,509,347.69	3,048,090,000.17	-	464,777,154.40	7,813,722,609.48
(As previously reported)												
<b>3. Increase/Decrease for the period</b>												
<b>(Decrease listed with "+,-")</b>												
(1) Total comprehensive income	-	-	-	-	-565,806.35	-	11,077,291.40	26,534,418.19	-	172,481,231.11	-5,527,803.61	203,999,330.74
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	11,077,291.40	-	-	310,296,470.05	9,032,137.29	330,405,898.74
1. Common stock capital contribution from shareholders	-	-	-	-	-565,806.35	-	-	-	-	-	-	-565,806.35
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	-	-	-	-	-	-	-	26,534,418.19	-	-26,534,418.19	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-741,616.13	-	-741,616.13
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-110,539,204.62	-16,476,390.61	-127,015,595.23
4. Others	-	-	-	-	-	-	-	-	-	-	-	-

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
(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	-	3,220,571,231.28	459,249,350.79	8,017,721,940.22
(As restated)													

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year 2023

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

Unit: RMB

Items	Notes	For the Year 2023	For the Year 2022
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		7,490,731,809.89	6,222,665,625.31
Net increase in customer deposits and interbank deposits		-342,185,721.36	66,706,239.98
Cash received from interest, surcharges and commission fee		70,638,211.79	58,501,908.44
Cash received from tax refund		15,513,375.75	52,884,708.53
Cash received relating to other operating activities		454,984,044.99	469,253,697.42
<b>Sub-total of cash inflows from operating activities</b>		<b>7,689,681,721.06</b>	<b>6,870,012,179.68</b>
Cash paid for goods and services		5,458,897,188.71	4,571,479,584.10
Net increase in loans and advances to customers		-72,964,263.61	55,917,666.14
Net increase in central bank and interbank payments		19,828,878.13	-3,057,350.87
Cash paid for interest, surcharges and commission fee		9,009,397.10	9,320,809.03
Cash paid to and on behalf of employees		1,098,146,378.70	1,086,340,295.52
Payments of taxes and surcharges		315,102,925.17	335,808,403.75
Cash paid relating to other operating activities		715,897,599.05	575,136,077.10
<b>Sub-total of cash outflows from operating activities</b>		<b>7,543,918,103.25</b>	<b>6,630,945,484.77</b>
<b>Net cash flows from operating activities</b>		<b>145,763,617.81</b>	<b>239,066,694.91</b>
<b>2. Cash flows from investment activities</b>			
Cash received from return of investments		320,572,448.23	281,554,960.00
Cash received from investments income		294,462,359.75	360,606,741.15
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		257,391,427.05	204,501,872.16
Cash received relating to other investing activities		17,400,000.00	47,621,113.30
<b>Sub-total of cash inflows from investing activities</b>		<b>889,826,235.03</b>	<b>894,284,686.61</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		196,561,844.77	71,750,955.88
Cash paid for investments		455,729,214.96	380,554,960.00
Cash paid relating to other investing activities		2,214,093.28	3,730,794.68
<b>Sub-total of cash outflow from investing activities</b>		<b>654,505,153.01</b>	<b>456,036,710.56</b>
<b>Net cash flows from investing activities</b>		<b>235,321,082.02</b>	<b>438,247,976.05</b>

Items	<i>Notes</i>	For the Year 2023	For the Year 2022
<b>3. Cash flows from financing activities</b>			
Cash received from investments		44,151,200.00	—
Including: cash received by subsidiaries from investment of non-controlling interests		44,151,200.00	—
Cash received from loans granted		1,910,983,364.69	1,442,176,314.08
Cash received relating to other financing activities		46,490,114.67	533,000.00
<b>Sub-total of cash inflows from financing activities</b>		<u>2,001,624,679.36</u>	<u>1,442,709,314.08</u>
Cash paid for repayment of borrowings		1,902,424,618.20	1,487,515,251.32
Cash paid for dividends, profits or payments of interests		200,625,884.05	180,886,788.80
Including: dividends and profits paid to non-controlling interests by subsidiaries		11,880,674.96	15,847,839.56
Cash paid relating to other financing activities		265,111,891.46	122,319,332.06
<b>Sub-total of cash outflows from financing activities</b>		<u>2,368,162,393.71</u>	<u>1,790,721,372.18</u>
<b>Net cash flows from financing activities</b>		<u><u>-366,537,714.35</u></u>	<u><u>-348,012,058.10</u></u>
<b>4. Effects of changes in exchange rate on cash and cash equivalents</b>			
		<u>6,550,845.23</u>	<u>2,348,002.12</u>
<b>5. Net increase in cash and cash equivalents</b>			
Add: opening balance of cash and cash equivalents		21,097,830.71	331,650,614.98
		<u>2,160,065,586.94</u>	<u>1,828,414,971.96</u>
<b>6. Balance of cash and cash equivalents at the end of this period</b>			
		<u><u>2,181,163,417.65</u></u>	<u><u>2,160,065,586.94</u></u>

## **NOTES:**

### **1. GENERAL INFORMATION**

Chongqing Machinery & Electric Co., Ltd. (hereinafter referred to as the Company, and collectively referred to as the Group when including subsidiaries) 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 named Chongqing Yufu Assets Management Co., Ltd), China CITIC Financial Asset Management Co., Ltd. (“CITIC Company”, previously called China Huarong Asset Management Co., Ltd.) and Chongqing Construction Engineering Group Co. Ltd. (“CCEG”, previously 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, ChongqingCity, the PRC. The Group was established with a registered capital of RMB2,679.74 Million (RMB1 yuan per share).

On 13 June 2008, the Company publicly issued 1,004.90 million H shares to foreign investors with approval of the Circular “Zhengjian Xuke [2008] No. 285” of the China Securities Regulatory Commission, and the shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). After issuing the shares, the total share capital increased to RMB3,684.64 million.

CQMEHG which is a registered company in China is the parent company and ultimate holding company of the Company, As of the end of the year, the registered capital of the Company was RMB3,684,640,154 yuan. The Company and its Subsidiaries (hereinafter collectively referred to as “the Group”) are mainly engaged in the manufacturing, sales and services of clean energy equipment and high-end intelligent equipment.

The consolidated financial statements have been approved for issue by the Board of Directors of the Company on 20 March 2024.

### **2. 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 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. In addition to the above foundations, it also includes the relevant disclosures required by the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

#### **2. Going concern**

The Group has evaluated its ability to continue operating for 12 months from December 31, 2023, and has not found any significant doubts or circumstances regarding its ability to continue operating. This financial statement is presented on a going concern basis.

### 3. SEGMENT INFORMATION

The group's reporting segments are business units operating on the basis of different products or services, or in different regions. As various businesses or regions require different technologies and market strategies, the group's divisions independently manage the production and operation activities of each reporting division and evaluate its operating results in order to determine the allocation of resources to it and evaluate its performance.

The Group has 9 reporting divisions which are:

Engine division, responsible for the production and sales of engine products;

General machinery division, responsible for producing and selling general mechanical products;

Wind turbine blade division, responsible for producing and selling wind turbine blades;

Wire and cable division, responsible for the production and sales of wire and cable products;

Intelligent manufacturing division, responsible for producing and selling high-end intelligent equipment products;

CNC machine tools division, responsible for the production and sales of CNC machine tools in China and Europe;

High voltage transformer division, responsible for the production and sales of high voltage transformer products;

Material sales division, responsible for material sales;

Financial services division, responsible for providing financial services such as loans;

Other divisions, responsible for producing and selling other products.

The inter-division transfer price shall be determined by both parties through negotiation.

Assets, liabilities, revenues and expenses are allocated according to the operations of the segment.

Financial information of reportable segments as follows:

### 3.1 Financial information of reportable segments of the current year as follows:

Items	Engine	General machinery	Wind turbine blades	Wire and cable	CNC machine tools	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
External transaction income	-	2,198,769,387.68	2,258,331,435.20	1,810,475,758.48	759,086,641.38	445,364,585.50	-	99,357,492.59	6,946,428.25	602,194,358.37	-	8,180,526,087.45
Inter-segment revenue	-	-13,013,127.51	-	-20,554,687.71	-12,798,179.10	-4,875,472.36	-	-45,253,856.14	-801,304.11	-24,695,118.14	-	-121,991,745.07
Revenue from external customers	-	2,185,756,260.17	2,258,331,435.20	1,789,921,070.77	746,288,462.28	440,489,113.14	-	54,103,636.45	6,145,124.14	577,499,240.23	-	8,058,534,342.38
Operating costs	-	1,574,624,521.96	1,903,281,361.22	1,602,415,091.51	574,861,929.43	369,547,387.18	-	32,880,251.87	4,073,317.64	537,493,389.64	-	6,599,177,250.45
Inter-segment transaction cost	-	-18,859,768.37	753,468.18	-20,554,687.71	-	-4,875,472.36	-	-24,696,337.87	-470,196.40	-11,638,418.48	-	-80,341,413.01
External transaction cost	-	1,555,764,753.59	1,904,034,829.40	1,581,860,403.80	574,861,929.43	364,671,914.82	-	8,183,914.00	3,603,121.24	525,854,971.16	-	6,518,835,837.44
Gross profit from external transactions	-	629,991,506.58	354,296,605.80	208,060,666.97	171,426,532.85	75,817,198.32	-	45,919,722.45	2,542,002.90	51,644,269.07	-	1,539,698,504.94
Gross profit rates (%)	-	28.82	15.69	11.62	22.97	17.21	-	84.87	41.37	8.94	-	19.11
Operating (loss)/profit	252,882,429.47	232,651,307.72	52,298,384.34	90,161,806.69	6,438,734.61	17,501,758.36	2,441,195.67	31,810,320.08	-106,727.82	-309,859,682.97	-	376,219,526.15
Interest income	-	3,521,016.14	982,316.81	421,636.42	132,286.48	294,714.88	-	-	27,830.46	16,017,957.23	-	21,397,758.42
Interest costs	-	2,251,908.77	14,419,143.81	5,903,107.06	28,271,102.74	290,666.87	-	-	-	26,561,064.19	-	77,696,993.43
Investment income from associates and joint ventures	252,882,429.47	-	-	-	-2,213,897.72	-	2,441,195.67	-	-	31,669,907.34	-	284,779,634.76
Total profit	252,882,429.47	239,073,270.98	52,485,048.26	90,380,960.35	5,654,200.83	17,529,436.40	2,441,195.67	31,810,320.08	23,788.81	-304,556,216.89	-	387,724,433.96
Income tax expense	-	19,464,359.74	5,356,613.87	6,030,767.32	1,778,741.20	87,262.95	-	13,787,008.59	-502.92	1,404,732.92	-	47,908,983.67
Net profit	252,882,429.47	219,608,911.24	47,128,434.39	84,350,193.03	3,875,459.63	17,442,173.45	2,441,195.67	18,023,311.49	24,291.73	-305,960,949.81	-	339,815,450.29
<b>Other items</b>	<b>Engine</b>	<b>General machinery</b>	<b>Wind turbine blades</b>	<b>Wire and cable</b>	<b>CNC machine tools</b>	<b>Intelligent manufacturing</b>	<b>High voltage transformer</b>	<b>Financial service</b>	<b>Material sales</b>	<b>Other divisions</b>	<b>Offset</b>	<b>Total</b>
Depreciation of Property, plant and equipment and investment property	-	37,050,729.85	62,106,633.64	13,810,510.07	66,731,833.24	12,322,490.51	-	2,532,894.56	8,412.91	63,700,079.20	-	258,263,583.98
Amortisation of intangible assets	-	5,352,341.24	23,877,247.20	790,300.69	13,811,830.57	373,387.38	-	636,041.38	97,418.31	7,456,488.09	-	52,395,054.86
Provision on inventory	-	9,457,618.02	-1,220,039.71	-2,302,870.49	-19,788,515.58	4,060,118.23	-	-	-	1,047,343.83	-	-8,746,345.70
Provision for (reversal of) impairment of accounts and other receivables	-	-8,990,862.81	-34,309,368.92	-5,857,766.69	-4,242,750.09	-7,909,795.33	-	-	769,002.17	-87,012,403.70	-	-147,553,945.37
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	34,246,537.71	43,041,658.85	5,764,006.07	-344,127,498.19	-2,249,061.76	-	4,699,402.49	775,776.80	117,319,104.03	-	-140,530,074.00



### 3.2 Financial information of reportable segments of the last year as follows:

#### Financial information of reportable segments of the last year:

Items	Engine	General machinery	Wind turbine blades	Wire and cable	CNC machine tools	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
External transaction income	-	3,712,376,141.78	1,680,790,353.71	1,776,519,207.04	753,004,362.33	500,301,459.61	-	107,390,616.30	16,889,925.34	418,055,952.34	-	8,965,328,018.45
Inter-segment revenue	-	-1,686,908,144.24	-	-6,243,916.91	-5,856,671.69	-5,292,650.58	-	-40,138,355.30	-161,142.38	-15,374,704.64	-	-1,759,975,585.74
Revenue from external customers	-	2,025,467,997.54	1,680,790,353.71	1,770,275,290.13	747,147,690.64	495,008,809.03	-	67,252,261.00	16,728,782.96	402,681,247.70	-	7,205,352,432.71
Operating costs	-	2,858,317,687.36	1,465,077,179.01	1,538,698,359.39	571,178,520.95	422,049,378.62	-	35,605,091.24	14,042,900.73	372,530,987.40	-	7,277,500,104.70
Inter-segment transaction cost	-	-1,487,578,482.56	22,559,091.33	-6,243,916.91	-994,546.89	-5,292,650.58	-	-26,066,644.91	-	4,903,200.85	-	-1,498,713,949.67
External transaction cost	-	1,370,739,204.80	1,487,636,270.34	1,532,454,442.48	570,183,974.06	416,756,728.04	-	9,538,446.33	14,042,900.73	377,434,188.25	-	5,778,786,155.03
Gross profit from external transactions	-	654,728,792.74	193,154,083.37	237,820,847.65	176,963,716.58	78,252,080.99	-	57,713,814.67	2,685,882.23	25,247,059.45	-	1,426,566,277.68
Gross profit rates (%)		32.32	11.49	13.43	23.69	15.81	-	85.82	16.06	6.27	-	19.8
Operating (loss)/profit	204,792,206.70	246,372,467.25	34,314,426.41	95,465,666.91	-70,844,015.67	30,488,751.73	44,352,724.35	41,355,909.34	74,380.44	-247,377,311.94	-	378,995,205.52
Interest income	-	2,329,704.54	1,755,181.05	136,532.09	8,265,113.04	362,143.32	-	-	-60,129.26	28,269,302.36	-	41,057,847.14
Interest costs	-	773,926.60	1,140,643.66	4,453,843.30	14,792,818.55	499,790.36	-	-	-	87,161,890.03	-	108,822,912.50
Investment income from associates and joint ventures	204,792,206.70	-	-	-	-9,850,839.27	-	44,352,724.35	-	-	-13,209,201.15	-	226,084,890.63
Total profit	204,792,206.70	253,480,828.42	31,699,392.51	95,377,814.18	-74,527,215.14	30,489,820.60	44,352,724.35	41,355,909.34	110,320.38	-245,550,040.89	-	381,581,760.45
Income tax expense (restated)	-	30,399,318.23	19,182,983.51	6,383,123.98	-7,399,142.56	1,183,326.85	-	12,684,182.73	-	-971,233.98	-	61,462,558.76
Net profit (restated)	204,792,206.70	223,081,510.19	12,516,409.00	88,994,690.20	-67,128,072.58	29,306,493.75	44,352,724.35	28,671,726.61	110,320.38	-244,578,806.91	-	320,119,201.69

Items	Engine	General machinery	Wind turbine blades	Wire and cable	CNC machine tools	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
Depreciation of Property, plant and equipment and investment property	-	31,470,327.87	17,962,794.99	13,209,533.07	69,762,245.57	14,634,712.27	1,454,165.40	730,344.55	2,788.80	83,279,404.88	-	232,506,317.40
Amortisation of intangible assets	-	4,661,787.33	11,996,063.20	789,409.80	15,242,236.24	356,130.72	-	468,039.81	-	8,105,781.26	-	41,619,448.36
Provision on inventory	-	-	1,623,223.23	-	355,259.34	-	-	69,925.24	253,601.79	-31,233,377.48	-	-28,931,367.88
Provision for/(reversal of) impairment of accounts and other receivables	-	-18,447,946.90	19,018,747.23	-2,505,979.20	-4,893,192.71	-4,509,674.91	-	-	794,609.55	-36,815,495.81	-	-47,558,932.75
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	18,926,755.11	133,132,422.99	-1,957,585.30	-321,009,464.08	-9,418,722.11	-	-4,128,849.67	-344,395.78	175,503,659.42	-	-9,276,179.42

### 3.3 Assets and liabilities of each segment

Information on the assets and liabilities of reported segments:

31 Dec 2023	Engine	General machinery	Wind turbine blades	Wire and cable	CNC machine tools	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
Total assets	406,890,867.68	4,334,862,482.94	2,981,141,052.74	1,415,799,070.32	2,025,617,207.53	649,233,783.37	373,691,295.80	3,811,221,134.38	41,524,882.82	10,520,514,861.50	-9,074,412,482.12	17,486,084,156.96
Total liabilities	-	2,056,691,059.18	2,085,564,043.91	946,836,820.90	1,423,062,095.63	327,811,227.35	-	2,665,557,756.47	258,615,212.85	3,876,692,958.97	-4,394,578,353.75	9,246,252,819.51
Investment of associates or joint ventures	406,890,867.68	-	-	-	74,751,137.98	-	373,691,295.80	-	-	453,973,317.54	-	1,309,306,619.00

  

31 Dec 2022	Engine	General machinery	Wind turbine blades	Wire and cable	CNC machine tools	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
Total assets	406,890,867.68	4,303,456,262.07	2,736,157,575.17	1,342,330,918.32	2,435,535,100.72	554,105,910.77	376,654,006.68	3,857,050,146.56	89,568,291.84	11,470,955,464.14	-10,344,086,569.43	172,286,179,74.52
Total liabilities	-	2,254,648,226.87	2,355,290,804.41	901,708,048.23	1,799,872,605.86	250,504,408.60	-	2,902,289,348.81	307,041,924.97	3,794,597,010.05	-5,355,056,343.50	9,210,896,034.30
Investment of associates or joint ventures	406,890,867.68	-	-	-	76,585,735.65	-	376,654,006.68	-	-	341,169,084.11	-	1,201,299,694.12

### 4.1 OPERATING REVENUE & OPERATING COST

#### (1) Operating revenue & operating cost

Items	Amount of the year		Amount of last year	
	Revenue	Cost	Revenue	Cost
Main business	7,858,059,755.42	6,446,927,219.46	7,030,915,794.08	5,730,758,512.72
Other business	146,370,950.51	63,724,703.98	107,184,377.63	38,489,195.98
Interest	54,098,357.11	7,982,759.12	67,246,411.95	9,314,149.88
Transaction fees and commission income	5,279.34	201,154.88	5,849.05	224,296.45
Total	8,058,534,342.38	6,518,835,837.44	7,205,352,432.71	5,778,786,155.03

Note: Interest income and fee and commission income are derived from the business of the finance 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	
	Revenue	Cost	Revenue	Cost	Revenue	Cost	Revenue	Cost	Revenue	Cost
<b>Classified by region</b>	<b>1,433,002,942.17</b>	<b>1,156,368,517.04</b>	<b>6,556,687,445.18</b>	<b>5,346,691,444.62</b>	<b>66,923,422.44</b>	<b>15,775,875.78</b>	<b>1,920,532.59</b>	<b>8,058,534,342.38</b>	<b>6,518,835,837.44</b>	
Including: Mainland of China	1,285,919,376.03	1,046,837,964.99	6,473,894,597.76	5,250,888,720.96	66,923,422.44	15,775,875.78	1,920,532.59	7,828,657,928.82	6,313,502,561.73	
Others	147,083,566.14	109,530,552.05	82,792,847.42	95,802,723.66	—	—	—	229,876,413.56	205,333,275.71	
<b>Types of contracts</b>	<b>1,433,002,942.17</b>	<b>1,156,368,517.04</b>	<b>6,556,687,445.18</b>	<b>5,346,691,444.62</b>	<b>66,923,422.44</b>	<b>15,775,875.78</b>	<b>1,920,532.59</b>	<b>8,058,534,342.38</b>	<b>6,518,835,837.44</b>	
Including: Equipment sales contract	1,295,432,797.31	1,076,835,605.22	4,677,750,725.20	3,709,241,276.32	—	—	—	5,973,183,522.51	4,786,076,881.54	
Service contract	39,835,542.47	5,137,118.92	36,810,461.68	19,687,095.32	66,923,422.44	15,775,875.78	1,920,532.59	145,489,959.18	40,600,090.02	
Materials sales contract	97,734,602.39	74,395,792.90	1,842,126,258.30	1,617,763,072.98	—	—	—	1,939,860,860.69	1,692,158,865.88	
<b>Classified by time of revenue recognition</b>	<b>1,433,002,942.17</b>	<b>1,156,368,517.04</b>	<b>6,556,687,445.18</b>	<b>5,346,691,444.62</b>	<b>66,923,422.44</b>	<b>15,775,875.78</b>	<b>1,920,532.59</b>	<b>8,058,534,342.38</b>	<b>6,518,835,837.44</b>	
Including: Recognizes revenue at a point in time	1,408,920,195.08	1,156,368,317.04	6,556,687,445.18	5,346,691,444.62	11,952,506.10	3,624,167.97	—	7,977,560,146.36	6,506,684,129.63	
Provide during a certain period of time	24,082,747.09	—	—	—	54,970,916.34	12,151,707.81	1,920,532.59	80,974,196.02	12,151,707.81	
<b>Classified by sales channel</b>	<b>1,433,002,942.17</b>	<b>1,156,368,517.04</b>	<b>6,556,687,445.18</b>	<b>5,346,691,444.62</b>	<b>66,923,422.44</b>	<b>15,775,875.78</b>	<b>1,920,532.59</b>	<b>8,058,534,342.38</b>	<b>6,518,835,837.44</b>	
Including: Direct sales	1,425,778,617.18	1,150,905,725.99	6,538,814,226.87	5,330,663,179.50	66,923,422.44	15,775,875.78	1,920,532.59	8,033,436,799.08	6,497,344,781.27	
Distribution	7,224,324.99	5,462,791.05	17,612,848.41	15,784,351.15	—	—	—	24,837,173.40	21,247,142.20	
Internet sales	—	—	260,369.90	243,913.97	—	—	—	260,369.90	243,913.97	

### **(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.

During this reporting period, the Group determines the performance obligations of the financial company's business and some machine tool business contracts to be fulfilled within a certain period of time in accordance with the standards. Revenue is recognized based on the performance progress of the project, that is, based on the performance progress of the project, the Group recognizes the actual contract costs incurred plus the contract gross profit as project business contract revenue.

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 RMB4,045,544,731.74 (of which the amount of income corresponding to the performance obligations that have been signed but not yet fulfilled is RMB2,957,185,054.66, and the corresponding income amount of the performance obligations that have been signed but not yet performed is RMB1,088,359,677.08). Among them, RMB3,666,293,251.11 is expected to be recognized as revenue in 2024; RMB379,251,480.63 is expected to be recognized as revenue in 2025.

## 4.2 TAXES AND SURCHARGES

Items	Amount of the year	Amount of last year
Urban maintenance and construction tax	<b>10,745,184.68</b>	13,309,243.39
Education surcharge	<b>7,922,199.79</b>	9,531,711.54
Property tax	<b>20,472,381.76</b>	18,811,009.52
Land use tax	<b>13,635,405.70</b>	15,722,103.05
Stamp duty	<b>7,321,717.70</b>	6,245,271.11
Others	<b>599,076.33</b>	1,292,312.40
Total	<b><u>60,695,965.96</u></b>	<b><u>64,911,651.01</u></b>

## 4.3 SELLING AND DISTRIBUTION EXPENSES

Items	Amount of the year	Amount of last year
Employee Compensation	<b>112,731,560.01</b>	118,785,850.48
Office expenses	<b>3,531,514.62</b>	4,471,811.70
Property insurance premium	<b>3,263,040.02</b>	17,566,466.68
Labor costs	<b>1,602,622.18</b>	2,086,815.64
Travel expenses	<b>39,679,674.92</b>	33,433,956.13
Advertising and publicity expenses	<b>7,172,944.07</b>	4,300,511.34
Three guarantee fees	<b>57,902,337.22</b>	37,616,330.13
Sales and after-sales service fees	<b>21,465,436.95</b>	11,874,729.64
Business entertainment expenses	<b>18,075,380.41</b>	12,356,492.09
Storage and storage fees	<b>2,915,026.33</b>	2,491,485.30
Others	<b>19,568,801.91</b>	21,017,073.36
Total	<b><u>287,908,338.64</u></b>	<b><u>266,001,522.49</u></b>

#### 4.4 ADMINISTRATIVE EXPENSES

Items	Amount of the year	Amount of last year
Employee Compensation	<b>389,574,483.58</b>	365,923,277.02
Including : Employee resettlement funds	<b>10,304,423.37</b>	17,555,425.81
Depreciation expenses	<b>64,582,968.17</b>	62,937,960.60
Labor costs	<b>26,089,482.21</b>	17,552,764.59
Repair costs	<b>30,295,171.87</b>	23,627,662.54
Consulting fees	<b>13,106,236.81</b>	15,944,665.44
– Audit service fees	<b>3,467,478.55</b>	3,743,338.93
– Tax service fees	<b>765,863.30</b>	623,499.39
– Other service fees	<b>8,872,894.96</b>	11,577,827.12
Amortization of intangible assets	<b>17,279,786.86</b>	13,220,812.02
Office expenses	<b>20,610,564.45</b>	16,380,982.05
Rental fees	<b>6,267,832.80</b>	5,200,681.28
Travel expenses	<b>7,704,509.55</b>	4,246,386.02
Others	<b>80,768,261.08</b>	69,722,368.39
Total	<b>656,279,297.37</b>	594,757,559.95

#### 4.5 RESEARCH AND DEVELOPMENT EXPENSES

Items	Amount of the year	Amount of last year
Labor cost	<b>165,610,564.83</b>	151,179,319.66
Material costs	<b>182,927,288.21</b>	152,324,507.08
Amortization of intangible assets	<b>15,012,900.87</b>	6,165,488.28
Depreciation expenses	<b>10,104,388.85</b>	10,683,863.90
Consulting fees	<b>5,625,918.77</b>	5,446,874.84
Power cost	<b>3,779,270.34</b>	2,553,858.19
Office expenses	<b>5,950,058.01</b>	1,751,448.29
Others	<b>18,456,434.50</b>	12,906,993.87
Total	<b>407,466,824.38</b>	343,012,354.11

#### 4.6 FINANCIAL EXPENSES

Items	Amount of the year	Amount of last year
Net interest income and expenditure	56,299,235.01	67,765,065.36
Add: Exchange loss	-14,582,834.24	-29,980,267.74
Add: Bill discount expenses	23,011,812.80	11,853,689.11
Add: Other expenses	7,896,470.99	6,967,033.91
Add: Amortization of lease liabilities	891,887.02	381,103.43
	<u>73,516,571.58</u>	<u>56,986,624.07</u>
Total	<u><u>73,516,571.58</u></u>	<u><u>56,986,624.07</u></u>

#### 4.7 OTHER INCOME

Items	Amount of the year	Amount of last year
Government subsidies	110,953,879.78	153,275,781.74
Income from debt restructuring	—	23,971,995.16
Value added tax deduction and exemption	26,970,032.99	—
Others	3,248,244.90	1,808,465.05
	<u>141,172,157.67</u>	<u>179,056,241.95</u>
Total	<u><u>141,172,157.67</u></u>	<u><u>179,056,241.95</u></u>

#### 4.8 INVESTMENT INCOME

Items	Amount of the year	Amount of last year
Income from long-term equity investments accounted for by the equity method	284,779,634.76	226,084,890.63
Investment income arising from the disposal of trading financial assets	555,739.17	383,363.35
Dividends on investments in other equity instruments	980,100.00	1,176,370.79
Gain or loss on debt restructuring	13,100,014.68	2,020,300.76
Others	652,096.33	—
	<u>300,067,584.94</u>	<u>229,664,925.53</u>
Total	<u><u>300,067,584.94</u></u>	<u><u>229,664,925.53</u></u>

#### 4.9 GAIN ARISING FROM THE CHANGES IN FAIR VALUE

Item	Amount of the year	Amount of last year
Financial assets at fair value through profit or loss	<u>1,518,900.24</u>	<u>1,629,302.38</u>
Total	<u><u>1,518,900.24</u></u>	<u><u>1,629,302.38</u></u>

#### 4.10 IMPAIRMENT LOSS OF CREDIT

Items	Amount of the year	Amount of last year
Deposit inter-bank payments	-1,482,426.14	-992,245.89
Bad debt provision for note receivable	-432,512.09	-1,712,285.24
Bad debt provision for accounts receivable	-139,153,012.91	-40,217,814.52
Provision for impairment of accounts receivable financing	2,431,029.20	1,948,755.71
Bad debt provision for other receivables	-8,400,932.46	-7,141,118.23
Provision for bad debts in loans and advances issued	2,156,315.53	-1,397,941.65
Credit commitment	<u>-369,697.04</u>	<u>-58,116.50</u>
Total	<u><u>-145,251,235.91</u></u>	<u><u>-49,570,766.32</u></u>

#### 4.11. IMPAIRMENT LOSSES OF ASSETS

Items	Amount of the year	Amount of last year
Impairment loss on inventory	-8,746,345.70	-28,931,367.88
Provision for bad debts of contract assets	-5,443,098.07	-13,796,088.17
Fixed assets depreciation reserves	-738,675.97	-6,868,499.42
Intangible Assets depreciation reserves	-1,188,459.37	—
Impairment provision of projects under construction	-8,623,377.99	-64,895,150.60
Provision for impairment of other non current assets	-19,880,503.67	-46,594,374.44
Provision for impairment of goodwill	-17,291,680.35	-24,932,635.19
Provision for impairment of prepaid accounts	<u>-4,066,262.69</u>	<u>—</u>
Total	<u><u>-65,978,403.81</u></u>	<u><u>-186,018,115.70</u></u>



#### 4.12 GAINS ON DISPOSALS OF ASSETS

Items	Amount of the year	Amount of last year	Amount recorded in extraordinary profit and loss
Disposal income of non current assets not classified as held for sale	<b>90,859,016.01</b>	103,337,051.63	90,859,016.01
Including: Income from disposal of fixed assets	<b>18,947,590.48</b>	29,955,855.72	18,947,590.48
Income from disposal of intangible assets	<b>1,550,900.42</b>	15,956,412.58	1,550,900.42
Income from disposal of right of use assets	<b>938,230.47</b>	833,049.96	938,230.47
Benefits from environmental relocation	<b>69,422,294.64</b>	56,591,733.37	69,422,294.64
Total	<b>90,859,016.01</b>	103,337,051.63	90,859,016.01

#### 4.13 NON-OPERATING INCOME

Items	Amount of the year	Amount of last year	Amount recorded in extraordinary profit and loss
Penalty income, penalty and compensation, etc	<b>7,303,107.72</b>	8,781,637.80	7,303,107.72
Government grants	—	108,000.00	—
Unpaid payables	<b>2,451,936.75</b>	1,863,179.59	2,451,936.75
Others	<b>5,275,221.49</b>	1,501,026.87	5,275,221.49
Total	<b>15,030,265.96</b>	12,253,844.26	15,030,265.96

#### 4.14 NON-OPERATING EXPENSES

Items	Amount of the year	Amount of last year	Amount recorded in extraordinary profit and loss
Donation for Public welfare	<b>200,000.00</b>	110,250.00	200,000.00
Loss from damage and Scrapping of non-current assets	<b>242,347.14</b>	922,653.42	242,347.14
Penalty and overdue surcharge	<b>1,480,384.04</b>	8,618,360.85	1,480,384.04
Others	<b>1,602,626.97</b>	16,025.06	1,602,626.97
Total	<b>3,525,358.15</b>	9,667,289.33	3,525,358.15

#### 4.15 INCOME TAX EXPENSE

##### (1) Income tax expense

Items	Amount of the year	Amount of last year (Restated)
Current income tax calculated according to tax law and provision	49,306,792.88	81,642,699.34
–Enterprise income tax in Chinese Mainland	49,306,792.88	81,642,699.34
Deferred income tax	<u>-1,397,809.21</u>	<u>-20,180,140.58</u>
Total	<u><u>47,908,983.67</u></u>	<u><u>61,462,558.76</u></u>

Note: The Group has no overseas corporate income tax payable during the year (previous year: none), and there is no overseas corporate income tax.

#### 4.16 CASH AND CASH EQUIVALENTS

Items	31 Dec 2023	31 Dec 2022
Cash in hand	183,669.08	188,652.07
Cash at bank	1,772,845,322.01	2,144,724,744.89
Other monetary assets	541,404,369.82	447,698,414.92
Accrued interest on Cash at bank	<u>4,128,703.94</u>	<u>4,386,846.68</u>
Total	<u><u>2,318,562,064.85</u></u>	<u><u>2,596,998,658.56</u></u>
Including: cash deposited abroad	<u><u>83,134,096.62</u></u>	<u><u>65,645,041.01</u></u>

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

#### 4.17 NOTES RECEIVABLE

##### (1) Classification of notes receivable

Items	31 Dec 2023	31 Dec 2022
Bank acceptance bills	53,838,664.48	422,284,619.71
Commercial acceptance bills	289,856,178.54	156,585,783.33
Total original value	343,694,843.02	578,870,403.04
Less: provision for bad debts	<u>2,499,381.37</u>	<u>2,066,869.28</u>
Total	<u><u>341,195,461.65</u></u>	<u><u>576,803,533.76</u></u>

The age of accounts receivable for the above-mentioned year-end notes of the Group is within one year.

## 4.18 ACCOUNTS RECEIVABLE

### (1) Accounts receivable listed by aging

Items	31 Dec 2023	31 Dec 2022
Accounts receivable	3,457,511,126.32	3,198,204,236.15
Less : provision for bad debts	<u>713,135,783.45</u>	<u>611,324,937.78</u>
Carrying amount	<u><u>2,744,375,342.87</u></u>	<u><u>2,586,879,298.37</u></u>

*Note:* The Group's receivables are mainly generated through the sale of commodities, the provision of technology and related services, and construction engineering operations, and are settled in accordance with the terms stipulated in the relevant transaction contracts. Relevant warranty receivables usually expire within one to two years after product delivery and project completion. The group's accounts receivable are non-interest bearing.

Aging	31 Dec 2023		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	2,085,193,460.83	30,018,353.52	1.44
1-2 years	444,362,496.14	39,070,137.80	8.79
2-3 years	158,729,130.77	46,213,215.46	29.11
Over 3 years	769,226,038.58	597,834,076.67	77.72
Including: 3-4 years	298,533,696.07	173,491,714.85	58.11
4-5 years	120,532,323.30	92,417,934.74	76.67
Over 5 years	<u>350,160,019.21</u>	<u>331,924,427.08</u>	<u>94.79</u>
Total	<u><u>3,457,511,126.32</u></u>	<u><u>713,135,783.45</u></u>	<u><u>20.63</u></u>
Aging	31 Dec 2022		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	1,843,481,336.62	23,642,391.90	1.28
1-2 years	335,375,460.59	22,034,365.31	6.57
2-3 years	372,507,469.72	100,655,215.01	27.02
Over 3 years	646,839,969.22	464,992,965.56	71.89
Including: 3-4 years	162,400,785.70	90,737,156.24	55.87
4-5 years	185,243,406.19	89,489,687.08	48.31
Over 5 years	<u>299,195,777.33</u>	<u>284,766,122.24</u>	<u>95.18</u>
Total	<u><u>3,198,204,236.15</u></u>	<u><u>611,324,937.78</u></u>	<u><u>19.11</u></u>

#### 4.19 NOTES PAYABLE

Items	31 Dec 2023	31 Dec 2022
Bank acceptance bill	<b>1,483,769,192.29</b>	1,203,846,275.09
Commercial acceptance bill	<b>5,400,000.00</b>	11,902,870.00
Total	<b><u>1,489,169,192.29</u></b>	<b><u>1,215,749,145.09</u></b>

Note 1: The Group has no bills payable due and unpaid at the end of this period.

Note 2: The age of notes payable of the Group at the end of this period is within one year.

#### 4.20 ACCOUNTS PAYABLE

##### (1) The types of accounts payable

Items	31 Dec 2023	31 Dec 2022
Material payable	<b>2,259,707,319.16</b>	2,028,433,617.71
Freight payable	<b>32,941,873.46</b>	28,068,345.47
Equipment payable	<b>26,959,196.25</b>	77,521,873.76
Project payable	<b>8,551,672.99</b>	9,819,710.51
Others	<b>52,917,326.56</b>	60,388,350.60
Total	<b><u>2,381,077,388.42</u></b>	<b><u>2,204,231,898.05</u></b>

The aging analysis of account payable based on its invoice date:

Aging	31 Dec 2023	31 Dec 2022
Within 1 year	<b>1,984,007,090.56</b>	1,764,964,201.79
1-2 years	<b>180,798,720.13</b>	164,479,741.48
2-3 years	<b>66,344,563.93</b>	31,795,626.49
More than 3 years	<b>149,927,013.80</b>	242,992,328.29
Total	<b><u>2,381,077,388.42</u></b>	<b><u>2,204,231,898.05</u></b>

## 4.21 UNDISTRIBUTED PROFIT

Items	31 Dec 2023	31 Dec 2022 (Restated)
<b>Undistributed profit at the beginning of the period (before adjustment)</b>	<b>3,220,571,231.28</b>	3,048,090,000.17
Add: Accounting policy changes and adjustments	—	—
<b>Undistributed profit at the beginning of the period (adjusted)</b>	<b>3,220,571,231.28</b>	3,048,090,000.17
Add: Net profit attributable to owners of the parent company for the period	<b>303,626,849.13</b>	310,296,470.05
Less: Withdrawal of statutory surplus reserve	<b>8,808,191.73</b>	26,534,418.19
Withdrawal of employee incentive and welfare funds	<b>724,203.53</b>	741,616.13
Dividends payable on common stock	<b>110,539,204.62</b>	110,539,204.62
<b>Undistributed profit at the end of the period</b>	<b><u>3,404,126,480.53</u></b>	<b><u>3,220,571,231.28</u></b>

Note 1: According to the annual general meeting of the Group for the year 2022 held on 21 June 2023, the meeting considered and approved the Group's profit distribution plan for the year 2022, i.e., RMB0.03 (inclusive of tax) per share, which, based on the 3,684,640,154 shares in issue, resulted in a total amount of RMB110,539,204.62 required to be distributed as dividend. The Group has paid the aforesaid dividends in July 2023 to each of the shareholders.

Note 2: According to the Measures for the Administration of Reserves and Provisions of Financial Enterprises issued by the Ministry of Finance (Finance [2012] No.20), Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd., a subsidiary of the Group, sets up a general risk preparation on the basis of extracting the asset impairment provision to make up for the unidentified potential losses related to the risky assets. The general risk provision, as a profit distribution treatment, is a component part of the owner's equity, and in principle should not be less than 1.5% of the balance of the risky assets at the end of the year. At the same time, the measure stipulates that the proportion of the general reserve balance of financial enterprises in the year-end balance at the end of risky assets, which is difficult to reach 1.5% at one time, can be in place by year, in principle shall not exceed 5 years. The year-end balance of general risk preparation withdrawal of Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd. is 1.5% (2022:1.5%).

At the end of the year, the undistributed profits of the Group included the subsidiary Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd. with general risk provision of RMB43,684,420.70 (amount of opening balance, RMB49,203,831.96).

## 4.22 RETURN ON NET ASSETS AND EARNINGS PER SHARE

Profit for the reporting year	Weighted mean Return on equity (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the company	3.97	0.08	0.08
Net profit attributable to the common shareholders of the parent company after deducting non-recurring gains and losses	<u>1.62</u>	<u>0.03</u>	<u>0.03</u>

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of the Company, I am pleased to announce the annual results of the Group for the year ended 31 December 2023 (the “Period” or the “Year”). The Group’s annual results have been audited by the Company’s auditor, ShineWing Certified Public Accountants LLP. It is my pleasure to present the annual results of the Group as well as its sustainable development strategy and outlook to shareholders.

### I. INTERNATIONAL AND DOMESTIC REVIEW FOR THE YEAR

In 2023, the overall recovery of the global economy was slow, with the differentiation and expansion in different regions. Under the background of high inflation in the United States and Europe and the monetary tightening policies implemented by the central bank of the United States and Europe, Japan’s economy continued to grow to a near-decade high. The economies of China and the United States showed strong resilience, while the emerging economies showed overall stability, and the European Union fell into the edge of recession. Due to geopolitical crises such as the ongoing Russia-Ukraine conflict and the intensification of Israeli-Palestinian conflict, energy prices and food prices remain high, supply chains have been impacted, and global trade has shrunk. The acceleration of “de-risking” in the global industrial chain, the continuous downturn in external direct investment, and the “tight balance” status of the international financial market have constituted important challenges to the global economy. Looking at the domestic market, the epidemic control has transformed steadily. Although the Chinese government is facing challenges such as insufficient effective demand, overcapacity in some industries, weak social expectations, and more hidden risks, our government still withstood external pressure, overcame internal difficulties, focused on expanding domestic demand, optimising structure, boosting confidence, and preventing and resolving risks. The economy has rebounded, and high-quality development has been solidly promoted. Significant progress has been made in the construction of a modern industrial system, scientific and technological innovation has achieved new breakthroughs, reform and opening up has been promoted in depth, the foundation of safe development has been consolidated, and people’s livelihood has been effectively guaranteed. In 2023, China’s GDP growth rate was 5.2%, and the total economic output was approximately RMB126.1 trillion.

## **II. RESULTS REVIEW OF THE GROUP FOR THE YEAR**

In 2023, the Group focused on the opportunities of the new development pattern of the “14th Five-Year Plan”, faced with the impact of unfavourable factors such as insufficient domestic demand, overcapacity in some industries, weak social expectations, and more hidden risks, the Group continued to focus on technological innovation, product upgrading, industrial development, etc. and paid close attention to market expansion, coordinated the layout of incremental markets, actively grasped the national strategic opportunity periods of the Chengdu-Chongqing Economic Circle and the new land and sea corridors in the western region, utilised the important supporting momentum of industrial recovery such as new energy vehicles, electrical machinery and equipment manufacturing, the Group focused on optimising the two core businesses of clean energy equipment and high-end smart equipment, grasped the opportunity of Chongqing’s modern manufacturing cluster system of “33618” (i.e. focusing on building three trillion-level leading industrial clusters such as ICV&NEV, upgrading and building three 500 billion-level pillar industrial clusters such as intelligent equipment and intelligent manufacturing, innovating to build six 100 billion-level characteristic advantage industrial clusters such as new energy and new energy storage, and cultivating and expanding 18 “new stars” industrial clusters such as cutting-edge new materials) to promote the high-end, intelligent and green development direction of the manufacturing industry. At the same time, the Group continued to optimize in various aspects such as market expansion, brand building, R&D innovation, risk management, talent attraction and sustainable development strategy, create efficiency and promote high-quality development. The scientific and technological applications and core competitiveness of the Group have been improved, achieving the annual targets set by the Board.

## **III. OUTLOOK FOR INTERNATIONAL AND DOMESTIC SITUATION IN 2024**

Looking forward to 2024, the global economic recovery will remain weak, and the growth trend and monetary policy trend of major economies will further diverge. The deepening of the impact of geopolitical conflicts, the restructuring of the world trade structure, the decoupling of the global supply chain and the trend of “short chain”, the high global debt ratio and the risk of repeated inflation will all constitute unfavourable factors that restrict the global economic recovery. In the face of the “four pressures” (insufficient effective demand, overcapacity in some industries, weak social expectations, and more hidden risks), the Chinese government will insist on striving progress while maintaining stability, promoting stability with progress, and insisting construction before destruction, promote high-quality development, comprehensively deepen reform and opening up, promote greater self-reliance and strength in science and technology, strengthen macro-control, strengthen counter-cycle and cross-cycle policy adjustments, continue to implement active fiscal policies and sound monetary policies, coordinate the expansion of domestic demand and deepen supply-side structural reform, effectively enhance economic vitality, continue to effectively prevent and resolve risks in key areas, improve social expectations, consolidate and enhance the positive trend of economic recovery, and continue to promote the economy to achieve effective improvement in quality and reasonable growth in quantity.

#### IV. DEVELOPMENT STRATEGIES IN 2024

Development strategies and work priorities of the Group in 2024 are as follows:

Looking forward to 2024, the Group will fully implement the work requirements of “five reshaping” (i.e. functional reshaping, strategic reshaping, value reshaping, organizational reshaping and cultural reshaping), optimize resource allocation, improve lean management, promote industrial transformation and upgrading, cultivate and consolidate core industries, and highlight value creation and high-quality development.

##### **Key tasks for the year:**

##### ***(I) Deepen innovation and quality improvement, and promote incremental cultivation***

First, the Group will accelerate the integration of product development with new technologies, new materials and new processes, improve the green and lightweight, high-end intelligence and standard serialization of products, and comprehensively increase the added value and market share of products. Second, the Group will focus on wind energy, nuclear energy, hydrogen energy and other fields, strengthen upstream and downstream cooperation and resource integration in the industrial chain, extend to the upstream and downstream of the industrial chain and the high-end of the value chain, steadily promote the consolidation, supplement, enhancement and formation of the industrial chain through foundation, technology, integration and optimization, respectively, and move towards the high-end of the value of the industrial chain. Third, the Group will develop products encouraged by the state, reduce costs and increase efficiency, and implement technical transformation in a targeted manner, promote lean production of inventory, and achieve quality and efficiency improvement. Fourth, the Group will drive the core competitiveness of inventory industries with innovation, build an innovation system, lead the technology direction, update products with technology iteration, enhance core competitiveness, cultivate enterprises of “specialized, excellent, unique and innovative” and “Sectoral Champion” in the industry, fully implement the special action of enterprise scientific reform, and stimulate new development momentum with scientific and technological innovation.



## ***(II) Focus on lean management and build a solid value foundation***

First, the Group will comprehensively promote lean management improvement in subsidiaries, continuously optimise the production organisation model, strengthen benchmarking management, deepen QCC activities, and further improve production efficiency. Second, the Group will comprehensively promote the phase II of “Digital Electromechanical”, carry out data integration and data governance, and build data warehouses and data middle platforms to realise data sharing and business synergy. Third, the Group will apply the 5C value management model of “capital structure, cash creation, cash management, cash raising and capital allocation” to further optimise financial control, improve the financial indicator system, strengthen budget management, strictly control the “accounts receivable and inventory”, reduce the costs and expenditures to enhance cash generation capacity, strictly control the gearing ratio and strictly prevent debt risks. The Group will strengthen the integration of business and finance and digital management and control methods, and improved the supervision ability of pre-warning, in-process control and post-reporting. Fourth, the Group will continue to deepen HSE management, strengthen supervision and assessment, and further improve the safety production responsibility system for all employees as well as a hierarchical risk control and potential risk identification and treatment for production-oriented enterprises at all levels and ensure no major safety and environmental accidents.

## ***(III) Promote resource integration and stimulate forward synergy***

First, the Group will promote the integration of internal resources. The Group will integrate and optimise the production and manufacturing, supply chain, technical talents, post-service market and other resources of our subsidiaries to realise resource sharing and complementary advantages, and strive to improve the overall performance. Second, the Group will promote the integration of external resources. The Group will strengthen strategic cooperation, focus on both international and domestic markets, strengthen strategic coordination with major customers such as listed companies and state-owned enterprises in central and local areas, and accelerate the implementation of projects and orders. Third, the Group will strengthen the synergy of industry resources. The Group will innovate the investment and financing model in a market-oriented manner, actively participate in mergers and acquisitions in the capital market and upstream and downstream of the industrial chain, introduce strategic partners with strong synergy in technology, research and development, market and management, and accelerate the diversification of advantageous businesses or equity. Fourth, the Group will accelerate the withdrawal of non-advantageous businesses and assets with low strategic matching, poor profitability and no competitive advantages from non-core businesses, and fully implement the work requirements of the Chongqing Municipal Government’s “three reforms and one revitalization” (i.e. reform of state-owned enterprises, reform of park development zone, reform of separation of government and enterprise, and revitalization of state-owned assets) and the Chongqing SASAC’s “three clearances and three reductions and three increases” (i.e. clearing and revitalising existing assets, clearing potential risks, clearing debenture and pay off debts, reducing levels, numbers, losses; increasing benefits, driving forces, and forming new increasing points).

***(IV) Strengthen talent development and gather innovation momentum***

First, the Group will according to the implementation of its “14th Five-Year” talent development plan, focus on the construction of innovative, practical and skilled talents team, focus on the “external recruitment + internal training” of high-level technical talents and talents in short supply, strengthen the introduction of dual-management talents (i.e. the common management of the Group’s headquarters and subsidiaries), make a good reserve of talents, continue to improve the dual-management talent sharing platform, and carry out multi-level, diversified and multi-dimensional talent training and exercise. Second, the Group will continue to provide outstanding technical talents to the corresponding universities for further study, improve the depth of professionalism, and deepen the integration of “industry, academia, research and application”. The Group will make good use of the national technology centre, post-doctoral workstations and other carriers to promote the deep integration of scientific research projects with the actual needs of enterprises, and realise the transformation of achievements and “leverage intelligence and leverage power”. Third, the Group will reshape the management of talent evaluation and continue to deepen the reform of salary distribution. The Group will build a quality model for leaders and optimise the evaluation standards for technical talents. The Group will further improve the market-oriented assessment and incentive mechanism, and optimise differentiated distribution management and medium and long-term incentive measures.

***(V) Effectively prevent risks and strengthen compliance construction***

First, the Group will strengthen the integrated management of risk, internal control, compliance, legal affairs and audit, enhance the supervision and cooperation of the second and third lines of defence for risk prevention and control, continuously improve the risk indicator database, establish and improve the threshold and early warning value of quarterly risk investigation indicators, and further improve the risk assessment and early warning capabilities. Second, the Group will stipulate a compliance management system, establish a compliance organisation, carry out compliance risk investigation and compliance review, realise the integration of compliance development into the Group’s strategy, the incorporation of compliance requirements into business processes, and the integration of compliance culture into corporate values, and deepen the working mechanism of “strengthening internal control, preventing risks and promoting compliance”. Third, the Group will strictly implement legal review and strengthen the full life cycle management of contracts. Actively carry out legal training and exchange activities, continue to carry out the activity of “managing enterprises in accordance with the law” and promote the deep integration of legal management and operation management.

## ***(VI) Optimize governance operation and give full play to governance efficiency***

First, in accordance with the requirements of the new Company Law, the Group will continue to optimise the Articles of Association, systems and rules of procedure, and make necessary amendments to ensure that each governance body performs its duties, assume its responsibilities and operate in a coordinated manner. Second, the Group will strengthen the organic integration of the latest regulatory requirements and daily governance, properly carry out training on the performance of duties of directors, supervisors and senior management, strictly disclose information, and enhance the timeliness and effectiveness of information disclosure. Third, the Group will strengthen the value management of the Company, strengthen the multi-level and multi-channel interaction mechanism with investors, actively listen to the demands and suggestions of investors, carry out investor relations management more accurately, and enhance investors' recognition of the Company's strategy and long-term value. Fourth, the Group will improve the environmental, social and governance (ESG) working mechanism, actively fulfill social responsibilities, and further improve ESG performance.

In 2024, the Group will reaffirm its confidence and live up to its responsibilities. With a sense of urgency that there is no time to waste and the mission of forging ahead, the Group will spare no effort in all work of the year, promote the Group to achieve the high-quality development with new perspectives and new achievements, and return shareholders, investors and society with more excellent performance.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

**CLEAN ENERGY EQUIPMENT (WIND POWER BLADES, ELECTRICAL WIRES AND CABLES AND MATERIALS, INDUSTRIAL PUMPS, INDUSTRY BLOWERS, GAS COMPRESSORS, HYDROELECTRIC GENERATION EQUIPMENT, ETC.)**

### **BUSINESS REVIEW AND OUTLOOK**

In 2023, the Group's clean energy equipment segment actively seized market opportunities and achieved better growth as a whole. The wind power blade business has gone through the industry adjustment period, completed the adjustment of production line layout, continuously enhanced R&D capabilities, and continued to extend products to large-scale and light-weight, strengthened strategic cooperation with leading enterprises in the same industry, entered the rapid development racetrack, and achieved leapfrog growth in business. The industrial pump business adheres to the leading route of innovative technology, follows the market pace to develop new products, and various of products have already possessed the advantages of international market competition. A reciprocating pump of hydrogen project in Fujian has been successfully localised to realise import substitution and continue to achieve high-quality growth. The gas compressor business continued to deepen the development of the shale gas segment, and increased the development and market application of large-scale high-pressure natural gas compressors

to achieve stable growth. The wire and cable business overcame the impact of the downturn in the real estate market, continuously adjusted its business model and product and market structure, achieved breakthroughs in the engineering cable and copper profile markets, and maintained stable business. The industrial blower business overcame the decline in the traditional industries of steel and cement, and continued to develop incremental markets such as refrigerator and MVR, achieving a double increase in orders and driving the overall business to remain stable. The hydroelectric generation equipment business seized the opportunity of international market recovery and achieved a low-level recovery. The overall operating revenue of this segment was approximately RMB6,556.7 million, with a year-on-year increase of approximately 16%.

During the Period, the gross profit of the clean energy equipment operating segment was approximately RMB1,210.0 million, an increase of approximately RMB126.6 million or approximately 11.7% as compared with approximately RMB1,083.4 million for the same period of 2022, mainly due to the strong growth of the wind power blades industry.

During the Period, the results of the clean energy equipment operating segment was approximately RMB178.0 million, a decrease of approximately RMB26.9 million or approximately 13.1% as compared with results of approximately RMB204.9 million for the same period of 2022, mainly due to the decrease in non-recurring income from clean energy business.

In terms of new product R&D, the wind power blade business has completed the design and process development of 9 new products, including CGI95 series, CGI97.0A, GW99 and CGI115, of which 6 have entered the mass production stage. The matching iteration with United Power completed the pneumatic design and structural design of offshore 120-level blades, and applied carbon pultrusion plate materials for the first time, achieving joint reduction of pneumatic and structural load, and the weight of blades was reduced by more than 10%. The mobile intelligent high-pressure pump delivery system, nuclear power small reactor charging pump, small flow charging pump and other products developed by the industrial pump business have reached the international advanced level and achieved domestic substitution. The technical level of China's first mobile intelligent high-pressure pump delivery system (in-vehicle water lifting pump), multi-purpose module mini-reactor (ACP100) charging pump, and VVER pressurised water reactor nuclear power plant small-flow charging pump has reached the international advanced level. The industrial blowers business successfully developed dual-power high-efficiency petrochemical centrifugal blowers, with various indicators reaching the leading level in China. The large-cooling permanent magnet direct-drive centrifugal chiller project was successfully developed and operated, and passed the Classification Society certification. The first self-developed furnace gas compressor has achieved a breakthrough in core technologies such as anti-corrosion and anti-coking. The first dual-class MVR unit was successfully developed, and the product has completed the on-site load commissioning for users. The gas compressor business has completed the research and development of high-speed series, and the technology has reached the leading level in China. The research and development of 70MPa high-pressure oil-free and high-flow natural gas storage compressor was completed, and the application of the oil and gas field was realized, filling the domestic gap. The first electric motor using VPI technology in the hydroelectric generation business was successfully delivered to users.

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. In 2023, Chongqing Cummins overcame the impact of intensified market competition and actively expanded the power market and industrial market, and the overall market share remained stable. In the power market, Chongqing Cummins will continue to increase its market share in the mobile power vehicles and express logistics industries, and maintain its leading position in the domestic high-horsepower diesel engine market. Chongqing Cummins vigorously explored opportunities in niche markets such as offshore engineering and offshore wind power within the industrial market, and launched the first domestic electric control product that meets UL certification for high-end fire protection markets such as petrochemical and offshore platforms. At the same time, Chongqing Cummins actively adjusted its product structure, and the sales proportion of high-horsepower engines such as K38 and K50 increased, resulting in a better increase in profitability.

Looking forward to 2024, the overall positive trend of the national economic situation remains unchanged. In accordance with the policy requirements of “carbon peak” and “carbon neutrality”, the state will continue to increase the adjustment of energy structure, vigorously develop non-fossil energy such as wind power, hydropower and nuclear power, and realise the replacement of thermal power with clean energy. Local governments are paying more and more attention to new energy power generation projects, and the market demand for related industries will continue to increase. The Group will focus on clean energy such as wind power, nuclear energy and hydrogen energy, extend to the upstream and downstream of the industrial chain and the high-end of the value chain, build a clean energy industry cluster, build a top-notch clean energy comprehensive service provider, and usher in innovative development opportunities for wind power blades, wires and cables and other industries. The Group will accelerate the promotion of the large-scale application of pumped storage and new energy storage, and the hydroelectric power equipment business will be poised to embrace transformational opportunities. The Group’s wind power blades, industrial pumps, high-pressure and large-displacement air compressors and other products have better core competitiveness, and will continue to achieve industry leadership and lead the development of the industry. At the same time, the emerging markets in Southeast Asia, represented by Indonesia, are developing rapidly in the fields of steel and metallurgy, and there is a larger business opportunity in Central Asia, South Asia, Southeast Asia, Africa and other countries along “the Belt and Road”. The export market will usher in greater opportunities and drive the segment’s full-year performance to achieve better expectations.

#### **HIGH-END SMART EQUIPMENT (SMART MACHINE TOOLS, SMART EQUIPMENT SYSTEM INTEGRATION, SMART ELECTRONICS, ETC.)**

In 2023, in the high-end smart equipment segment of the Group, as the PTG Company in the UK successfully developed a new product of HG500 and sold it in the market, the overall number of new orders increased, leading to an increase in the scale of operating income. However, due to exchange rate fluctuations and the significant increase in energy prices, the operating results continued to suffer losses. The smart machine tool business was affected by the shrinking heavy truck market and the saturation of demand in the construction machinery industry. Although the Group actively seized the opportunities of rapid growth in the new energy vehicle market in the second half of the year, the smart machine tool

business was a year-on-year decline. The smart electronics and system integration business was affected by the slowdown of investment in some markets, resulting in an overall sharp decline. The overall operating revenue of this segment was approximately RMB1,433.0 million, with a slight year-on-year decrease of approximately 1.8%.

During the Period, the gross profit of the high-end smart equipment operating segment was approximately RMB276.6 million, the gross profit margin remained stable as compared to the same period of 2022.

During the Period, the results of the high-end smart equipment operating segment was approximately RMB19.5 million, an increase in profit of approximately RMB61.2 million as compared with a loss of approximately RMB41.7 million for the same period of 2022, mainly due to the increase in non-recurring profit of the CNC machine tool business.

With respect to new product R&D, the intelligent machine tool business has completed the design and development of YH3120-CD, YS3132 and other gear hobbing machines and HG350C, a form of gear grinding developed in cooperation with the PTG Company in the UK. The optimisation of carbide hobbing knife process has improved the output efficiency, and the milling knife technology has achieved a breakthrough and has been successfully tested by many users. The intelligent electronics and system integration business carried out a total of 15 technological innovation research projects, among which, the technologies and products developed such as the “Key Technology Research on Collaborative Welding Robot” and the “Product Upgrade and Iteration 2.0.3 of Luoding Industrial Internet Platform” were gradually put into production or applied transformation, continued to promote digital construction, and completed the development of PDM management system, electronic SOP and ESD monitoring system and test data storage system.

Looking forward to 2024, Chongqing actively builds the “33618” modern manufacturing cluster system strategy, bringing better development opportunities for intelligent manufacturing equipment, gear machine tools, additive manufacturing and other businesses. The Group will develop new material processing equipment and high-end intelligent machine tools based on the industrial machine tools for its gear machine tool business. The PTG Company in the UK will be positioned as the Group’s European R&D centre and marketing centre, strengthen collaboration with domestic subsidiaries, continue to increase new product R&D, realise resource sharing and complementary advantages. The Group will continue to grasp the development trend of the digital economy and promote the growth of businesses such as intelligent equipment and system integration, warehousing and logistics system and industrial software. The Group will seize the development opportunities of the new energy industry, develop the intelligent manufacturing market in the new energy field, and create a core product production line with strong competitiveness. The Group will cultivate intelligent integrated service capabilities, develop a number of intelligent equipment, and transform into a high-end, intelligent and digital equipment manufacturer. It is expected that the segment will realise a steady improvement in performance throughout the year.

## **INDUSTRIAL SERVICES (INDUSTRIAL EMPOWERMENT, FINANCING, CENTRALIZED PROCUREMENT AND OTHER SERVICES, ETC.)**

In 2023, the digital intelligence procurement platform is fully online and operational, hence the procurement process was intelligent, digital, visualised and real-time. The financial business deposit and loan structure was restructured, and the business showed a large decline. The operating revenue of this segment amounted to approximately RMB66.9 million, a year-on-year decrease of approximately 26.9%. The gross profit was approximately RMB51.2 million, a year-on-year decrease of approximately RMB13.2 million or approximately 20.5%.

During the Period, the results of the industrial services operating segments was approximately RMB21.6 million, a decrease of approximately RMB15.6 million as compared with the results of approximately RMB37.2 million for the same period of 2022.

In terms of new product R&D, the phase II of the “Digital Electromechanical” project was launched. Through the application of cloud computing, big data, artificial intelligence, IoT and other technologies, the Group implemented the enterprise production management and control system, integrated product remote operation and maintenance and marketing platform, developed the IoT (equipment data collection platform) and integrated middleware system, continued to optimise the financial core business system, electromechanical digital intelligence procurement and e-commerce platform, promoted the construction of the electromechanical cloud and simulation design cloud platform, promoted the in-depth application of the secondary analysis node of equipment manufacturing industry and the electromechanical intelligent management platform, and promoted data sharing and business synergy. “Electromechanical intelligent green equipment industrial Internet platform” was successfully approved by the Chongqing Municipal Commission of Economy and Information Technology’s project of “the open competition mechanism to select the best candidates”.

Looking forward to 2024, the industrial empowerment business will focus on the entire operation process of manufacturing enterprises to build a vertical cloud product line for operation and management. The Group will strengthen in-depth cooperation with external strategic partners such as China Telecom and Inspur Group to build sustainable business opportunities. Financial business will strengthen financial services and improve the efficiency of funds. The launch rate of the intelligent procurement platform for centralised procurement business will increase to 100%, and application modules such as e-commerce platform and online marketing platform will be launched successively to continuously reduce procurement costs. The segment’s performance is expected to remain stable throughout the year.

## **SALES**

For the year ended 31 December 2023, the Group's total operating revenue amounted to approximately RMB8,058.5 million, an increase of approximately RMB853.1 million or approximately 11.8% as compared with approximately RMB7,205.4 million for the same period of 2022. Save for the smart manufacturing and industrial services business which declined year-on-year, other businesses of the Group had achieved stable growth.

The Group expects better growth in operating revenue in 2024.

## **GROSS PROFIT**

The gross profit for 2023 was approximately RMB1,539.6 million, increased by approximately RMB112.9 million or approximately 7.9% as compared with approximately RMB1,426.7 million for 2022. The gross profit margin was approximately 19.1%, which has remained relatively stable compared to the previous year.

## **OTHER INCOME**

The other income for 2023 was approximately RMB141.2 million, compared with approximately RMB179.1 million for the corresponding period in 2022, representing a significant decrease of approximately RMB37.9 million, or approximately 21.2%, which was mainly attributable to the decrease in the policy subsidy income for the current period. Details are set out in Note 4.7 to the consolidated financial statements.

## **GAIN ON DISPOSAL OF ASSET**

The gain on disposal of asset for 2023 was approximately RMB90.9 million, representing a decrease of approximately RMB12.4 million as compared with approximately RMB103.3 million for the same period of 2022, which was mainly attributable to a decrease in land disposal income as compared with the same period of last year. Details are set out in Note 4.12 to the consolidated financial statements.

## **SELLING AND ADMINISTRATIVE EXPENSES**

The selling and administrative expenses for 2023 were approximately RMB944.2 million, an increase of approximately RMB83.4 million or approximately 9.7% as compared with approximately RMB860.8 million for the same period of 2022. The proportion of the selling and administrative expenses to operating revenue slightly decreased compared with the same period last year. Selling expenses increased by approximately RMB21.9 million year-on-year, mainly due to the increase in sales of wind power blades and the corresponding increase of RMB20.3 million in the proportion of warranty expenses, while administrative expenses increased by approximately RMB61.5 million year-on-year, mainly due to the increase in salary and labor costs.



## **OPERATING PROFIT**

The operating profit for 2023 was approximately RMB376.2 million, representing a slight decrease of approximately RMB2.8 million or approximately 0.7% as compared with approximately RMB379.0 million for the same period of 2022.

## **FINANCE COSTS**

The net interest expenses in 2023 were approximately RMB73.5 million, representing an increase of approximately RMB16.5 million or approximately 28.9% as compared with approximately RMB57.0 million in the same period of 2022, which was mainly due to the decrease in exchange income. Details are set out in Note 4.6 to the consolidated financial statements.

## **INVESTMENT INCOME**

Investment income for 2023 amounted to approximately RMB300.1 million, a significant increase of approximately RMB70.4 million as compared with approximately RMB229.7 million for the same period of 2022, mainly benefited from the increase in profitability of the high-horsepower diesel engine business. Details are set out in Note 4.8 to the consolidated financial statements.

## **INCOME TAX EXPENSES**

The income tax expenses for the year ended 31 December 2023 were approximately RMB47.9 million, a decrease of approximately RMB13.6 million or approximately 22.1% as compared with approximately RMB61.5 million for the same period of 2022, mainly due to an increase in the addition of research and development expenses to the tax deduction. Details are set out in Note 4.15 to the consolidated financial statements.

## **PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders for the year ended 31 December 2023 amounted to approximately RMB303.6 million, representing a decrease of approximately RMB6.7 million or approximately 2.2% as compared with approximately RMB310.3 million for the same period of 2022. Earnings per share amounted to approximately RMB0.08, which kept flat with that of the same period of 2022.

## **DISTRIBUTABLE RESERVES**

According to the Articles of Association of the Company, the Company's reserves available for distribution based on the Company's retained earnings are the lower of that determined under HKFRSs and China Accounting Standards for Business Enterprises.

As at 31 December 2023, the Company's distributable reserves attributable to shareholders of the Company amounted to approximately RMB2,740.3 million.

## **FINAL DIVIDEND**

The Company considers stable and sustainable returns to shareholders of the Company ("Shareholders") to be our goal.

Subject to compliance with the applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company.

The Board will review the dividend policy from time to time and reserves its right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

The Board has recommended the payment of a final dividend of RMB0.02 per share (tax inclusive) for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB0.03 per share), which is calculated based on the total share capital of 3,684,640,154 shares for the year ended 31 December 2023, totaling RMB73,692,803.08 (totaling RMB110,539,204.62 for the year ended 31 December 2022). Subject to the approval by Shareholders at the forthcoming annual general meeting to be convened on 12 June 2024, the proposed final dividend will be paid on 26 July 2024 to Shareholders whose names appear on the register of members of the Company on 25 June 2024 (the "Record Date").

In order to ascertain the entitlements of the Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Tuesday, 18 June 2024 to Tuesday, 25 June 2024 (both days inclusive), during which no transfer of shares will be registered. All transfer documents accompanied by share certificates of the Shareholders of the Company must be lodged with our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 17 June 2024.

## **WITHHOLDING OF ENTERPRISE INCOME TAX FOR NON-RESIDENT CORPORATE SHAREHOLDERS**

Pursuant to the Enterprise Income Tax Law of the People's Republic of China ("EIT Law") and the implementation rules thereof and the Circular on Issues Concerning the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Payable to H Share Non-resident Corporate Shareholders (Guo Shui Han [2008] No.897), the Company is liable to withhold and pay the enterprise income tax on dividends payable to non-resident corporate holders of H shares whose names appear on the register of holders of H shares of the Company ("H Share Register of Members") on the Record Date at a rate of 10% prior to the payment of such final dividends.

Any H shares registered in the name of non-individual shareholders will be treated as being held by non-resident corporate shareholders and hence the dividends payable to them will be subject to the withholding of enterprise income tax. Non-resident corporate shareholders may apply to the relevant taxation authorities for tax refunds in accordance with the applicable tax treaty (if any). The final dividends payable to natural person shareholders whose names appear on H Share Register of Members on the Record Date is not subject to the withholding of income tax by the Company. For final dividends payable to resident corporate shareholders of H shares whose names appear on H Share Register of Members on the Record Date, the Company will not withhold enterprise income tax on such dividends, provided that a legal opinion is provided by a resident corporate shareholder within the prescribed period and confirmed by the Company.

If any resident enterprise (as defined in the EIT Law) whose name appears on the H Share Register of Members which is duly incorporated in the PRC or under the laws of a foreign country (or a territory) but with a PRC-based de facto management body does not wish to have the 10% enterprise income tax to be withheld by the Company, it should lodge all transfers with and submit a legal opinion issued by a PRC certified lawyer (with affixation of common seal of the law firm thereto) that establishes its resident enterprise status to the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 17 June 2024. Any natural person investor whose H shares are registered in the name of any such non-individual shareholders and who does not wish to have any enterprise income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her own name and lodging all relevant transfer instruments accompanied by the H share certificates with the Company's H Share Registrars for registration no later than 4:30 p.m. on 17 June 2024. Shareholders are recommended to consult their tax advisors regarding tax issues in respect of the ownership and disposal of H shares in the PRC and Hong Kong and other tax effects.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain the entitlements of the Shareholders to attend and vote in the annual general meeting, the register of members of the Company will be closed from Thursday, 6 June 2024 to Wednesday, 12 June 2024 (both days inclusive), during which no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 5 June 2024.

## **CASH FLOW**

As at 31 December 2023, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB2,318.6 million (31 December 2022: approximately RMB2,597.0 million), representing a decrease of approximately RMB278.4 million or approximately 10.7%, mainly due to the reverse repurchase of government bonds purchased by Finance Company.

During the Period, the Group had a net cash inflow from operating activities of approximately RMB145.8 million (for the year ended 31 December 2022: a net cash inflow of approximately RMB239.1 million), a net cash inflow from investing activities of approximately RMB235.3 million (for the year ended 31 December 2022: a net cash inflow of approximately RMB438.2 million), and a net cash outflow from financing activities of approximately -RMB366.5 million (for the year ended 31 December 2022: a net cash outflow of approximately -RMB348.0 million). Directors believe that the Group is financially sound and has sufficient resources to meet its operating capital needs and fund any predictable capital expenditure.

## **ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

As at 31 December 2023, the total accounts receivable and other receivables of the Group amounted to approximately RMB3,400.6 million, representing an increase of approximately RMB17.3 million as compared with approximately RMB3,383.3 million as at 31 December 2022, mainly due to the overall increase in the clean energy equipment business. Please refer to Note 4.18 to the consolidated financial statements for detailed ageing analysis of accounts receivable.

## **ACCOUNTS PAYABLE AND OTHER PAYABLES**

As at 31 December 2023, accounts payable and other payables of the Group totaled approximately RMB2,817.7 million, representing an increase of approximately RMB218.2 million as compared with approximately RMB2,599.5 million as at 31 December 2022, mainly due to the overall increase in the clean energy equipment business. Details of the ageing analysis of accounts payable is set out in Note 4.20 to the consolidated financial statements.

## **ASSETS AND LIABILITIES**

As at 31 December 2023, the total assets of the Group amounted to approximately RMB17,486.1 million, representing an increase of approximately RMB257.5 million as compared with approximately RMB17,228.6 million as at 31 December 2022. Total current assets amounted to approximately RMB11,378.8 million, representing an increase of approximately RMB82.4 million as compared with approximately RMB11,296.4 million as at 31 December 2022, accounting for approximately 65.1% of total assets. However, the total non-current assets amounted to approximately RMB6,107.3 million, representing an increase of approximately RMB175.1 million as compared with approximately RMB5,932.2 million as at 31 December 2022, accounting for approximately 34.9% of total assets.

As at 31 December 2023, the total liabilities of the Group amounted to approximately RMB9,246.3 million, representing an increase of approximately RMB35.4 million as compared with approximately RMB9,210.9 million as at 31 December 2022. Total current liabilities were approximately RMB7,113.7 million, representing a decrease of approximately RMB347.2 million as compared with approximately RMB7,460.9 million as at 31 December 2022, accounting for approximately 76.9% of the total liabilities. However, the total non-current liabilities were approximately RMB2,132.5 million, representing an increase of approximately RMB382.5 million as compared with approximately RMB1,750.0 million as at 31 December 2022, and accounting for approximately 23.1% of total liabilities.

As at 31 December 2023, the net current assets of the Group were approximately RMB4,265.0 million, representing an increase of approximately RMB429.5 million as compared with approximately RMB3,835.5 million as at 31 December 2022, mainly due to the decrease in current liabilities.

## **CURRENT RATIO**

As at 31 December 2023, the current ratio (the ratio of current assets to current liabilities) of the Group was 1.60:1 (31 December 2022: 1.51:1).

## **GEARING RATIO**

As at 31 December 2023, calculated as borrowings dividing by the total capital, total capital comprises equity and borrowings as shown in the consolidated balance sheets, the gearing ratio of the Group was 25.0% (31 December 2022: 26.7%).

## **INDEBTEDNESS**

As at 31 December 2023, the Group had an aggregate bank and other borrowings of approximately RMB2,740.7 million, representing a decrease of approximately RMB166.5 million as compared with approximately RMB2,907.2 million as at 31 December 2022.

Borrowings repayable by the Group within one year were approximately RMB1,108.1 million, representing a decrease of approximately RMB448 million as compared with approximately RMB1,556.1 million as at 31 December 2022. Borrowings repayable by the Group after one year were approximately RMB1,632.6 million, representing an increase of approximately RMB281.5 million as compared with approximately RMB1,351.1 million as at 31 December 2022.

## **SECURED ASSETS**

As at 31 December 2023, approximately RMB535.7 million of the Group's bank deposits was deposited with the banks with pledge or restriction for use (31 December 2022: approximately RMB533.5 million). In addition, certain bank borrowings of the Group were secured by certain 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 RMB385.0 million as at 31 December 2023 (31 December 2022: approximately RMB295.2 million).

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group had no significant contingent liabilities.

## **SIGNIFICANT EVENTS**

### **Events in the Period**

#### **(1) Change of a non-executive Director**

The Company received a resignation letter from Mr. Huang Yong, a non-executive director, on 11 July 2023. Due to attainment of the statutory retirement age, Mr. Huang Yong had applied to resign from the positions as a non-executive director of the sixth session of the Board, a member of the remuneration committee and a member of the strategic committee of the Company. As the resignation of Mr. Huang Yong would neither lead to the number of members of the sixth session of the Board of the Company falling below the requirement of the statutory minimum number of members, nor affect the normal operation of the Board of the Company, the resignation of Mr. Huang Yong shall take immediate effect upon the delivery of his resignation letter to the Board. Mr. Huang Yong had confirmed that he had no disagreements with the Board or the supervisory committee of the Company and there were no other matters that need to be brought to the attention of the shareholders and creditors of the Company. The Company would like to express its sincere gratitude to Mr. Huang Yong for his contributions to the Company during his tenure.

In order to replace Mr. Huang Yong, the Company had considered and approved the appointment of Mr. Fu Yihong as a non-executive Director, a member of the Remuneration Committee and the Strategy Committee of the Company at the extraordinary general meeting held on 23 August 2023. For the biographical details of Mr. Fu Yihong, please refer to the announcement on appointment of a non-executive Director of the Company dated 23 August 2023.

Save as disclosed above, the Company had no other significant discloseable events during the Period.

## **SUBSEQUENT EVENTS**

The Company does not have any significant events after the Period and up to the date of this announcement to be disclosed.

## **CAPITAL EXPENDITURE**

In 2023, the total capital expenditure of the Group was approximately RMB268.4 million which was principally used for plant expansion, improvement of production technology and equipment upgrade (2022: approximately RMB190.1 million).

## **CAPITAL COMMITMENTS**

As at 31 December 2023, the Group had capital commitments of approximately RMB33.9 million (31 December 2022: approximately RMB42.2 million) in respect of fixed assets and intangible assets.

## **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.

Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd., a subsidiary of the Group, provides financial services and establishes and improves risk management, loan impairment and credit approval policies, the details of which are set out in the relevant supplemental announcement dated 10 October 2023.

## **EMPLOYEES**

As at 31 December 2023, the Group had a total of 8,083 employees (31 December 2022: 7,837 employees). The Group will continue to upgrade its technical talent base, foster/recruit technical and management personnel possessed with extensive professional experiences, optimise the distribution system that links with the remunerations and performance reviews of the management and employees, improve training on safety and strengthen epidemic prevention measures so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

## **OTHER CORPORATE INFORMATION**

### **Competition and Conflict of Interests**

For the year ended 31 December 2023, the non-competition agreement entered into between Chongqing Machinery and Electronics Holding (Group) Co., Ltd., the Parent Company, and the Company remained effective. Please refer to the Prospectus for details.

## **CONNECTED TRANSACTIONS**

During the Period, the Company published an announcement in relation to the repurchase of share options by the Gas Compressor Company on 23 January 2024. The counterparty is a substantial shareholder holding more than 10% equity interest in the Gas Compressor Company and constitutes a connected person of the Company at the subsidiary level. For details, please refer to the announcement. Save for the above, the Company has no other connected transactions.

## **CONTINUING CONNECTED TRANSACTIONS**

For the year ended 31 December 2023, the summary of the connected party transactions entered into by the Group is set out in the notes to the consolidated financial statements, where a majority of the transactions constituted continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Pursuant to the disclosure requirements of Chapter 14A of the Listing Rules, the following transactions between certain connected persons (as defined in the Listing Rules) and the Company have been entered into and/or carried out on an ongoing basis, for which the Company has made the relevant disclosure as below in accordance with the Listing Rules:

### **Master Sales Agreement**

On 7 April 2022, a master sales agreement (the "Master Sales Agreement") was renewed and entered between the Company and Chongqing Machinery and Electronics Holding (Group) Co., Ltd. (hereinafter refer to as the "Parent Company"). Pursuant to the Master Sales Agreement, the Company has agreed to sell certain products such as control valves and parts for steering systems, gears and clutch assemblies and the BV series of electric cables to the Parent Company and its associates.



Additionally, in case where there are material fluctuations in the prices of any or all of the products, the parties shall re-negotiate the terms of the Master Sales Agreement in good faith by way of entering into a supplemental agreement or a new master sales agreement. The Master Sales Agreement is valid for a period of three years from the date of the agreement and can be renewed by the Company for a successive term of three years by giving notice at least three months prior to the expiry of the initial term. Accordingly, the approved annual caps of sales for the year ended 31 December 2023 (as approved at the annual general meeting dated 23 June 2022) was set at RMB227.0 million.

The Master Sales Agreement was entered into in the ordinary course of business of the Group on normal commercial terms. The basis of pricing is as follows:

- (i) The quoted prices in the market through the industry website or enquiry (including the website of Alibaba (www.1688.com)) with at least two independent third parties in the market (i.e. the price of the same or similar products provided by suppliers (except the Company and its subsidiaries) in the same area under daily operations and on normal commercial terms to independent third parties);
- (ii) If there is no market price determined by an independent third party, the transaction price between the Group with the independent third party;
- (iii) If none of the above is applicable, the cost plus a percentage mark-up (tax-inclusive) which is not less than 15% (i.e.  $\text{price} = \text{cost} * (1 + \text{percentage mark-up})$ ), whereas the 15% mark-up is determined based on the average gross margin of the Group in the past three years.

For the year ended 31 December 2023, the monetary value of sales under the Master Sales Agreement by the Company to the Parent Company and its associates was approximately RMB22.9 million (for the year ended 31 December 2022: approximately RMB77.8 million).

### **Master Supplies Agreement**

On 7 April 2022, a master supplies agreement (the “Master Supplies Agreement”) was renewed and entered between the Company and the Parent Company. Pursuant to the Master Supplies Agreement, the Parent Company and its associates have agreed to supply the Company with parts and raw materials such as gears, component parts, YB2 series engines, electricity, water, gas and electrolytic copper.

Additionally, in case where there are material fluctuations in the prices of any or all of the products, the parties shall re-negotiate the terms of the Master Supplies Agreement in good faith by way of entering into a supplemental agreement or a new master supplies agreement. The Master Supplies Agreement is valid for a period of three years from the date of the agreement and can be renewed by the Company for a successive term of three years by giving notice at least three months prior to the expiry of the initial term. Accordingly, the approved annual caps of supplies for the year ended 31 December 2023 (as approved at the Board meeting dated 24 March 2022) was set at RMB90 million.

The Master Supplies Agreement was entered into in the ordinary course of business of the Group on normal commercial terms. The basis of pricing is as follows:

- (i) The quoted prices in the market through the industry website or enquiry with at least two independent third parties (i.e. the price of the same or similar products provided by suppliers (except the Parent Company and its subsidiaries) in the same area under daily operations and on normal commercial terms to independent third parties);
- (ii) If there is no market price determined by an independent third party, the transaction price between the Company and its subsidiaries with the independent third party;
- (iii) If none of the above is not applicable, cost plus a percentage mark-up (tax-inclusive), which shall not exceed 15% (i.e. price = cost \* (1 + percentage mark-up)).

For the year ended 31 December 2023, the monetary value of supplies under the Master Supplies Agreement by the Parent Company and its associates to the Company was approximately RMB35.0 million (for the year ended 31 December 2022: approximately RMB27.0 million).

### **Master Leasing Agreement**

On 7 April 2022, a master leasing agreement (the “Master Leasing Agreement”) was entered into between the Company and the Parent Company for the lease of land and buildings by the Parent Company and its associates to the Company for use as offices, production facilities, workshops and staff quarters.

The Parent Group leases land and buildings to the Group as the Group’s offices, production facilities, workshops and staff quarters. Accordingly, the approved annual cap of the lease for the year ended 31 December 2023 (as approved at the Board meeting dated 24 March 2022) was set at RMB45 million.

For the year ended 31 December 2023, the rent paid by the Company to the Parent Company and its associates under the Master Leasing Agreement was approximately RMB16.0 million (for the year ended 31 December 2022: approximately RMB17.8 million).

## FINANCIAL SERVICES FRAMEWORK AGREEMENT

### (I) Parent Group Financial Services Framework Agreement

The Company's subsidiary Chongqing Mechanical and Electrical Holdings Group Finance Company Limited (the "Finance Company") and the Parent Company entered into the Financial Service Framework Agreement on 7 April 2022 (the "Parent Group Financial Services Framework Agreement"), under which, (i) the approved proposed annual cap for loan services for the year ended 31 December 2023 (as approved at the annual general meeting held on 23 June 2022) was RMB2,842 million; (ii) the approved proposed annual cap for guarantee services for the year ended 31 December 2023 (as approved at the Board meeting held on 24 March 2022) was RMB90 million (including corresponding handling fees); (iii) the approved proposed annual cap for other financial services for the year ended 31 December 2023 (as approved at the Board meeting held on 24 March 2022) was RMB27.5 million.

The Parent Group Financial Services Framework Agreement was entered into in the ordinary course of business of the Finance Company on normal commercial terms. The basis of pricing is as follows:

#### *Loan Services*

The interest rates for loans to the Parent Group from the Finance Company will be not lower than the interest rates for loans to those of the same type and under similar terms to the Parent Group from other independent commercial banks in the PRC.

The Company will choose at least two banks from the national commercial banks in the PRC and the local commercial banks in Chongqing that have business relations with the Company and make inquiries as to the loan services of the same type and under similar terms to the Parent Group (the companies under the Parent Group carry the same credit ratings assessed by the banks as a result of the implementation of a unified credit policy throughout the Parent Group), and submit the results to the Finance Company. The Finance Company will then make the final assessments and determine the final interest rates for the services to the Parent Group by reference to the Parent Group's business risks, comprehensive returns, capital cost of the Finance Company and regulatory indicators and others factors, so as to ensure that the interests for loans provided by the Finance Company to the Parent Group are in line with the above pricing standards for loan services.

### ***Guarantee services***

Pursuant to the regulations in the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group set by CBRC, the ratio of guarantee risk exposure to total capital in the Finance Company cannot exceed 100%. The registered capital of the Finance Company is RMB1,000,000,000. Thus, the maximum limit amount in respect of annual caps of the guarantee services of the Finance Company is RMB1,000,000,000.

### ***Other financial services (including bill discounting services, consultancy services, agency services and underwriting services, etc.)***

The fees charged by the Finance Company on the Parent Group for the provision of other financial services will be not lower than the fees charged by any independent commercial banks on the Parent Group for the same types of services.

For the year ended 31 December 2023, pursuant to the Financial Services Framework Agreement, the daily maximum limit amount in respect of the loan services provided by the Finance Company to the Parent Group was approximately RMB769.8 million, the transaction amount in respect of guarantee services was approximately RMB0 million and the transaction amount of other financial services was approximately RMB0.5 million (for the year ended 31 December 2022: the daily maximum limit amount in respect of loan services was approximately RMB879.7 million, the transaction amount in respect of guarantee services was approximately RMB0 million and the transaction amount of other financial services was approximately RMB7.9 million).

## **(II) Group Financial Services Framework Agreement**

The Finance Company entered into a financial services framework agreement (the “Group Financial Services Framework Agreement”) with the Company on 7 April 2022, under which, (i) the approved proposed annual cap for the transactions in respect of the deposit services for the year ended 31 December 2023 (as approved at the annual general meeting held on 23 June 2022) was RMB3,320 million; (ii) the approved proposed annual cap for the transactions in respect of other financial services for the year ended 31 December 2023 (as approved at the Board meeting held on 24 March 2022) was RMB29 million.

The Group Financial Services Framework Agreement was entered into in the ordinary course of business of the Finance Company on normal commercial terms. The basis of pricing is as follows:

### ***Deposit services***

The interest rates for deposits offered by the Finance Company to the Group will be not lower than the interest rates for deposits of the same type and under similar terms offered to the Group by other independent commercial banks in the PRC.

The Company will choose at least two banks from the national commercial banks in the PRC as well as the local commercial banks in Chongqing that have business relations with the Company and obtain the interest rates for deposits of the same type and under similar terms, and compare those with the interest rates offered by the Finance Company to the Group for deposits of the same type and under similar terms, so as to ensure that the interests received by the Group for its deposits are in line with the above pricing standards for deposit services.

### ***Other financial services (including bill discounting services, consultancy services, agency services and underwriting services, etc.)***

The fees charged by the Finance Company on the Group for the provision of other financial services will be not higher than the fees charged by any independent third party on the Group for the same types of services.

For the year ended 31 December 2023, pursuant to the Financial Services Framework Agreement, the daily maximum limit amount in respect of deposit services provided by the Finance Company to the Group was approximately RMB2,382.9 million and the amount of the other financial services was approximately RMB5.1 million (for the year ended 31 December 2022: the daily maximum limit amount in respect of deposit services was approximately RMB2,034.3 million and the amount of other financial services was approximately RMB0.7 million).

The independent non-executive Directors, namely Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei, have reviewed the abovementioned continuing connected transactions and confirmed that such transactions are:

- (1) fair and reasonable in respect of the afore-mentioned proposed annual caps;
- (2) entered into in the ordinary and usual course of business of the Group;
- (3) on normal commercial terms or on terms no less favourable than terms available to or from (as the case may be) independent third parties; and
- (4) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the annual report in accordance with Rule 14A.56 of the Listing Rules. They conclude that:

- (a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company.
- (b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- (c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

For the purpose of continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules from time to time, and the value and the transaction terms of the transactions for the year ended 31 December 2023 have been determined in accordance with the pricing policies and guidelines set out in the Stock Exchange's Guidance Letter HKEx-GL73-14.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company believes that the continuous improvement of its standard of corporate governance is the underlying cornerstone for safeguarding the interests of Shareholders and investors as well as enhancing the corporate value of the Company. In compliance with the Company Law of the People's Republic of China, the Listing Rules, the Articles of Association and other relevant laws and regulations, and taking into consideration its own characteristics and needs, the Company has been making continuous efforts in enhancing its standard of corporate governance.

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2023 in compliance with the code provisions under the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Board of the Company has established the Audit and Risk Management Committee in accordance with the requirements and its latest revision of the Corporate Governance Code. The committee has written terms of reference which are available on the websites of the Stock Exchange and the Company. The Audit and Risk Management Committee of the Company currently consists of 3 independent non-executive Directors and 1 non-executive Director (namely, Mr. Lo Wah Wai, Mr. Jin Jingyu, Mr. Liu Wei and Mr. Dou Bo), where Mr. Lo Wah Wai serves as the chairman of the Audit and Risk Management Committee. The major responsibilities of the Audit and Risk Management Committee are to review and monitor the Company's financial reporting process and internal controls system and provide advice and suggestions to the Directors of the Company. The Audit and Risk Management Committee has reviewed the Company's results for the Period.

## **REMUNERATION COMMITTEE**

In accordance with the Corporate Governance Code, the Remuneration Committee under the Board of the Company assumes the role of the consultant of the Board and it has written terms of reference which are available on the websites of the Stock Exchange and the Company. The Remuneration Committee of the Company currently consists of 3 independent non-executive Directors (namely Mr. Ren Xiaochang, Mr. Lo Wah Wai and Mr. Jin Jingyu) and 1 non-executive Director (namely Mr. Fu Yihong), with the chairman being Mr. Ren Xiaochang, an independent non-executive Director. The primary duties of the Remuneration Committee are to formulate the Company's policies for remuneration of the Directors, supervisors and senior management, and evaluate the performance of executive Directors and the terms of their service contracts. Executive Directors shall not participate in the preparation of resolutions related to their own remuneration. In accordance with the Articles of Association of the Company, remuneration packages of Directors and supervisors are subject to the approval at the general meeting.

## **NOMINATION COMMITTEE**

In accordance with the Corporate Governance Code, the Nomination Committee under the Board of the Company assumes the role of the consultant of the Board and it has written terms of reference which are available on the websites of the Stock Exchange and the Company. The Nomination Committee of the Company currently consists of 1 executive Director (chairman), 3 independent non-executive Directors (namely Mr. Zhang Fulun, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei), and was chaired by the chairman, Mr. Zhang Fulun. The Nomination Committee is mainly responsible for the identification and evaluation of appropriate candidates for appointment or reappointment as Directors and senior management, as well as the development and maintenance of the Company's overall corporate governance policies and practices.

The Nomination Committee follows a formal, fair and transparent procedure for the appointment of new Directors to the Board. The committee will first consider necessary changes in respect of the structure, size and composition of the Board, identify appropriate and qualified candidates by considering their professional knowledge and industry experience, personal and professional ethics, integrity and personal skills and time commitments, and make recommendations to the Board. In accordance with the Articles of Association of the Company, each newly appointed Director is subject to election at the general meetings. The independence of independent non-executive Directors shall be examined.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The Nomination Committee would review the implementation of the Board diversity policy in achieving the objectives set for the benefits of the Company.



## **STRATEGY COMMITTEE**

In response to the Company's needs of strategic development, the Board of the Company has established the Strategy Committee. The committee has written terms of reference which are available on the websites of the Stock Exchange and the Company. The Strategy Committee of the Company currently consists of 3 executive Directors (namely Mr. Zhang Fulun, Mr. Yue Xiangjun and Mr. Yang Quan), 2 non-executive Directors (namely Mr. Fu Yihong and Ms. Zhu Ying), and 3 independent non-executive Directors (namely Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei). Mr. Zhang Fulun is the chairman of the Strategy Committee. The major responsibilities of the Strategy Committee are to carry out research and propose suggestions on the Company's long-term development strategies and material investment decisions for the Board's reference in decision-making.

## **SUPERVISORY COMMITTEE**

The Supervisory Committee of the Company comprises five supervisors, namely Mr. Sun Wenguang, Ms. Wu Yi, Mr. Wang Haibing, Mr. Duan Lian and Mr. Li Fangzhong. Mr. Sun Wenguang acts as the chairman of the Supervisory Committee. To safeguard the interests of the Shareholders, the Company's Supervisory Committee is responsible for the supervision of the Company's financial activities and duty fulfillment of the Board, its members and senior management. In 2023, the Supervisory Committee has reviewed the legality of the Company's financial situation and business. Through convening the meetings of the Supervisory Committee and attending the Board meetings, general meetings and other important meetings and establishing archives, etc., the Supervisory Committee conducted the due diligence on senior management personnel. The Supervisory Committee carefully and thoroughly performed their duties according to the principle of prudence.

## **SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Individual confirmation has been obtained from all Directors to confirm compliance with the Model Code during the year ended 31 December 2023.

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

During the year ended 31 December 2023, none of the Group and its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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

The annual results announcement has been published on the Company's website (<http://www.chinacqme.com>) and the Stock Exchange's website. The annual report will also be available at the Company's and the Stock Exchange's websites on or around 9 April 2024 and will be dispatched to Shareholders of the Company thereafter according to the means they choose to receive communications.

By Order of the Board  
**Chongqing Machinery & Electric Co., Ltd.\***  
**Zhang Fulun**  
*Executive Director and Chairman*

Chongqing, the PRC  
20 March 2024

*As at the date of this 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.*