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CQME

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

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

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

RESULTS HIGHLIGHTS

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

- Revenue of the Group for the six months ended 30 June 2024 amounted to approximately RMB4,225.7 million, representing an increase of approximately 8.7% from the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2024 amounted to approximately RMB744.0 million, representing an increase of approximately 1.5% from the corresponding period of last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2024 amounted to approximately RMB270.1 million, representing an increase of approximately 48.5% from the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2024 amounted to approximately RMB0.07, representing an increase of approximately 48.5% from the corresponding period of last year.
- Net assets per share for the six months ended 30 June 2024 amounted to approximately RMB2.29, representing an increase of 4.1% from the corresponding period of last year.

The board of directors (the “Board”) of the Company is pleased to announce the interim results of the Group for the six months ended 30 June 2024 (the “Period”). The Group’s interim results have not been audited but have been reviewed by the audit and risk management committee and the Company’s auditor, ShineWing Certified Public Accountants (Special General Partnership).

CONSOLIDATED INCOME STATEMENT

From January-June, 2024

Unit : RMB

Items	Notes	From January-June, 2024	From January-June, 2023
1. Total operating revenue	<i>V.1</i>	4,225,668,221.00	3,888,978,083.29
Including: Operating revenue		4,200,100,690.27	3,860,057,365.85
Interest income		25,563,828.14	28,918,641.97
Transaction fees and commission income		3,702.59	2,075.47
2. Total operating cost		4,201,431,104.12	3,814,642,173.30
Including: Operating cost	<i>V.1</i>	3,478,762,478.95	3,152,024,292.28
Interest expenses	<i>V.1</i>	2,804,691.84	4,103,914.75
Transaction cost and commission fees	<i>V.1</i>	73,441.71	82,798.62
Business taxes and surcharges		33,299,811.31	31,662,484.38
Selling and distribution expenses		123,155,288.76	111,693,486.11
Administrative expenses		320,773,887.11	308,735,191.07
Research and development expenses		196,998,854.97	180,470,789.71
Financial expenses		45,562,649.47	25,869,216.38
Including: Interest expenses		40,627,611.07	41,898,083.64
Interest income		8,623,367.87	13,226,858.88
Add: Other income	<i>V.2</i>	88,924,445.93	29,475,972.62
Investment income (Loss listed with “-”)	<i>V.3</i>	281,741,736.33	181,763,614.55
Including: Income from investments in associates and joint ventures		285,368,786.74	177,808,915.47
Gain arising from the changes in fair value (Loss listed with “-”)	<i>V.4</i>	5,997,041.06	159,297.94
Impairment loss of credit (Loss is listed by “-”)		-2,438,925.61	-27,822,390.34
Impairment loss of assets (Loss is listed by “-”)		-7,306,247.75	-45,427,899.36
Gain on disposal of assets (Loss listed with “-”)	<i>V.5</i>	-59,400,276.22	23,953,462.92
3. Operating profit (Loss listed with “-”)		331,754,890.62	236,437,968.32
Add: Non-operating income	<i>V.6</i>	9,257,744.32	3,390,927.08
Less: Non-operating expenses		2,902,980.82	1,084,860.82
4. Total profit (Total loss listed with “-”)		338,109,654.12	238,744,034.58
Less: Income tax expenses	<i>V.7</i>	48,006,569.55	35,929,724.05

Items	<i>Notes</i>	From January-June, 2024	From January-June, 2023
5. Net profit (Net loss listed with “-”)		290,103,084.57	202,814,310.53
(1) Classification by continuing operation		290,103,084.57	202,814,310.53
1. Net profit attributable to continuing operation (Net loss listed with “-”)		290,103,084.57	202,814,310.53
2. Net profit attributable to discontinued operation (Net loss listed with “-”)		–	–
(2) Classification by ownership		290,103,084.57	202,814,310.53
1. Net profit attributable to shareholders of the controlling company		270,105,651.74	181,907,404.18
2. Net profit attributable to non-controlling interests		19,997,432.83	20,906,906.35
6. Net other comprehensive income after tax		-15,791,572.53	-12,388,805.33
Net other comprehensive income after tax attributable to shareholders of the Company		-16,132,785.48	-12,508,421.58
(1). Other comprehensive incomes that cannot be reclassified into profit or loss		-5,513,062.50	-1,947,948.75
1. Changes from recalculation of defined benefit plan		–	–
2. Transfer changes of defined benefit plan to retained earnings		–	–
3. Changes in fair value of other equity instrument investments		-5,513,062.50	-1,947,948.75
(2). Other comprehensive income that can be reclassified into profit or loss		-10,619,722.98	-10,560,472.83
1. Profit and loss from changes in fair value of available for sale financial assets		–	–
2. Effective part of cash flow hedging		971,144.55	340,446.25
3. Effective portion of net investment hedging gains and losses		–	–
4. Translation differences of financial statements in foreign currencies		-11,590,867.53	-10,900,919.08
Net other comprehensive income after tax attributable to non-controlling interests		341,212.95	119,616.25
7. Total comprehensive income		274,311,512.04	190,425,505.20
1. Total comprehensive income attributable to shareholders of the Company		253,972,866.26	169,398,982.60
2. Total comprehensive income attributable to non-controlling interests		20,338,645.78	21,026,522.60
8. Earnings per share	<i>VI.2</i>		
1. Basic earnings per share		0.07	0.05
2. Diluted earnings per share		0.07	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

Unit : RMB

Items	Notes	30 June 2024	31 December 2023
Current assets			
Cash and cash equivalents	V.8	1,984,412,913.99	2,318,562,064.85
Financial assets held for trade		522,976,689.00	213,172,331.55
Redemptory monetary capital for sale		–	400,579,125.00
Notes receivable		172,721,474.60	341,195,461.65
Accounts receivable		3,603,149,730.77	2,744,375,342.87
Receivable financing		646,677,775.52	524,226,967.08
Prepayments		176,555,558.37	284,495,451.43
Other receivables		438,834,850.14	656,269,208.66
Including: Dividends receivable		238,482,420.98	405,074,939.52
Loans and advances to customers		386,138,302.14	486,199,033.99
Inventories		2,285,367,656.28	2,342,683,029.07
Contract assets		909,382,498.45	815,879,761.40
Non-current assets due within one year		17,862,879.84	62,082,416.99
Other current assets		27,799,668.78	189,048,200.19
Total current assets		11,171,879,997.88	11,378,768,394.73
Non-current assets			
Loans and advances to customers		307,326,337.50	380,485,692.71
Long-term receivables		17,862,879.84	26,670,593.81
Long-term equity investments		1,591,903,743.28	1,309,306,619.00
Other equity instruments investment		132,123,218.68	143,581,611.62
Investment properties		189,810,101.24	197,174,474.94
Property, plant and equipment		2,638,871,383.62	2,682,037,796.18
Construction in progress		86,090,850.82	91,987,334.25
Right-of-use assets		420,726,168.06	334,750,957.34
Intangible assets		429,878,905.35	475,836,222.46
Development expenditures		1,995,750.94	8,030,198.67
Goodwill		88,799,237.25	88,799,237.25
Long-term deferred expenses		32,256,966.73	51,900,414.33
Deferred tax assets		161,231,918.94	159,274,530.62
Other non-current assets		73,022,309.83	157,480,079.05
Total non-current assets		6,171,899,772.08	6,107,315,762.23
Total assets		17,343,779,769.96	17,486,084,156.96

Items	Notes	30 June 2024	31 December 2023
Current liabilities			
Short-term loans		295,281,377.69	568,383,530.32
Due to customers, banks and other financial institutions		412,380,826.71	663,854,525.48
Notes payable		1,445,270,904.15	1,489,169,192.29
Accounts payable		2,682,981,581.12	2,381,077,388.42
Contract liabilities		692,544,169.65	696,998,128.90
Employee benefits payables		80,932,809.38	100,117,332.01
Taxes and levies payables		194,262,356.42	152,291,578.15
Other payables		455,285,483.10	436,607,482.19
Including: Dividends payable		106,709,892.36	33,038,337.51
Non-current liabilities due within one year		986,116,010.29	581,745,790.92
Other current liabilities		38,540,895.21	43,501,657.16
Total current liabilities		7,283,596,413.72	7,113,746,605.84
Non-current liabilities			
Reserve fund for insurance contracts			
Long-term loans		1,082,335,639.59	1,632,646,116.22
Lease liabilities		195,011,769.33	143,467,534.22
Long-term payables		5,134,973.72	2,883,277.24
Long-term employee benefits payable		4,833,338.37	5,318,000.00
Provisions		55,264,934.87	53,301,196.48
Deferred revenue		185,255,541.03	186,763,428.92
Deferred tax liabilities		110,725,674.77	108,126,660.59
Total non-current liabilities		1,638,561,871.68	2,132,506,213.67
Total liabilities		8,922,158,285.40	9,246,252,819.51
Shareholder's equity			
Share capital		3,684,640,154.00	3,684,640,154.00
Capital reserves		81,139,793.92	80,949,073.14
Other comprehensive income		45,653,818.40	61,786,603.88
Surplus reserves		479,851,957.61	479,851,957.61
Undistributed profit		3,600,539,329.19	3,404,126,480.53
Total equity attributable to shareholders of the Company		7,891,825,053.12	7,711,354,269.16
Non-controlling interests		529,796,431.44	528,477,068.29
Total shareholder's equity		8,421,621,484.56	8,239,831,337.45
Total liabilities and shareholder's equity		17,343,779,769.96	17,486,084,156.96

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unit: RMB

From January-June, 2024
Equity attributable to the equity holders of the controlling Company

Items	Other equity instruments							Less: treasury shares	Other comprehensive income	Capital reserves	Special reserves	Surplus reserves	General risk provision	Retained profits	Non- controlling interests	Total equity
	Share capital	Preferred shares	Perpetual bond	Others	Share capital	Preferred shares	Perpetual bond									
1. 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
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Balance at 1 January 2024	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
3. Increase/Decrease for the period (Decrease listed with "+")																
(1) Total comprehensive income	-	-	-	-	190,720.78	-	-	-16,132,785.48	-	-	-	-	-	196,412,848.66	1,319,363.15	181,790,147.11
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-16,132,785.48	-	-	-	-	-	270,105,651.74	20,338,645.78	274,311,512.04
1. Common stock capital contribution from shareholders	-	-	-	-	190,720.78	-	-	-	-	-	-	-	-	43,036.00	43,036.00	233,756.78
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	190,720.78	-	-	-	-	-	-	-	-	-73,692,803.08	-19,062,318.63	-92,755,121.71
(3) Profit appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Balance at 30 June 2024	3,684,640,154.00	-	-	-	81,139,793.92	-	-	45,653,818.40	-	-	-	479,851,957.61	-	3,600,539,329.19	529,796,431.44	8,421,621,484.56

For the year 2023

Equity attributable to the equity holders of the controlling Company

Items	Other equity instruments										Total equity		
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision		Retained profits	Non-controlling interests
1. Balance at 31 December 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
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 "-")													
(1) Total comprehensive income	-	-	-	-	8,957,959.12	-	-48,439,720.37	-	8,808,191.73	-	183,555,249.25	69,227,717.50	222,109,397.23
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-48,439,720.37	-	-	-	303,626,849.13	35,952,396.36	291,139,525.12
1. Common stock capital contribution from shareholders	-	-	-	-	-2,099,367.87	-	-	-	-	-	-	46,250,567.87	44,151,200.00
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	44,151,200.00	44,151,200.00
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-2,099,367.87	-	-48,439,720.37	-	-	-	303,626,849.13	35,952,396.36	291,139,525.12
(3) Profit appropriations	-	-	-	-	-	-	-	-	8,808,191.73	-	-8,808,191.73	-	-
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	8,808,191.73	-	-120,071,599.88	-12,975,246.73	-124,238,654.88
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	8,808,191.73	-	-8,808,191.73	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-724,203.53	-	-724,203.53
4. Others	-	-	-	-	-	-	-	-	-	-	-110,539,204.62	-12,975,246.73	-123,514,451.35
(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

CONSOLIDATED STATEMENT OF CASH FLOWS

From January-June, 2024

Unit : RMB

Items	From January-June, 2024	From January-June, 2023
1. Cash flows from operating activities		
Cash received from sales of goods and rendering of services	3,779,890,011.49	3,524,622,257.93
Net increase in customer deposits and interbank deposits	-251,135,183.61	-267,308,453.18
Cash received from interest, surcharges and commission fee	27,188,512.65	15,492,726.12
Cash received from tax refund	15,895,094.82	7,799,085.89
Cash received relating to other operating activities	488,595,913.27	559,257,425.88
Sub-total of cash inflows from operating activities	4,060,434,348.62	3,839,863,042.64
Cash paid for goods and services	3,256,783,289.49	2,818,393,280.26
Net increase in loans and advances to customers	-177,574,697.67	-345,594,433.12
Net increase in central bank and interbank payments	-26,058,315.87	-10,534,714.11
Cash paid for interest, surcharges and commission fee	2,539,618.39	4,186,713.37
Cash paid to and on behalf of employees	552,878,785.07	508,827,843.05
Payments of taxes and surcharges	133,035,353.24	162,846,744.40
Cash paid relating to other operating activities	570,890,022.06	678,407,370.35
Sub-total of cash outflows from operating activities	4,312,494,054.71	3,816,532,804.20
Net cash flows from operating activities	-252,059,706.09	23,330,238.44
2. Cash flows from investment activities		
Cash received from return of investments	683,117,615.42	108,700,000.00
Cash received from investments income	172,936,031.70	144,164,353.63
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	103,334,614.41	54,923,272.32
Cash received relating to other investing activities	28,563,927.68	—
Sub-total of cash inflows from investing activities	987,952,189.21	307,787,625.95

Items	From January-June, 2024	From January-June, 2023
Cash paid to acquire fixed assets, intangible assets and other long-term assets	94,800,785.73	92,672,748.17
Cash paid for investments	<u>1,013,806,186.60</u>	<u>100,000,000.00</u>
Sub-total of cash outflow from investing activities	<u>1,108,606,972.33</u>	<u>192,672,748.17</u>
Net cash flows from investing activities	<u>-120,654,783.12</u>	<u>115,114,877.78</u>
3. Cash flows from financing activities		
Cash received from loans granted	445,762,905.60	1,262,977,470.03
Cash received relating to other financing activities	<u>2,335,000.00</u>	<u>45,000,000.00</u>
Sub-total of cash inflows from financing activities	<u>448,097,905.60</u>	<u>1,307,977,470.03</u>
Cash paid for repayment of borrowings	774,586,769.47	1,201,940,887.51
Cash paid for dividends, profits or payments of interests	60,860,435.35	52,132,878.07
Including: dividends and profits paid to non-controlling interests by subsidiaries	21,167,733.68	8,887,301.81
Cash paid relating to other financing activities	<u>44,214,943.19</u>	<u>40,613,457.70</u>
Sub-total of cash outflows from financing activities	<u>879,662,148.01</u>	<u>1,294,687,223.28</u>
Net cash flows from financing activities	<u>-431,564,242.41</u>	<u>13,290,246.75</u>
4. Effects of changes in exchange rate on cash and cash equivalents	<u>492,315.65</u>	<u>5,911,551.68</u>
5. Net (decrease) increase in cash and cash equivalents	-803,786,415.97	157,646,914.65
Add: opening balance of cash and cash equivalents	<u>2,181,163,417.65</u>	<u>2,160,065,586.94</u>
6. Balance of cash and cash equivalents at the end of this period	<u><u>1,377,377,001.68</u></u>	<u><u>2,317,712,501.59</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

I. 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 called 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”, originally named Chongqing Construction Engineering Group Co., Ltd). The address of the Company’s registered office is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC. The Company’s headquarter is located in Chongqing, the PRC. The Group was established with a registered capital of RMB2,679.74 million (RMB1 per share).

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

CQMEHG which is a registered company in China is the parent company and ultimate holding company of the Company. As of 30 June 2024, the registered capital of the Company was RMB3,684,640,154. 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 21 August 2024.

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance 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, and is prepared based on the accounting policies and accounting estimates set out in “III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES” in this note.

2. Going concern

The Group has evaluated its ability to continue operating for 12 months from June 30, 2024, 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Declaration on Compliance with CAS

This financial statement complies with the requirements of the Accounting Standards for Business Enterprises and truthfully, accurately, and completely reflects the financial position of the Group as of June 30, 2024, as well as relevant information such as operating results and cash flows from January 2024 to June 2024.

2. Accounting Period

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

3. Business Cycle

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

4. Functional Currency

The Group's accounting base currency and the currency used in the preparation of these financial statements are both RMB. Unless otherwise specified, all units are expressed in RMB yuan.

The subsidiaries, joint ventures, and associated enterprises of the Group shall determine their accounting base currency based on the main economic environment in which they operate. When preparing financial statements, they shall be converted into RMB according to the methods described III.9.

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

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

The identifiable assets, liabilities and contingent liabilities acquired in the merger of enterprises not under the same control are measured at fair value on the acquisition date. The consolidation cost is the sum of fair value of cash paid or non-cash assets paid to get control of acquiree, liabilities issued or assumed, equity securities issued and all other direct costs during business combination (for those business combination achieved in stages, the consolidation cost equals to the sum of each transaction). The excess of consolidation cost over the fair value of net identifiable assets of the acquiree shall be recognised as goodwill. It should reassess the fair value of all identifiable assets achieved through business consolidation, liabilities or contingent liabilities, non-cash assets or equity securities issued if the consolidation cost is less than the fair value of net identifiable assets. After reassessment, if the consolidation cost is still less than the the fair value of net identifiable assets of the acquiree, the excess shall be recognised into non-operating income.

6. Preparation of Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

7. Revenue Recognition and Measurement

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

(1) Revenue recognition

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

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

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

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

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

For a performance obligation satisfied at a point in time, the Group shall recognize revenue when the customer obtains control of relevant goods or services. In judging whether customers obtain control of promised goods or services, the Group considers the following indications: (a) the Group has a present right to the payment for the goods or services; (b) the Group has transferred the legal title of the goods to customers; (c) the Group has transferred physical possession of the goods to customers; (d) the group has transferred the significant risks and rewards of the ownership to the customers; (e) customers have accepted the goods or services.

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

(a) Sales contracts

Sales contracts between the Group and its customers usually contain only the performance obligation to transfer goods. The Group usually takes into account the following factors and identifies revenue at the time when the customer accepts the goods: the present right to the payment for the good; the transfer of the significant risks and rewards in the ownership of commodities; the transfer of legal ownership of commodities; the transfer of physical possession of the goods, and the acceptance of goods by customers.

(b) Service contracts

Services contracts between the Group and its customers usually include performance obligations such as technical services, product after-sales maintenance services, etc. Since the Group's customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs, and the Group has an enforceable right to payment for performance completed to date during the whole contract period, the Group will recognize it as a performance obligation satisfied over time and recognize revenue according to the progress of performance, except that the progress of performance cannot be reasonably determined. The Group determines the progress of service delivery according to the input method. If the costs incurred by the Group can be expected to be compensated, the revenue shall be recognized according to the costs incurred until such time that it can reasonably measure the process towards complete satisfaction of the performance obligation.

(c) Revenue from construction contracts (Only applicable if control is transferred over a period of time)

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

(d) *Warranty obligations*

In accordance with contractual arrangements and legal requirements, the Group provides warranty for goods that it sells and assets that it builds. For the guarantee-type warranties under which the Group warrants to the customers that the goods sold satisfy certain pre-set criteria, accounting treatments are as set out in Note IV.25. For the service-type warranties under which the Group provides a separate service in addition to the warranty to the customers that the goods sold satisfy certain pre-set criteria, it is treated as a standalone performance obligation and part of the transaction price is apportioned to the service-type warranty based on the proportion of the separate selling prices under the guarantee-type and service-type warranties, and revenue is recognized when the customer acquires control of the service. In assessing whether a separate service is provided to the customer in addition to the warranty that the goods sold satisfy certain pre-set criteria, the Group considers whether the warranty is a statutory requirement, the validity period of the warranty and the nature of the Group's commitment to perform.

(e) *Principal/Agent*

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

(f) *Interest income*

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

(g) *Rental income*

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

8. Deferred tax assets and deferred tax liabilities

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

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

9. Critical Accounting Estimates and Judgments

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

(1) Taxation

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

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

10. Changes in critical accounting policies and estimates

- (1) There are no significant changes in accounting policies of the Group in the current period.
- (2) There are no significant changes in accounting estimates in the current period.
- (3) There are no major adjustments of prior accounting errors in the current period.

IV. TAXATION

1. Main categories of tax and corresponding tax rate

Category of tax	Tax base	Tax rate
Chinese enterprise	–	–
Enterprise income tax	Taxable income	15%, 25% and 0%
Value-added tax (“VAT”)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	13%, 9%, 6%
VAT (easy to collect)	Taxable value-added amount multiplied by VAT collection rate	5%, 3%
City maintenance and construction tax	Taxable amounts of VAT	5% and 7%
Educational surcharge	Taxable amounts of VAT	2% and 3%
Property tax	70% of the original value of the property or rental income	1.2% or 12%
Land use tax	Land occupation area	RMB3.2-20 yuan/m ² /year
Profit tax in Hong Kong	–	16.5%
Profit tax for other regions/countries	–	15%, 16.5%, 19%, 26%

Explanation of taxpayers of different enterprise income tax rates:

Taxpayers	Income tax rate	Income tax preference
Chongqing Machinery & Electric Co., Ltd.	25%	–
Chongqing Shengpu Material Co., Ltd.	25%	–
Chongqing Machinery & Electric Holding Group Finance Co., Ltd.	25%	–
Chongqing ChongTong Chengfei New Material Co., Ltd.	25%	–
Xilin Hot Chenfei Wind Power Equipment Co., Ltd.	25%	–
Chongqing Chengfei New Materials Co., Ltd. (Previously used: Jilin ChongTong Chengfei New Material Co., Ltd.)	25%	–
Chongqing CAFF Automotive Braking & Steering System Co., Ltd.	15%	Income tax preference (1)
Chongqing Pigeon Electric Wires & Cables Co., Ltd.	15%	
Gansu Chong Tong Chengfei New Material Co., Ltd.	15%	
Chongqing Pump Industry Co., Ltd.	15%	
Chongqing Gas Compressor Factory Co., Ltd.	15%	
Chongqing Mengxun Electronic & Technology Co., Ltd.	15%	
Chongqing Gepai Electrical Materials Co., Ltd.	15%	
Chongqing Machine Tool (Group) Co., Ltd.	15%	Income tax preference (2)

Taxpayers	Income tax rate	Income tax preference
Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd.	15%	
Chongqing Pigeon Electric Porcelain Co., Ltd.	15%	
Chongqing Shunchang General Electric Equipment Co., Ltd.	15%	
Chongqing Sino-Germany Smart Factory Solutions Co., Ltd.	15%	
Chongqing Tool Factory Co., Ltd.	15%	
Chongqing Water Turbine Works Co., Ltd.	15%	
Chongqing General Industry (Group) Co., Ltd.	15%	
Chongqing Chongtong Turbine Technology Co., Ltd.	15%	
Chong Tong Chengfei Wind Power Equipment Jiangsu Co., Ltd.	15%	
Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	15%	
Chongqing Industrial Enabling Innovation Center Co., Ltd.	15%	
Chongqing Mechanical and Electrical Additive Manufacturing Co., Ltd.	15%	—
Fu Baotian Cotton picking services Co., Ltd.	Exemption	Income tax preference (3)
Precision Technologies Group (PTG) Limited.	19%	—
Precision Technologies Group (US) Limited (PTG US)	26%	—
Holroyd Precision Screw and Rotors Company	19%	—
Milnrow Investments Ltd.	19%	—
Precision Components Ltd.	19%	—
PTG Deutschland GmbH	15%	—
PTG Investment Development Company Ltd.	16.50%	—

2. Corporate income tax preferences

- (1) According to the Announcement of the Ministry of Finance, the State Administration of Taxation, and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policy for Western Development (Announcement No. 23 of 2020), from January 1, 2021 to December 31, 2030, the enterprise income tax will be levied at a reduced rate of 15% on encouraged industrial enterprises located in the western region. The management of the group has determined that the group has filed with the Chongqing State Taxation Bureau for a subsidiary enjoying a preferential corporate income tax rate of 15% for encouraged industrial enterprises in the western region. However, since there has been no significant change in the main business, it is highly likely that the preferential corporate income tax rate of 15% will continue to be reduced from 2021 to 2030.
- (2) According to the relevant tax preferential policies of the state for high-tech enterprises, certified high-tech enterprises can enjoy preferential policies of enterprise income tax and pay enterprise income tax at a reduced rate of 15%.

The following companies in this Group enjoy a preferential tax rate of 15% in this period because they have obtained the Certificate of High-tech Enterprises:

Name	Certificate of high-tech enterprises
Chongqing Machine Tool (Group) Co., Ltd	GR202151100674
Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd.	GR202351101402
Chongqing Pigeon Electric Porcelain Co., Ltd.	GR202251101875
Chongqing Shunchang General Electric Equipment Co., Ltd	GR202351101160
Chongqing Sino-Germany Smart Factory Solutions Co., Ltd.	GR202251100475
Chongqing Tool Factory Co., Ltd.	GR202251101839
Chongqing turbine works Co., Ltd.	GR202351102408
Chongqing General Industry (Group) Co., Ltd	GR202351100798
Chongqing ChongTong Turbine Technology Co., Ltd	GR202251100411
Chongqing Chengfei New Materials Co., Ltd.	GR202122000365
Chong Tong Chengfei Wind Power Equipment Jiangsu Co., Ltd.	GR202132000904
Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	GR202351102911
Chongqing Water Pump Factory Co., Ltd	GR202251101952
Chongqing Gas Compressor Factory Co., Ltd	GR202151100839
Chongqing Industrial Enabling Innovation Center Co., Ltd.	GR202151101193
Chongqing Mechanical and Electrical Additive Manufacturing Co., Ltd.	GR202251100572

- (3) According to Article 27 (1) of the Enterprise Income Tax Law of the People's Republic of China, income from agricultural, forestry, animal husbandry, and fishery projects can be exempted or reduced from enterprise income tax. The Group's subsidiary, Xinjiang Fubaotian Cotton-picking Service Co., Ltd. is engaged in agricultural machinery operations and its income is exempted from enterprise income tax.

V. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise stated, among the following disclosed data in the financial statements, currency unit is RMB.

1. Operating Revenue & Operating Cost

(1) Operating revenue & operating cost

Items	Jan-Jun 2024		Jan-Jun 2023	
	Revenue	Cost	Revenue	Cost
Main business	4,133,909,993.58	3,448,412,435.54	3,798,671,349.67	3,126,221,013.08
Other business	66,190,696.69	30,350,043.41	61,386,016.18	25,803,279.20
Interest	25,563,828.14	2,804,691.84	28,918,641.97	4,103,914.75
Transaction fees and commission income	3,702.59	73,441.71	2,075.47	82,798.62
Total	4,225,668,221.00	3,481,640,612.50	3,888,978,083.29	3,156,211,005.65

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

(2) Income from contracts

Classification of contract	High-end intelligent equipment business		Clean energy equipment business	
	Revenue	Cost	Revenue	Cost
Classified by region	830,918,407.56	670,395,544.23	3,359,373,176.96	2,801,703,611.06
Including: Mainland of China	734,153,981.44	609,112,602.97	3,320,430,487.49	2,729,314,500.45
Others	96,764,426.12	61,282,941.26	38,942,689.47	72,389,110.61
Types of contracts	830,918,407.56	670,395,544.23	3,359,373,176.96	2,801,703,611.06
Including: Equipment sales				
contract	775,213,086.60	647,744,066.16	2,315,786,022.97	1,891,841,602.16
Service contract	27,664,126.98	6,875,598.87	39,897,519.30	29,389,682.84
Materials sales				
contract	28,041,193.98	15,775,879.20	1,003,689,634.69	880,472,326.06
Classified by time of revenue recognition	830,918,407.56	670,395,544.23	3,359,373,176.96	2,801,703,611.06
Including: Recognizes revenue at a point in time	830,918,407.56	670,395,544.23	3,359,373,176.96	2,801,703,611.06
Provide during a certain period of time	—	—	—	—
Classified by sales channel	830,918,407.56	670,395,544.23	3,359,373,176.96	2,801,703,611.06
Including: Direct sales	764,674,552.28	610,005,370.38	3,339,336,184.68	2,784,285,709.02
Distribution	66,243,855.28	60,390,173.85	20,008,250.12	17,400,336.30
Internet sales	—	—	28,742.16	17,565.74

Classification of contract	Industrial service business		Headquarters		Total	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Classified by region	34,761,906.30	9,541,457.21	614,730.18	–	4,225,668,221.00	3,481,640,612.50
Including: Mainland of						
China	34,761,906.30	9,541,457.21	614,730.18	–	4,089,961,105.41	3,347,968,560.63
Others	–	–	–	–	135,707,115.59	133,672,051.87
Types of contracts	34,761,906.30	9,541,457.21	614,730.18	–	4,225,668,221.00	3,481,640,612.50
Including: Equipment sales						
contract	1,522,123.89	1,500,000.00	–	–	3,092,521,233.46	2,541,085,668.32
Service contract	33,239,782.41	8,041,457.21	614,730.18	–	101,416,158.87	44,306,738.92
Materials sales						
contract	–	–	–	–	1,031,730,828.67	896,248,205.26
Classified by time of revenue recognition	34,761,906.30	9,541,457.21	614,730.18	–	4,225,668,221.00	3,481,640,612.50
Including: Recognizes						
revenue at a point in time	5,770,770.37	3,819,757.89	–	–	4,196,062,354.89	3,475,918,913.18
Recognizes revenue over time	28,991,135.93	5,721,699.32	614,730.18	–	29,605,866.11	5,721,699.32
Classified by sales channel	34,761,906.30	9,541,457.21	614,730.18	–	4,225,668,221.00	3,481,640,612.50
Including: Direct sales	34,761,906.30	9,541,457.21	614,730.18	–	4,139,387,373.44	3,403,832,536.61
Distribution	–	–	–	–	86,252,105.40	77,790,510.15
Internet sales	–	–	–	–	28,742.16	17,565.74

(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.

(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 RMB3,709,449,216.24 (of which the amount of income corresponding to the performance obligations that have been signed but not yet fulfilled is RMB2,826,162,422.05, and the corresponding income amount of the performance obligations that have been signed but not yet performed is RMB883,286,794.19). Among them, RMB2,842,796,797.98 is expected to be recognized as revenue in 2024; RMB866,652,418.26 is expected to be recognized as revenue in 2025.

2. Other Income

Items	Jan-Jun 2024	Jan-Jun 2023
Government subsidies	74,891,627.97	29,082,020.05
Value added tax deduction and exemption	13,219,743.67	—
Others	813,074.29	393,952.57
Total	<u>88,924,445.93</u>	<u>29,475,972.62</u>

3. Investment Income

Items	Jan-Jun 2024	Jan-Jun 2023
Income from long-term equity investments accounted for by the equity method	285,368,786.74	177,808,915.47
Gain or loss on debt restructuring	-3,838,657.7	3,115,337.23
Dividends on investments in other equity instruments	—	980,100.00
Investment income arising from the disposal of trading financial assets	211,607.06	119,552.12
Others	—	-260,290.27
Total	<u>281,741,736.33</u>	<u>181,763,614.55</u>

4. Gain arising from the changes in fair value

Item	Jan-Jun 2024	Jan-Jun 2023
Financial assets at fair value through profit or loss	<u>5,997,041.06</u>	<u>159,297.94</u>

5. Gains on disposals of assets

Items	Jan-Jun 2024	Jan-Jun 2023	Amount recorded in extraordinary profit and loss
Disposal income of non current assets not classified as held for sale	-59,400,276.22	23,953,462.92	-59,400,276.22
Including: Loss from environmental relocation (Loss listed with “-”)	-61,681,249.92	20,893,485.54	-61,681,249.92
Income from disposal of fixed assets	2,463,320.83	2,995,925.44	2,463,320.83
Income from disposal of right of use assets	-182,347.13	64,051.94	-182,347.13
Total	<u>-59,400,276.22</u>	<u>23,953,462.92</u>	<u>-59,400,276.22</u>

6. Non-operating income

Items	Jan-Jun 2024	Jan-Jun 2023	Amount recorded in extraordinary profit and loss
Gains from scrapping non current assets	-	134,000.00	-
Penalty income, penalty and compensation, etc	1,109,153.49	2,455,974.58	1,109,153.49
Unpaid payables	1,107,706.78	452,000.26	1,107,706.78
Government grants	-	19,500.00	-
Others	7,040,884.05	329,452.24	7,040,884.05
Total	<u>9,257,744.32</u>	<u>3,390,927.08</u>	<u>9,257,744.32</u>

7. Income tax expense

Items	Jan-Jun 2024	Jan-Jun 2023
Current income tax calculated according to tax law and provision	43,503,628.10	31,933,093.69
Deferred income tax	4,502,941.45	<u>3,996,630.36</u>
Total	<u>48,006,569.55</u>	<u>35,929,724.05</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.

8. Cash and Cash Equivalents

Items	30 Jun 2024	31 Dec 2023
Cash in hand	176,352.38	183,669.08
Cash at bank	1,536,717,508.31	1,772,845,322.01
Other monetary assets	444,920,668.25	541,404,369.82
Accrued interest on Cash at bank	2,598,385.05	<u>4,128,703.94</u>
Total	1,984,412,913.99	2,318,562,064.85
Including: cash deposited abroad	<u>63,647,165.05</u>	<u>83,134,096.62</u>

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

VI. SUPPLEMENTARY INFORMATION TO CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the requirements of the “Explanatory Announcement on Information Disclosure for Companies Offering Securities to the Public No.1 – Extraordinary Profit or Loss (2008)” issued by the China Securities Regulatory Commission, extraordinary profit or loss of the Group from January to June 2024 are as follows:

1. Details of Extraordinary Profit or Loss for the period

Items	Jan-Jun 2024
Non current asset disposal gains and losses (including the offsetting portion of the provision for impairment of assets)	-59,508,569.60
Government subsidies included in the current period’s profit and loss (excluding government subsidies closely related to the company’s normal business operations, in compliance with national policies and regulations, enjoyed according to determined standards, and having a continuous impact on the company’s profit and loss)	74,891,627.97
Except for effective hedging business related to the normal operation of the company, the fair value gains and losses arising from the holding of financial assets and financial liabilities by non-financial enterprises, as well as the gains and losses arising from the disposal of financial assets and financial liabilities	6,208,648.12
Funds occupation fees charged to non-financial enterprises included in current profit and loss	218,080.00
Profit and loss from debt restructuring	-3,838,657.48
The one-time expenses incurred by the enterprise due to the discontinuation of related business activities, such as expenses for resettling employees, etc	-
Other non operating income and expenses other than the above items	6,463,056.88
Subtotal	24,434,185.89
Less : Income tax impact amount	3,666,932.31
Minority shareholder equity impact (after tax)	1,411,297.68
Total	19,355,955.90

2. Return on Net Assets and Earnings Per Share

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

Profit for the reporting period	Weighted 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	3.44	0.07	0.07
Net profit attributable to the common shareholders of the parent company after deducting non-recurring gains and losses	<u>3.20</u>	<u>0.07</u>	<u>0.07</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

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

	Revenue		Gross Profit		Segment Results	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2024	2023	2024	2023	2024	2023
<i>(RMB in millions, except for percentage)</i>						
Clean energy equipment business						
General machinery <i>(Note 1)</i>	1,118.6	1,091.4	324.5	308.6	128.3	98.6
Wind power blades	1,119.1	1,055.8	133.1	140.6	32.8	30.3
Electrical wires and cables	993.6	910.8	118.2	111.0	40.9	47.8
Other products <i>(Note 2)</i>	128.1	143.0	(18.1)	6.1	(157.2)	(78.1)
Total	3,359.4	3,201.0	557.7	566.3	44.8	98.6
% of total	79.5%	82.3%	74.9%	77.3%	13.5%	41.7%
High-end smart equipment business						
Smart machine tools	403.2	353.7	107.8	96.5	41.4	(31.9)
Intelligent manufacturing	284.4	183.5	40.4	31.9	3.4	0.9
Other products <i>(Note 2)</i>	143.3	117.8	12.3	10.8	(6.8)	(6.5)
Total	830.9	655.0	160.5	139.2	38.0	(37.5)
% of total	19.7%	16.9%	21.6%	19.0%	11.4%	(15.9%)
Industrial services business						
Financial	25.6	28.9	22.7	24.7	28.9	26.6
Trade	1.8	1.9	1.3	1.0	(0.5)	(0.4)
Other services	7.4	1.7	1.2	1.0	(3.6)	(3.4)
Total	34.8	32.5	25.2	26.7	24.8	22.8
% of total	0.8%	0.8%	3.4%	3.6%	7.5%	9.7%
Headquarters						
Total	0.6	0.5	0.6	0.5	224.1	152.5
% of total	–%	–%	0.1%	0.1%	67.6%	64.5%
Total	4,225.7	3,889.0	744.0	732.7	331.7	236.4

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

Note 2 – The Group grouped hydroelectric generation equipment and steering systems businesses into other products.

BUSINESS REVIEW AND OUTLOOK

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

In the first half of 2024, the Group's clean energy equipment segment seized market opportunities. The wind power blade business closely followed blade type adjustment trends in the industry, continuously optimized customer structure, and increased market share. The electrical wires and cables and materials business secured cooperation orders from major customers such as central and local state-owned enterprises and industry leaders, totaling approximately RMB300 million. The industrial pump business obtained the largest alumina order in its history, worth approximately RMB149 million, in the steel-aluminum integration industry project. The industrial blower business deeply cultivated the energy-saving renovation and rail engineering fields, with new orders for refrigeration compressor products amounting to RMB308 million, representing a year-on-year increase of 81%, and the magnetic levitation heat pump unit orders exceeded RMB16 million for the first time. The gas compressor business secured its first order for the wind-solar hydrogen production compressor project from the China Energy Construction, marking a breakthrough in the wind-solar hydrogen production compressor field. The hydroelectric generation equipment business continued to exert efforts in overseas markets, with overseas orders exceeding RMB253 million in the first half of the year, and the quality of orders continuously improved. The high-horsepower engines business secured an emergency power station project in South America worth approximately RMB100 million, laying a solid foundation for comprehensive expansion into overseas markets. In the first half of the year, apart from the industrial blower business which saw a decline in order deliveries due to adjustments in the steel and cement industries, leading to a decrease in scale, other subsidiaries all achieved better growth compared to the same period. The overall operating income of this segment reached approximately RMB3,359.4 million, representing an increase of approximately 4.9% year-on-year.

During the Period, the gross profit of the clean energy equipment operating segment was approximately RMB557.7 million, representing a decrease of approximately RMB8.6 million or approximately 1.5% as compared with approximately RMB566.3 million for the same period of last year. As of 30 June 2024, the profit of the clean energy equipment operating segment was approximately RMB44.8 million, representing a decrease of approximately RMB53.8 million or approximately 54.6% as compared with approximately RMB98.6 million for the same period of last year, which was mainly due to the decrease in income from hydroelectric generation business and non-recurring income.

In the first half of the year, the industrial pump business was approved as a national manufacturing single champion enterprise and was rated as a “benchmark” in the 2023 annual scientific reform evaluation by the State-owned Assets Supervision and Administration Commission of the State Council. The development of the engineering prototype for the fourth-generation nuclear main pump was completed, and the research and development for, as well as the installation of, the high-flow and high-temperature slurry pump was completed. The wind power blade business successfully obtained approval for the “National Enterprise Technology Center”, achieving trial production and small batch production of new 112-meter-class products, and completed the trial production and first set production of 115-meter-class ultra-large offshore wind power blade samples. The industrial blower business completed the research and development of refrigeration compressors for hydrogen production and ammonia synthesis through wind and solar power. The gas compressor business’s reciprocating compressor assembly workshop in the new energy and new energy storage field was recognized as a digital workshop by Chongqing. In the first half of the year, this segment has 21 newly granted invention patents.

In the second half of the year, the industrial pump business will leverage existing product advantages to seize export market opportunities, continue to deepen its presence in overseas markets, and further expand the water conservancy market to create new growth points. The wind power blade business will continue to advance the cross-platform design of onshore and offshore blades, further enhancing the alignment of production lines with customer needs and increasing market share. The electrical wires and cables business will continue to strengthen cooperation with central state-owned enterprises and major clients, accelerating its pace of going global. The gas compressor business will intensify market promotion efforts for new products such as low-temperature compressors and 70Mpa high-pressure compressors, and increase efforts to expand into emerging markets such as oil and gas, biomass oil, and hydrogen production from wind and solar power, creating new business growth. The industrial blower business will follow market trends, adhere to an import substitution and high-end differentiation competition strategy, and enhance the competitiveness of traditional advantageous products in mid-to-high-end markets. The hydroelectric generation equipment business will deeply explore the industrial services market, increase the proportion of the aftermarket, and continuously improve gross profit levels. It is expected that this segment will achieve steady growth throughout the year.

In addition, Chongqing Cummins Engine Company Limited (“Chongqing Cummins”), a joint venture of the Company, is principally engaged in the production of high-horsepower diesel engine. In the first half of the year, Chongqing Cummins continued to accelerate the development of new products and new markets. The Q60 engine has been launched in batches into the market; the high-horsepower gas engine was successfully rolled out and received orders; the methanol engine was successfully ignited; new products for niche markets such as mining and oil and gas fields are being steadily developed; the feedback from the electronic control marine engine market has been good, and orders for the new platform electronic control engines QSK19 and QSK38 have increased significantly, driving substantial growth in business performance. It is expected that the operating performance of such business will continuously maintain better growth in the second half of the year.

HIGH-END SMART EQUIPMENT (INCLUDING SMART MACHINE TOOLS, SMART SYSTEM INTEGRATION AND SMART ELECTRONICS, ETC.)

In the first half of 2024, the Group's PTG Company in the UK implemented business adjustments and strategic restructuring such as downsizing and streamlining, which showed positive results. Orders for screw machine tools saw significant growth, and operating performance improved noticeably. The domestic CNC machine tool business experienced a good market recovery in the first half of the year, driving substantial growth in products like gear grinding machines and gear hobbing machines, achieving operational profitability. The Group actively expanded the smart customized production line market and developed intelligent engineering business around the smart reservoir and photovoltaic markets, resulting in considerable order growth. The overall operating income of this segment reached approximately RMB830.9 million, representing an increase of approximately 26.9% as compared with the same period of last year.

During the Period, the gross profit of the high-end smart equipment operating segment was approximately RMB160.5 million, representing an increase of approximately RMB21.3 million or approximately 15.3% as compared with approximately RMB139.2 million for the same period of last year. For the six months ended 30 June 2024, the profit of the high-end smart equipment operating segment was approximately RMB38.0 million, representing an increase in profit of approximately RMB75.5 million as compared with a loss of approximately RMB37.5 million for the same period last year, primarily due to the growth of screw machine tools business and the increase in non-recurring income.

In the first half of the year, the CNC machine tool business's YD31125 CNC hobbing machine and YD3126-CD CNC hobbing and milling composite machine were selected in the second batch of Chongqing's first major technical equipment products for 2024; the national key R&D project "New Energy Vehicle Gear Complete Equipment Development" and the MIIT's "High-end CNC Machine Tool Key Material Production Application Demonstration Platform" project successfully passed the final acceptance; the HG350C CNC forming grinding wheel gear grinding machine debuted at the Shanghai International Machine Tool Show, and the powerful honing machine test bench completed verification testing. The intelligent equipment business successfully obtained the approval for the "National Enterprise Technology Center". Two new Chongqing municipal-level digital workshops were added for the steering system and CNC machine tools businesses. In the first half of the year, this segment has 26 newly granted invention patents.

In the second half of the year, the Group's CNC machine tool business will actively respond to market changes, implement differentiated marketing strategies, and accelerate the launch of new products such as the HG350 and gear honing machines to support incremental growth. The Group will strengthen strategic coordination with the PTG Company in the UK to promote technological upgrading and achieve domestic manufacturing to replace overseas imports, enhance the innovation and R&D capabilities and European marketing functions of the PTG Company in the UK, continuously introduce new products and technologies and improve the Group's ability to expand in the European market. The intelligent equipment system integration business will accelerate the implementation of key projects such as those by China Railway Tunnel Group. It is expected that this segment will maintain steady growth throughout the year.

INDUSTRIAL SERVICES (INCLUDING INDUSTRIAL EMPOWERMENT, FINANCING AND CENTRALIZED PROCUREMENT, ETC.)

In the first half of 2024, the operating income of industrial services reached approximately RMB34.8 million, representing an increase of approximately RMB2.3 million or approximately 7.1% as compared with approximately RMB32.5 million for the same period of last year.

During the Period, the gross profit of the industrial services operating segment was approximately RMB25.2 million, representing a decrease of approximately RMB1.5 million or approximately 5.6% as compared with approximately RMB26.7 million for the same period of last year. For the six months ended 30 June 2024, the profit of the industrial services operating segment was approximately RMB24.8 million, representing an increase of approximately RMB2.0 million or approximately 8.8% as compared with approximately RMB22.8 million for the same period of last year, which was mainly due to the decrease in the provision for financing business. It is expected that this segment will remain stable throughout the year.

In the first half of the year, the industrial empowerment business continued to strengthen the Group's digital management, completing the full digitalization of core business processes. The digital intelligence procurement business optimized procurement processes, enhancing procurement efficiency and transparency, and provided comprehensive value-added services for subsidiaries. The financial business accelerated the construction of the treasury management system, optimized the allocation of financial resources, and strengthened capital risk control to achieve efficient flow and reasonable allocation of funds.

In the second half of the year, the centralized procurement business will continue to improve the functions of the digital intelligent procurement management platform, creating a comprehensive supply chain industry portal. The financial business will continue to strengthen innovation, complete the phased construction of the treasury, promote digital intelligent empowerment, and solidify risk compliance.

RESULTS OVERVIEW

SALES

For the six months ended 30 June 2024, the Group's total revenue amounted to approximately RMB4,225.7 million, representing an increase of approximately 8.7% as compared with approximately RMB3,889.0 million for the same period of last year.

In general, revenue of the clean energy equipment segment was approximately RMB3,359.4 million (accounting for approximately 79.5% of the total revenue), representing an increase of approximately 4.9%; revenue of the high-end smart manufacturing segment was approximately RMB830.9 million (accounting for approximately 19.7% of the total revenue), representing an increase of approximately 26.9%; revenue of the industrial service segment was approximately RMB34.8 million (accounting for approximately 0.8% of the total revenue), representing an increase of approximately 7.1%.

During the Period, the sales revenue of each business segment showed steady growth. It is expected that the overall operating performance of the Group for the whole year of 2024 will achieve a steady growth.

There has been no significant change in the possible future development of the Group's business and the Group's outlook for the financial year of 2024 since the publication of the Group's annual report for the year ended 31 December 2023.

GROSS PROFIT

The gross profit for the six months ended 30 June 2024 was approximately RMB744.0 million, showing an increase of approximately RMB11.3 million or approximately 1.5% as compared with approximately RMB732.7 million for the same period of last year. The Group's gross profit margin is expected to remain stable in the second half of 2024.

OTHER INCOME

Other income for the six months ended 30 June 2024 was approximately RMB88.9 million, showing an increase of approximately RMB59.4 million or approximately 2 times as compared with approximately RMB29.5 million for the same period of last year, mainly due to an increase in government subsidies income during the Period.

LOSS ON DISPOSAL OF ASSET

Loss on disposal of assets for the six months ended 30 June 2024 was approximately RMB59.4 million, showing a significant decrease of approximately RMB83.4 million as compared with a gain of approximately RMB24.0 million for the same period of last year, which was mainly attributable to the loss on disposal of assets arising from the “three reforms and one revitalization” in the hydroelectric power equipment business during the Period.

SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses for the six months ended 30 June 2024 were approximately RMB443.9 million, showing an increase of approximately RMB23.5 million or approximately 5.6% as compared with approximately RMB420.4 million for the same period of last year. The ratio of selling and administrative expenses to sales decreased slightly from approximately 10.8% in the same period last year to approximately 10.5%. A year-on-year increase in selling expenses of approximately RMB11.5 million was mainly due to the increase in the provision for “3-Aspect-Warranty” fees and the purchase of property insurance premiums. Administrative expenses increased by approximately RMB12 million year-on-year, mainly due to the increase in labour costs and energy expenses.

OPERATING PROFIT

The operating profit for the six months ended 30 June 2024 was approximately RMB331.8 million, showing an increase of approximately RMB95.4 million or approximately 40.3% as compared with approximately RMB236.4 million for the same period of last year.

FINANCE COSTS

Finance costs for the six months ended 30 June 2024 were approximately RMB45.6 million, representing a significant increase of approximately RMB19.7 million or 76.1% as compared with approximately RMB25.9 million for the same period of last year, which was mainly due to the significant decrease in exchange income compared to the same period last year.

INVESTMENT INCOME

For the six months ended 30 June 2024, the Group’s investment income was approximately RMB281.7 million, representing an increase of approximately RMB99.9 million or 55.0% as compared with approximately RMB181.8 million for the same period of last year. This was mainly due to the increase of approximately RMB100.6 million or approximately 64.0% in results of Chongqing Cummins as compared with the same period of last year. Relevant details are set out in Note V.3 to the interim condensed consolidated financial statements.

INCOME TAX EXPENSES

The income tax expenses for the six months ended 30 June 2024 were approximately RMB48.0 million, representing an increase of approximately RMB12.1 million as compared with approximately RMB35.9 million for the same period of last year, which was mainly due to the increase in profits for the current period. Relevant details are set out in Note V.7 to the interim condensed consolidated financial statements.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders for the Period was approximately RMB270.1 million, representing an increase of approximately RMB88.2 million or approximately 48.5% as compared with approximately RMB181.9 million for the same period of last year. Earnings per share increased from approximately RMB0.05 in the same period last year to approximately RMB0.07 in the Period.

SECURED ASSETS

As at 30 June 2024, approximately RMB605.6 million of the Group was deposited with the banks with pledge or restriction for use. In addition, certain bank borrowings of the Group were secured by certain certificates of deposit, land use rights, properties, plant and equipment and investment properties of the Group, and other assets of the Group, which had a net book value of approximately RMB163.3 million as at 30 June 2024. Restricted notes receivable of certain subsidiaries of the Group by pledging notes with banks and financial institutes amounted to approximately RMB25.9 million.

CASH FLOW

As at 30 June 2024, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB1,984.4 million (31 December 2023: approximately RMB2,318.6 million), representing a decrease of approximately RMB334.2 million or approximately 14.4%, which was mainly due to the repayment of bank borrowings.

During the Period, the Group had a net cash outflow generated from operating activities of approximately RMB252.1 million (net cash inflow of approximately RMB23.3 million for the same period of last year), a net cash outflow generated from investing activities of approximately RMB120.7 million (net cash inflow of approximately RMB115.1 million for the same period of last year), and a net cash outflow generated from financing activities of approximately RMB431.6 million (net cash inflow of approximately RMB13.3 million for the same period of last year).

ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

As at 30 June 2024, the total accounts receivables and other receivables of the Group amounted to approximately RMB4,042.0 million, showing an increase of approximately RMB641.4 million as compared with approximately RMB3,400.6 million as at 31 December 2023, which was mainly due to an increase of approximately RMB217.0 million in the electrical wires and cables business; an increase of approximately RMB198.6 million in the wind power blades business; an increase of approximately RMB162.7 million in the industrial pump business; and an increase of approximately RMB127.0 million in the intelligent manufacturing business.

ACCOUNTS PAYABLES AND OTHER PAYABLES

As at 30 June 2024, the total accounts payables and other payables of the Group amounted to approximately RMB3,138.3 million, showing an increase of approximately RMB320.6 million as compared with approximately RMB2,817.7 million as at 31 December 2023, which was mainly due to an increase of approximately RMB157.4 million in the wind power blades business and an increase of approximately RMB106.5 in the intelligent manufacturing business.

ASSETS AND LIABILITIES

As at 30 June 2024, the total assets of the Group amounted to approximately RMB17,343.8 million, showing a decrease of approximately RMB142.3 million as compared with approximately RMB17,486.1 million as at 31 December 2023. The total current assets amounted to approximately RMB11,171.9 million, showing a decrease of approximately RMB206.9 million as compared with approximately RMB11,378.8 million as at 31 December 2023, accounting for approximately 64.4% of the total assets (31 December 2023: approximately 65.1%). However, the total non-current assets amounted to approximately RMB6,171.9 million, showing an increase of approximately RMB64.6 million as compared with approximately RMB6,107.3 million as at 31 December 2023, accounting for 35.6% of the total assets (31 December 2023: approximately 34.9%).

As at 30 June 2024, the total liabilities of the Group amounted to approximately RMB8,922.2 million, showing a decrease of approximately RMB324.1 million as compared with approximately RMB9,246.3 million as at 31 December 2023. The total current liabilities amounted to approximately RMB7,283.6 million, showing an increase of approximately RMB169.9 million as compared with approximately RMB7,113.7 million as at 31 December 2023, accounting for approximately 81.6% of the total liabilities (31 December 2023: approximately 76.9%). However, the total non-current liabilities amounted to approximately RMB1,638.6 million, showing a decrease of approximately RMB493.9 million as compared with approximately RMB2,132.5 million as at 31 December 2023, accounting for approximately 18.4% of the total liabilities (31 December 2023: approximately 23.1%).

As at 30 June 2024, the total net assets of the Group amounted to approximately RMB8,421.6 million, showing an increase of approximately RMB181.8 million as compared with approximately RMB8,239.8 million as at 31 December 2023.

CURRENT RATIO

As at 30 June 2024, the current ratio (the ratio of current assets divided by current liabilities) of the Group was 1.53:1 (31 December 2023: 1.60:1).

GEARING RATIO

As at 30 June 2024, the Group's gearing ratio is calculated by dividing borrowings by total capital, and the gearing ratio is 21.7% (31 December 2023: 25%).

INDEBTEDNESS

As at 30 June 2024, the Group had an aggregate bank and other borrowings of approximately RMB2,339.2 million, representing a decrease of approximately RMB401.5 million as compared with approximately RMB2,740.7 million as at 31 December 2023.

Borrowings repayable by the Group within one year amounted to approximately RMB1,256.9 million, representing an increase of approximately RMB148.8 million as compared with approximately RMB1,108.1 million as at 31 December 2023. Borrowings repayable after one year amounted to approximately RMB1,082.3 million, representing a decrease of approximately RMB550.3 million as compared with approximately RMB1,632.6 million as at 31 December 2023.

SIGNIFICANT EVENTS

Events in the Period

(1) Resignation of two executive directors

The Company received a resignation letter from Mr. Yang Quan, an executive director, on 20 June 2024. Due to attainment of the statutory retirement age, he has applied to resign from the positions as an executive director of the sixth session of the Board and a member of the strategy committee of the Company.

The Company received a resignation letter from Mr. Zhang Fulun, an executive director and the chairman, on 25 June 2024. He has applied to resign from positions as the chairman of the sixth session of the Board, an executive director, chairman of the nomination committee and chairman of the strategy committee of the Company due to job transfer.

Mr. Yang Quan and Mr. Zhang Fulun's resignations have not caused the number of the sixth session of the Board of the Company to fall below the quorum requirement, nor will their resignations affect the normal operation of the Board of the Company. Mr. Yang Quan and Mr. Zhang Fulun's resignations take effect immediately upon the delivery of their resignation letters to the Board.

(For relevant details, please refer to the announcements published on the website of the Stock Exchange on 20 June 2024 and 25 June 2024.)

Save as disclosed above, the Company did not have any other material events that were subject to disclosure during the Period.

SUBSEQUENT EVENTS

(1) The executive director acting as the chairman and legal representative and appointment of the authorized representative

According to the provisions of Article 85 of the Articles of Association of the Company, if the chairman is unable or fails to perform his/her duties, a director shall be jointly elected by more than half of the directors to perform the duties of the chairman. The Company has convened a Board meeting, and Mr. Yue Xiangjun, an executive director and the general manager, was jointly elected by more than half of the directors to temporarily perform the duties of the chairman and legal representative until the election of a new chairman of the Company.

(For relevant details, please refer to the announcement published on the website of the Stock Exchange on 26 July 2024).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group's total capital commitments amounted to approximately RMB27.1 million (31 December 2023: approximately RMB33.9 million).

CAPITAL EXPENDITURE

During the Period, the total capital expenditure of the Group was approximately RMB41.1 million, which was principally used for digital construction, plant expansion, improvement of production technology and equipment upgrade and capacity improvement (for the six months ended 30 June 2023: approximately RMB119.9 million).

TREASURY POLICIES

The Group has adopted treasury policies, which concentrate the financial resources available to its different subsidiaries to meet the business needs of its different subsidiaries through the subsidiaries involved with financial services qualifications of the Group. For example, the Group has adopted a centralised approach in managing the funds available to subsidiaries involved, including cash, bank deposits, bills and other financial instruments. These assets, such as bills and financial instruments, are managed and arranged as short-term financing amongst subsidiaries with financial services qualifications of the Group through proper endorsements or transfers so that they can be fully utilized to meet payment obligations of the Group's relevant subsidiaries with minimal financing cost. The Group closely monitors the level of use and the financial guarantees given by the Group at the time of financing and the value of each of the relevant transactions only represents an immaterial part of its total assets and business.

Chongqing Machinery & Electric 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.

RISK OF FOREIGN EXCHANGE

The Group is exposed to foreign exchange risk arising from various currencies, primarily with respect to the HKD, GBP and US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Management has set up a management system of foreign exchange hedges, requiring all subsidiaries of the Group to manage the foreign exchange risk against their functional currency and adopt foreign exchange tools recognized by the Group.

EMPLOYEES

As at 30 June 2024, the Group had a total of 6,720 employees (30 June 2023: a total of 8,179 employees). The Group will continue to upgrade its technical talent base, foster and recruit technical and management personnel possessed with extensive professional experiences, optimize the distribution system that links with the remuneration and performance reviews, improve training supervision on safety so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

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

As at 30 June 2024, so far as the directors are aware, the following persons (not being a director, chief executive or supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (the “SFO”):

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

Name of shareholders	Number of shares	Stock category	Status	Notes	Percentage of		
					total issued domestic shares (%)	Percentage of total issued H shares (%)	Percentage of total issued shares (%)
Chongqing Machinery and Electronic Holding (Group) Co., Ltd.	1,924,225,189	Domestic shares	Beneficial owner	(1)	74.46(L)	–	52.22
	92,670,000	H shares	Beneficial owner	(1)	–	8.42(L)	2.52
Chongqing Yufu Capital Operation Group Co., Ltd.	232,132,514	Domestic shares	Beneficial owner	(1)	8.98(L)	–	6.30
Chongqing Construction Engineering Group Corporation Limited	232,132,514	Domestic shares	Beneficial owner	(2)	8.98(L)	–	6.30
China CITIC Financial Asset Management Co., Ltd.	195,962,467	Domestic shares	Beneficial owner	(3)	7.58(L)	–	5.32
Chongqing State-owned Assets Supervision and Administration Commission	2,388,490,217	Domestic shares	Controlled corporation interest	(1)	92.42(L)	–	64.82
	92,670,000	H shares	Beneficial owner	(1)	–	8.42(L)	2.52
Ministry of Finance of the PRC	195,962,467	Domestic shares	Controlled corporation interest	(3)	7.58(L)	–	5.32

(L) Long Position

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

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

(L) Long Position

(S) Short Position

(P) Lending Pool

Notes:

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

Save as disclosed above, the directors of the Company are not aware of any persons holding any interests or short positions in the shares or underlying shares which were required to be recorded in the register pursuant to Section 336 of the SFO as at 30 June 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company has adopted and complied with the code provisions under the Corporate Governance Code set out in the Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has complied with and adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix C3 of the Listing Rules and has adopted procedures to regulate securities transactions by directors. The Company has obtained the respective confirmations by all directors that they have complied with the provisions of the Model Code for the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2024, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2024, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividends.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE

As at the date of this announcement, the executive directors of the Company is Mr. Yue Xiangjun; 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. Liu Wei and Mr. Ke Rui.

As at the date of this announcement, the members of the Supervisory Committee of the Company are Mr. Sun Wenguang, Mr. Wang Haibing, Mr. Cao Xingquan, Mr. Duan Lian and Mr. Li Fangzhong.

The interim results announcement has been published on the websites of the Company (<http://www.chinacqme.com>) and the Stock Exchange. The interim report will also be available on the websites of the Company and the Stock Exchange on or around 10 September 2024 and will be despatched to the shareholders of the Company thereafter by the means of receipt of corporate communications they selected.

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Yue Xiangjun
Acting Chairman, General Manager

Chongqing, the PRC
21 August 2024

As at the date of the announcement, the executive Director is Mr. Yue Xiangjun; 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. Liu Wei and Mr. Ke Rui.

* *For identification purposes only*