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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 GROUP RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 10.7% to approximately RMB8,919.2 million yuan
- Gross profit increased by approximately 5.0% to approximately RMB1,555.3 million yuan
- Profit attributable to shareholders increased by approximately 42.0% to approximately RMB431.3 million yuan
- Earnings per share was approximately RMB0.12 yuan

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors” and each a “Director”) of Chongqing Machinery & Electric Co., Ltd.* (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2024 and the comparative figures for the corresponding period of 2023 as follows:

CONSOLIDATED INCOME STATEMENT

For the Year 2024

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

Unit: RMB

Items	Notes	For the Year 2024	For the Year 2023 (As restated)
1 Total operating revenue	4.1	8,919,237,178.76	8,058,534,342.38
Including: Operating revenue	4.1	8,865,476,936.11	8,004,430,705.93
Interest income	4.1	53,726,121.01	54,098,357.11
Transaction fees and commission income	4.1	34,121.64	5,279.34
2. Total operating cost		8,855,433,949.50	8,004,702,835.37
Including: Operating cost	4.1	7,356,978,045.72	6,568,554,260.66
Interest expenses	4.1	6,722,252.33	7,982,759.12
Transaction cost and commission fees	4.1	234,634.52	201,154.88
Business taxes and surcharges	4.2	68,565,558.16	60,695,965.96
Selling and distribution expenses	4.3	240,591,562.59	230,006,001.42
Administrative expenses	4.4	650,160,081.53	656,279,297.37
Research and development expenses	4.5	451,610,050.30	407,466,824.38
Financial expenses	4.6	80,571,764.35	73,516,571.58
Including: Interest expenses		70,691,716.75	77,696,993.43
Interest income		16,305,072.14	21,397,758.42
Add: Other income	4.7	193,259,192.20	141,172,157.67
Investment income (Loss listed with “-”)	4.8	498,599,334.14	300,067,584.94
Including: Income from investments in associates and joint ventures	4.8	498,827,482.58	284,779,634.76
Gain arising from the changes in fair value (Loss listed with “-”)	4.9	13,608,521.37	1,518,900.24
Impairment loss of credit (Loss is listed by “-”)	4.10	-72,603,981.94	-145,251,235.91
Impairment loss of assets (Loss is listed by “-”)	4.11	-203,690,041.99	-65,978,403.81
Gain on disposal of assets (Loss listed with “-”)	4.12	23,392,978.65	90,859,016.01
3. Operating profit (Loss listed with “-”)		516,369,231.69	376,219,526.15
Add: Non-operating income	4.13	9,275,353.06	15,030,265.96
Less: Non-operating expenses	4.14	4,024,849.62	3,525,358.15
4. Total profit (Total loss listed with “-”)		521,619,735.13	387,724,433.96
Less: Income tax expenses	4.15	61,660,430.42	47,908,983.67

Items	For the Year 2024	For the Year 2023 (As restated)
5. Net profit (Net loss listed with “-”)	459,959,304.71	339,815,450.29
(1) Classification by continuing or discontinued operation	459,959,304.71	339,815,450.29
1. Net profit attributable to continuing operation (Net loss listed with “-”)	459,959,304.71	339,815,450.29
2. Net profit attributable to discontinued operation (Net loss listed with “-”)	—	—
(2) Classification by ownership	459,959,304.71	339,815,450.29
1. Net profit attributable to shareholders of the controlling company	431,282,798.81	303,626,849.13
2. Net profit attributable to non-controlling interests	<u>28,676,505.90</u>	<u>36,188,601.16</u>
6. Net other comprehensive income after tax	16,245,853.47	-48,675,925.17
Net other comprehensive income after tax attributable to shareholders of the Company	16,302,873.54	-48,439,720.37
(1) Other comprehensive incomes that cannot be reclassified into profit or loss	19,010,101.25	-22,816,478.22
1. Changes from recalculation of defined benefit plan	460,802.20	16,198.00
2. Transfer changes of defined benefit plan to retained earnings	—	—
3. Changes in fair value of other equity instrument investments	18,549,299.05	-22,832,676.22
(2) Other comprehensive income that can be reclassified into profit or loss	-2,707,227.71	-25,623,242.15
1. Profit and loss from changes in fair value of available for sale financial assets	—	—
2. Effective part of cash flow hedging	-345,337.13	-679,823.20
3. Effective portion of net investment hedging gains and losses	—	—
4. Translation differences of financial statements in foreign currencies	-2,361,890.58	-24,943,418.95
Net other comprehensive income after tax attributable to non-controlling interests	<u>-57,020.07</u>	<u>-236,204.80</u>
7. Total comprehensive income	476,205,158.18	291,139,525.12
1. Total comprehensive income attributable to shareholders of the Company	447,585,672.35	255,187,128.76
2. Total comprehensive income attributable to non-controlling interests	<u>28,619,485.83</u>	<u>35,952,396.36</u>
8. Earnings per share		
1. Basic earnings per share	0.12	0.08
2. Diluted earnings per share	<u>0.12</u>	<u>0.08</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

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

Unit: RMB

Items	Notes	31 December 2024	31 December 2023
Current assets			
Cash and cash equivalents	4.16	2,744,631,077.69	2,318,562,064.85
Financial assets held for trade		571,813,953.57	213,172,331.55
Redemptory monetary capital for sale		—	400,579,125.00
Notes receivable	4.17	198,682,430.17	341,195,461.65
Accounts receivable	4.18	3,325,369,967.47	2,744,375,342.87
Receivable financing		634,745,711.52	524,226,967.08
Prepayments		187,176,900.84	284,495,451.43
Other receivables		438,478,251.43	656,269,208.66
Including: Dividends receivable		288,932,461.02	405,074,939.52
Loans and advances to customers		375,714,067.65	486,199,033.99
Inventories		1,870,135,963.42	2,342,683,029.07
Contract assets		862,088,748.62	815,879,761.40
Non-current assets due within one year		17,998,806.45	62,082,416.99
Other current assets		21,831,695.80	189,048,200.19
Total current assets		11,248,667,574.63	11,378,768,394.73
Non-current assets			
Loans and advances to customers		493,116,088.78	380,485,692.71
Long-term receivables		8,999,403.23	26,670,593.81
Long-term equity investments		1,573,555,281.47	1,309,306,619.00
Other equity instruments investment		164,319,503.68	143,581,611.62
Investment properties		190,832,462.77	197,174,474.94
Property, plant and equipment		2,596,669,593.51	2,682,037,796.18
Construction in progress		123,881,368.46	91,987,334.25
Right-of-use assets		381,607,675.93	334,750,957.34
Intangible assets		415,023,184.77	475,836,222.46
Development expenditures		5,001,525.86	8,030,198.67
Goodwill		75,422,670.83	88,799,237.25
Long-term deferred expenses		24,605,657.15	51,900,414.33
Deferred tax assets		168,320,695.67	159,274,530.62
Other non-current assets		146,709,428.69	157,480,079.05
Total non-current assets		6,368,064,540.80	6,107,315,762.23
Total assets		17,616,732,115.43	17,486,084,156.96

Items	Notes	31 December 2024	31 December 2023
Current liabilities			
Short-term loans		413,532,611.78	568,383,530.32
Due to customers, banks and other financial institutions		816,169,265.81	663,854,525.48
Notes payable	4.19	1,451,609,682.01	1,489,169,192.29
Accounts payable	4.20	2,709,548,396.34	2,381,077,388.42
Contract liabilities		600,836,949.03	696,998,128.90
Employee benefits payables		124,539,482.40	100,117,332.01
Taxes and levies payables		110,776,922.56	152,291,578.15
Other payables		394,327,194.59	436,607,482.19
Including: Dividends payable		44,010,810.13	33,038,337.51
Non-current liabilities due within one year		723,590,380.09	581,745,790.92
Other current liabilities		40,676,180.40	43,501,657.16
Total current liabilities		7,385,607,065.01	7,113,746,605.84
Non-current liabilities			
Reserve fund for insurance contracts			
Long-term loans		1,081,259,202.78	1,632,646,116.22
Lease liabilities		190,502,425.32	143,467,534.22
Long-term payables		3,893,230.00	2,883,277.24
Long-term employee benefits payable		5,256,000.00	5,318,000.00
Provisions		73,980,194.67	53,301,196.48
Deferred revenue		187,006,166.10	186,763,428.92
Deferred tax liabilities		103,800,349.28	108,126,660.59
Total non-current liabilities		1,645,697,568.15	2,132,506,213.67
Total liabilities		9,031,304,633.16	9,246,252,819.51
Shareholder's equity			
Share capital		3,684,640,154.00	3,684,640,154.00
Capital reserves		59,627,880.07	80,949,073.14
Other comprehensive income		78,089,477.42	61,786,603.88
Special Reserve		5,149,959.17	—
Surplus reserves		515,265,278.90	479,851,957.61
Undistributed profit	4.21	3,726,134,583.84	3,404,126,480.53
Total equity attributable to shareholders of the Company		8,068,907,333.40	7,711,354,269.16
Non-controlling interests		516,520,148.87	528,477,068.29
Total shareholder's equity		8,585,427,482.27	8,239,831,337.45
Total liabilities and shareholder's equity		17,616,732,115.43	17,486,084,156.96

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

Unit: RMB

For the Year 2024

Items	Equity attributable to the equity holders of the controlling Company											Total equity	
	Other equity instruments				Other comprehensive income			Special reserves	Surplus reserves	General risk provision	Retained profits		Non-controlling interests
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income						
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	-	-	-	-	-21,321,193.07	-	16,302,873.54	5,149,959.17	35,413,321.29	-	322,008,103.31	-11,956,919.42	345,596,144.82
(2) Capital contribution and reduction from shareholders	-	-	-	-	-21,321,193.07	-	-	-	-	-	431,282,798.81	28,619,485.83	476,205,158.18
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-21,321,193.07	-	-	-	-	-	-	-31,573,576.05	-52,894,769.12
(3) Profit appropriations	-	-	-	-	-	-	-	-	35,413,321.29	-	-109,274,695.50	-18,502,829.20	-92,364,203.41
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	35,413,321.29	-	-35,413,321.29	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-168,571.13	-	-168,571.13
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-73,692,803.08	-18,502,829.20	-92,195,632.28
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-

Equity attributable to the equity holders of the controlling Company

Other equity instruments

Items	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	5,149,959.17	-	-	-	-	5,149,959.17
1. Appropriation	-	-	-	-	-	-	-	18,456,097.87	-	-	-	-	18,456,097.87
2. Used	-	-	-	-	-	-	-	13,306,138.70	-	-	-	-	13,306,138.70
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Balance at 31 December 2024	3,684,640,154.00	-	-	-	59,627,880.07	-	78,089,477.42	5,149,959.17	515,265,278.90	-	3,726,134,583.84	516,520,148.87	8,585,427,482.27

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Unit: RMB

For the year 2023

Items	Equity attributable to the equity holders of the controlling Company										Total equity		
	Other equity instruments							Other					
	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 "+")	-	-	-	-	8,957,959.12	-	-48,439,720.37	-	8,808,191.73	-	183,555,249.25	69,227,717.50	222,109,397.23
(1) Total comprehensive income	-	-	-	-	-	-	-48,439,720.37	-	-	-	303,626,849.13	35,952,396.36	291,139,525.12
(2) Capital contribution and reduction from shareholders	-	-	-	-	-2,099,367.87	-	-	-	-	-	-	-46,250,567.87	44,151,200.00
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-2,099,367.87	-	-	-	-	-	-	2,099,367.87	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	8,808,191.73	-	-120,071,599.88	-12,975,246.73	-124,238,654.88
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	8,808,191.73	-	-8,808,191.73	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-724,203.53	-	-724,203.53
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-110,539,204.62	-12,975,246.73	-123,514,451.35
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-

Items	Equity attributable to the equity holders of the controlling Company												
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	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

For the Year 2024

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

Unit: RMB

Items	Notes	For the Year 2024	For the Year 2023
1. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		8,046,006,893.32	7,490,731,809.89
Net increase in customer deposits and interbank deposits		151,058,910.82	-342,185,721.36
Cash received from interest, surcharges and commission fee		56,781,748.40	70,638,211.79
Cash received from tax refund		13,337,875.94	15,513,375.75
Cash received relating to other operating activities		442,617,721.30	454,984,044.99
Sub-total of cash inflows from operating activities		8,709,803,149.78	7,689,681,721.06
Cash paid for goods and services		6,043,867,059.49	5,458,897,188.71
Net increase in loans and advances to customers		6,543,779.00	-72,964,263.61
Net increase in central bank and interbank payments		-38,874,343.88	19,828,878.13
Cash paid for interest, surcharges and commission fee		6,118,470.55	9,009,397.10
Cash paid to and on behalf of employees		1,093,052,562.46	1,098,146,378.70
Payments of taxes and surcharges		337,873,085.84	315,102,925.17
Cash paid relating to other operating activities		542,927,041.70	715,897,599.05
Sub-total of cash outflows from operating activities		7,991,507,655.16	7,543,918,103.25
Net cash flows from operating activities		718,295,494.62	145,763,617.81
2. Cash flows from investment activities			
Cash received from return of investments		1,496,363,793.34	320,572,448.23
Cash received from investments income		365,572,474.53	294,462,359.75
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		116,275,225.69	257,391,427.05
Cash received relating to other investing activities		112,351,667.66	17,400,000.00
Sub-total of cash inflows from investing activities		2,090,563,161.22	889,826,235.03
Cash paid to acquire fixed assets, intangible assets and other long-term assets		202,613,685.14	196,561,844.77
Cash paid for investments		1,837,153,182.99	455,729,214.96
Cash paid relating to other investing activities		2,997,647.31	2,214,093.28
Sub-total of cash outflow from investing activities		2,042,764,515.44	654,505,153.01
Net cash flows from investing activities		47,798,645.78	235,321,082.02

Items	Notes	For the Year 2024	For the Year 2023
3. Cash flows from financing activities			
Cash received from investments		–	44,151,200.00
Including: cash received by subsidiaries from investment of non-controlling interests		–	44,151,200.00
Cash received from loans granted		641,506,368.97	1,910,983,364.69
Cash received relating to other financing activities		–	46,490,114.67
Sub-total of cash inflows from financing activities		<u>641,506,368.97</u>	<u>2,001,624,679.36</u>
Cash paid for repayment of borrowings		1,187,351,710.83	1,902,424,618.20
Cash paid for dividends, profits or payments of interests		177,992,211.28	200,625,884.05
Including: dividends and profits paid to non-controlling interests by subsidiaries		21,055,850.05	11,880,674.96
Cash paid relating to other financing activities		122,272,884.19	265,111,891.46
Sub-total of cash outflows from financing activities		<u>1,487,616,806.30</u>	<u>2,368,162,393.71</u>
Net cash flows from financing activities		<u><u>-846,110,437.33</u></u>	<u><u>-366,537,714.35</u></u>
4. Effects of changes in exchange rate on cash and cash equivalents		<u>-288,434.41</u>	<u>6,550,845.23</u>
5. Net increase in cash and cash equivalents		-80,304,731.34	21,097,830.71
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>2,100,858,686.31</u></u>	<u><u>2,181,163,417.65</u></u>

NOTES:

I. GENERAL INFORMATION OF THE COMPANY

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 RMB2,679,740,154 (RMB1 per share).

Approved by the China Securities Regulatory Commission under document No. 285 (2008), the Company completed the issuance of 1,004,900,000 H shares to overseas investors on 13 June 2008. The shares were listed and traded on the The Stock Exchange of Hong Kong Limited, and the total share capital increased to RMB3,684,640,154 after the issuance.

CQMEHG which is a registered company in China is the parent company and direct holding company of the Company. As of 31 December 2024, the registered capital of the Company was RMB3,684,640,154. The Company and its Subsidiaries (hereinafter collectively referred to as “the Group”) are mainly engaged in the manufacturing, sales and services of clean energy equipment and high-end intelligent equipment.

The consolidated financial statements have been approved for issue by the Board of the Company on 20 March 2025.

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 (hereinafter collectively referred to as the “Accounting Standards for Business Enterprises”), the relevant 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 (hereinafter collectively referred to as “CSRC”) and the relevant provisions, and the relevant disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time in force (the “Listing Rules”).

During the Period, the Company has adopted the arrangement issued by the Ministry of Finance for Accounting Standards for Business Enterprises Interpretation No. 18* (《企業會計準則解釋第18號》). During the Period and in 2023, the Company has reiterated adjustments to the accounting subjects and reporting items in the financial statements such as “main business costs” and “sales expenses” involved in the accounting treatment of assurance quality assurance.

Apart from the aforementioned changes, there have been no significant alterations in the important accounting policies and estimates of the Group for the Year.

2. Going concern

The Group has evaluated its ability to continue operating for 12 months from 31 December 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.

3. Segment information

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

The Group has 9 reporting divisions which are:

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

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

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

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

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

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

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

Material sales division, responsible for material sales;

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

Other divisions, responsible for producing and selling other products.

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

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

Financial information of reportable segments as follows:

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

Items	Engine	General machinery	Wind turbine blades	Wire and cable	Numerically controlled machine tool	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
External transaction income	-	2,601,040,259.69	2,406,454,277.06	2,030,818,770.14	798,201,713.04	505,849,826.46	-	88,591,769.26	3,663,544.53	594,520,135.76	-	9,029,140,295.94
Inter-segment revenue	-	-3,103,588.38	-	-19,035,460.99	-14,390,361.72	-11,461,413.56	-	-34,831,526.61	-1,181,512.56	-25,899,253.36	-	-109,903,117.18
Revenue from external customers	-	2,597,936,671.31	2,406,454,277.06	2,011,783,309.15	783,811,351.32	494,388,412.90	-	53,760,242.65	2,482,031.97	568,620,882.40	-	8,919,237,178.76
Operating costs	-	1,819,756,194.64	2,142,593,324.52	1,800,594,206.22	595,950,006.36	433,194,165.19	-	33,496,364.19	943,376.88	624,139,466.21	-	7,450,667,104.21
Inter-segment transaction cost	-	-3,290,807.38	-200,718.68	-19,067,924.39	-13,177,055.44	-11,461,413.56	-	-26,539,477.34	-108,786.18	-12,885,988.67	-	-86,732,171.64
External transaction cost	-	1,816,465,387.26	2,142,392,605.84	1,781,526,281.83	582,772,950.92	421,732,751.63	-	6,956,886.85	834,590.70	611,253,477.54	-	7,363,934,932.57
Gross profit from external transactions	-	781,471,284.05	264,061,671.22	230,257,027.32	201,038,400.40	72,655,661.27	-	46,803,355.80	1,647,441.27	-42,632,595.14	-	1,553,302,246.19
Gross profit rates (%)	-	30.08	10.97	11.45	25.65	14.70	-	87.06	66.37	-7.50	-	17.44
Operating (loss)/profit	434,085,117.13	285,103,661.60	52,655,272.30	81,575,728.85	46,785,702.70	3,027,797.91	38,591,474.05	41,580,804.67	-2,495,957.09	-464,540,370.43	-	516,369,231.69
Interest income	-	2,585,000.41	1,479,998.68	1,258,058.92	54,336.40	135,647.67	-	-	24,707.22	10,767,322.84	-	16,305,072.14
Interest costs	-	1,008,525.26	7,389,930.46	6,643,923.77	24,273,879.68	504,430.81	-	-	3,545.93	30,867,480.84	-	70,691,716.75
Investment income from associates and joint ventures	434,085,117.13	-	-	-	3,928,104.28	-	38,591,474.05	-	-	22,222,787.12	-	498,827,482.58
Total profit	434,085,117.13	286,571,997.53	52,734,079.19	81,853,896.03	48,502,493.39	2,556,829.51	38,591,474.05	41,269,777.03	-2,486,204.96	-462,059,723.77	-	521,619,735.13
Income tax expense	-	44,470,356.00	5,747,999.31	7,406,465.25	1,017,366.31	907,716.64	-	15,214,308.03	-99.38	-13,103,681.74	-	61,660,430.42
Net profit	434,085,117.13	242,101,641.53	46,986,079.88	74,447,430.78	47,485,127.08	1,649,112.87	38,591,474.05	26,055,469.00	-2,486,105.58	-448,956,042.03	-	459,959,304.71
Other items												
Depreciation of Property, plant and equipment and investment property	-	40,482,747.68	84,976,224.58	15,657,898.51	54,115,914.03	11,611,646.23	-	2,504,714.54	16,848.98	77,647,158.36	-	287,013,152.91
Amortisation of intangible assets	-	4,866,096.16	18,768,825.04	679,556.69	13,182,038.37	391,635.24	-	914,638.33	392,309.14	6,823,402.21	-	46,018,521.18
Provision on inventory	-	-21,690,453.71	-4,199,334.25	-2,854,493.49	-5,745,273.49	-1,775,849.81	-	-	-	-137,085,808.99	-	-173,351,213.74
Provision for/(reversal of) impairment of accounts and other receivables	-	-53,736,325.33	15,834,514.91	-8,673,623.83	1,267,302.20	-11,499,644.57	-	-	198,654,501.19	-209,285,438.04	-	-67,438,713.47
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	1,150,608.73	3,680,460.50	-10,057,341.05	-44,642,749.02	218,209.39	-	-1,257,586.79	-3,856,966.76	-73,477,781.50	-	-128,243,146.50

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

Items	Financial information of reportable segments of the last year as follows:										Total	
	Engine	General machinery	Wind turbine blades	Wire and cable	Numerically controlled machine tool	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions		Offset
External transaction income	-	2,198,769,387.68	2,258,331,435.20	1,810,475,758.48	759,086,641.38	445,564,585.50	-	99,357,492.59	6,946,428.25	602,194,358.37	-	8,180,526,087.45
Inter-segment revenue	-	-13,013,127.51	-	-20,554,687.71	-12,798,179.10	-4,875,472.36	-	-45,253,856.14	-801,304.11	-24,695,118.14	-	-121,991,745.07
Revenue from external customers	-	2,185,756,260.17	2,258,331,435.20	1,789,921,070.77	746,288,462.28	440,489,113.14	-	54,103,636.45	6,145,124.14	577,499,240.23	-	8,058,534,342.38
Operating costs	-	1,588,625,888.46	1,936,690,817.30	1,602,827,659.10	578,376,612.72	369,597,655.97	-	32,880,251.87	4,073,317.64	544,007,384.61	-	6,657,079,587.67
Inter-segment transaction cost	-	-18,859,768.37	753,468.18	-20,554,687.71	-	-4,875,472.36	-	-24,696,337.87	-470,196.40	-11,638,418.48	-	-80,341,413.01
External transaction cost	-	1,569,766,120.09	1,937,444,285.48	1,582,272,971.39	578,376,612.72	364,722,183.61	-	8,183,914.00	3,603,121.24	532,368,986.13	-	6,576,738,174.66
Gross profit from external transactions	-	615,990,140.08	320,887,149.72	207,648,099.38	167,911,849.56	75,766,929.53	-	45,919,722.45	2,542,002.90	45,130,274.10	-	1,481,796,167.72
Gross profit rates (%)	-	28.18	14.21	11.60	22.50	17.20	-	84.87	41.37	7.81	-	18.39
Operating (loss)/profit	252,882,429.47	232,651,307.72	52,298,384.34	90,161,806.69	6,438,734.61	17,501,758.36	2,441,195.67	31,810,320.08	-106,727.82	-309,859,682.97	-	376,219,526.15
Interest income	-	3,521,016.14	982,316.81	421,636.42	132,286.48	294,714.88	-	-	27,830.46	16,017,957.23	-	21,397,758.42
Interest costs	-	2,251,908.77	14,419,143.81	5,903,107.06	28,271,102.74	290,666.87	-	-	-	26,561,064.19	-	77,696,993.43
Investment income from associates and joint ventures	252,882,429.47	-	-	-	-2,213,897.72	-	2,441,195.67	-	-	31,669,907.34	-	284,779,634.76
Total profit	252,882,429.47	239,073,270.98	52,485,048.26	90,380,960.35	5,654,200.83	17,529,436.40	2,441,195.67	31,810,320.08	23,788.81	-304,556,216.89	-	387,724,433.96
Income tax expense	-	19,464,359.74	5,356,613.87	6,030,767.32	1,778,741.20	87,262.95	-	13,787,008.59	-502.92	1,404,732.92	-	47,908,983.67
Net profit	252,882,429.47	219,608,911.24	47,128,434.39	84,350,193.03	3,875,459.63	17,442,173.45	2,441,195.67	18,023,311.49	24,291.73	-305,960,949.81	-	339,815,450.29
Other items												
Depreciation of Property, plant and equipment and investment property	-	37,050,729.85	62,106,633.64	13,810,510.07	66,731,833.24	12,322,490.51	-	2,532,894.56	8,412.91	63,700,079.20	-	258,263,583.98
Amortisation of intangible assets	-	5,352,341.24	23,877,247.20	790,300.69	13,811,830.57	373,387.38	-	636,041.38	97,418.31	7,456,488.09	-	52,395,054.86
Provision on inventory	-	9,457,618.02	-1,220,039.71	-2,302,870.49	-19,788,515.58	4,060,118.23	-	-	-	1,047,343.83	-	-8,746,345.70
Provision for/(reversal of) impairment of accounts and other receivables	-	-8,990,862.81	-34,309,568.92	-5,857,766.69	-4,242,750.09	-7,909,795.33	-	-	769,002.17	-87,012,403.70	-	-147,553,945.37
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	34,246,537.71	43,041,658.85	5,764,006.07	-344,127,498.19	-2,249,061.76	-	4,699,402.49	775,776.80	117,319,104.03	-	-140,530,074.00

3.3 Information on the assets and liabilities of reported segments as follows:

Balance at the end of the year	Numerically controlled											Total
	Engine	General machinery	Wind turbine blades	Wire and cable	Numerically controlled machine tool	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	
Total assets	623,933,426.23	4,385,833,585.81	3,105,995,830.70	1,632,940,296.35	1,990,935,920.83	764,237,384.82	409,122,632.21	3,929,924,862.84	–	9,647,357,198.95	-8,873,549,023.31	17,616,732,115.43
Total liabilities	–	2,068,219,617.97	2,169,210,562.20	1,141,916,849.91	1,360,615,225.06	454,731,004.95	–	2,770,206,737.43	–	3,346,145,275.45	-4,279,740,639.81	9,031,304,633.16
Investment of associates or joint ventures	623,933,426.23	–	–	–	82,419,669.61	–	409,122,632.21	–	–	458,079,533.42	–	1,373,555,281.47

Balance at the beginning of the year	Numerically controlled											Total
	Engine	General machinery	Wind turbine blades	Wire and cable	Numerically controlled machine tool	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	
Total assets	406,890,867.68	4,334,862,482.94	2,981,141,052.74	1,415,799,070.32	2,025,617,207.53	649,233,783.37	373,691,295.80	3,811,221,134.38	41,524,882.82	10,520,514,861.50	-9,074,412,482.12	17,486,084,156.96
Total liabilities	–	2,056,691,059.18	2,085,564,043.91	946,836,820.90	1,423,062,093.63	327,811,227.35	–	2,665,557,756.47	258,615,212.85	3,876,692,958.97	-4,394,578,353.75	9,246,252,819.51
Investment of associates or joint ventures	406,890,867.68	–	–	–	74,751,137.98	–	373,691,295.80	–	–	453,973,317.54	–	1,309,306,619.00

4.1 OPERATING REVENUE & OPERATING COST

(1) Operating revenue & operating cost

Items	Amount of the year		Amount of last year	
	Revenue	Cost	Revenue	Cost (As restated)
Main business	8,728,562,116.19	7,285,935,508.54	7,858,059,755.42	6,504,829,556.68
Other business	136,914,819.92	71,042,537.18	146,370,950.51	63,724,703.98
Interest	53,726,121.01	6,722,252.33	54,098,357.11	7,982,759.12
Transaction fees and commission income	34,121.64	234,634.52	5,279.34	201,154.88
Total	8,919,237,178.76	7,363,934,932.57	8,058,534,342.38	6,576,738,174.66

Note: Interest income and fee and commission income are derived from the business of the Finance Company; interest expense and handling fees and commission expenses are derived from the costs associated with the Finance Company.

(2) Income from contracts

Classification of contract	High-end intelligent equipment business		Clean energy equipment business	
	Revenue	Cost	Revenue	Cost
Classified by region	1,556,192,796.31	1,286,107,349.96	7,300,436,506.65	6,066,949,189.28
Including: Mainland of China	1,382,149,589.89	1,170,342,888.68	7,180,138,547.61	5,918,764,546.72
Others	174,043,206.42	115,764,461.28	120,297,959.04	148,184,642.56
Types of contracts	1,556,192,796.31	1,286,107,349.96	7,300,436,506.65	6,066,949,189.28
Including: Equipment sales contract	1,108,209,704.90	943,213,599.12	5,134,766,936.12	4,177,036,328.11
Service contract	351,977,652.02	278,568,848.80	92,216,353.48	56,964,571.48
Materials sales contract	96,005,439.39	64,324,902.04	2,073,453,217.05	1,832,948,289.69
Classified by time of revenue recognition	1,556,192,796.31	1,286,107,349.96	7,300,436,506.65	6,066,949,189.28
Including: Recognizes revenue at a point in time	1,487,514,487.34	1,258,036,088.60	7,297,231,996.51	6,065,516,559.51
Provide during a certain period of time	68,678,308.97	28,071,261.36	3,204,510.14	1,432,629.77
Classified by sales channel	1,556,192,796.31	1,286,107,349.96	7,300,436,506.65	6,066,949,189.28
Including: Direct sales	1,484,814,464.46	1,271,714,767.56	7,265,239,073.50	6,031,889,451.42
Distribution	71,378,331.85	14,392,582.40	35,108,224.37	35,004,813.55
Internet sales	—	—	89,208.78	54,924.31

Classification of contract	Industrial service business		Headquarters		Total	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Classified by region	62,402,147.33	10,836,029.58	205,728.47	42,363.75	8,919,237,178.76	7,363,934,932.57
Including: Mainland of China	62,402,147.33	10,836,029.58	205,728.47	42,363.75	8,624,896,013.30	7,099,985,828.73
Others	-	-	-	-	294,341,165.46	263,949,103.84
Types of contracts	62,402,147.33	10,836,029.58	205,728.47	42,363.75	8,919,237,178.76	7,363,934,932.57
Including: Equipment sales contract	7,023,854.29	4,116,924.57	117,247.04	42,363.75	6,250,117,742.35	5,124,409,215.55
Service contract	55,378,293.04	6,719,105.01	88,481.43	-	499,660,779.97	342,252,525.29
Materials sales contract	-	-	-	-	2,169,458,656.44	1,897,273,191.73
Classified by time of revenue recognition	62,402,147.33	10,836,029.58	205,728.47	42,363.75	8,919,237,178.76	7,363,934,932.57
Including: Recognizes revenue at a point in time	3,360,309.76	3,173,547.69	-	-	8,788,106,793.61	7,326,726,195.80
Recognizes revenue over time	59,041,837.57	7,662,481.89	205,728.47	42,363.75	131,130,385.15	37,208,736.77
Classified by sales channel	62,402,147.33	10,836,029.58	205,728.47	42,363.75	8,919,237,178.76	7,363,934,932.57
Including: Direct sales	62,402,147.33	10,836,029.58	205,728.47	42,363.75	8,812,661,413.76	7,314,482,612.31
Distribution	-	-	-	-	106,486,556.22	49,397,395.95
Internet sales	-	-	-	-	89,208.78	54,924.31

(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 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 RMB4,026,295,059.42 (of which the amount of income corresponding to the performance obligations that have been signed but not yet fulfilled is RMB2,781,352,372.62, and the corresponding income amount of the performance obligations that have been signed but not yet performed is RMB1,244,942,686.80). Among them, RMB3,104,552,843.10 is expected to be recognized as revenue in 2025; RMB921,742,216.34 is expected to be recognized as revenue in 2026.

4.2 TAXES AND SURCHARGES

Items	Amount of the year	Amount of last year
Urban maintenance and construction tax	13,718,875.00	10,745,184.68
Education surcharge	10,400,821.95	7,922,199.79
Property tax	20,659,793.97	20,472,381.76
Land use tax	12,483,183.48	13,635,405.70
Stamp duty	9,716,489.41	7,321,717.70
Others	1,586,394.35	599,076.33
Total	68,565,558.16	60,695,965.96

4.3 SELLING AND DISTRIBUTION EXPENSES

Items	Amount of the year	Amount of last year (As restated)
Employee Compensation	116,995,247.58	112,731,560.01
Travel expenses	32,163,573.53	39,679,674.92
Sales service fee	20,683,431.65	21,465,436.95
Business entertainment expenses	17,053,888.27	18,075,380.41
Advertising and publicity expenses	7,059,484.32	7,172,944.07
Office expenses	8,039,796.79	3,263,040.02
Property insurance premium	3,769,792.37	2,915,026.33
Storage fees	4,209,374.61	3,531,514.62
Labor costs	9,154,977.82	1,602,622.18
Bidding Fee	8,071,221.61	4,852,723.94
Handling Charges	3,184,958.82	2,884,541.63
Others	10,205,815.22	11,831,536.34
Total	240,591,562.59	230,006,001.42

4.4 ADMINISTRATIVE EXPENSES

Items	Amount of the year	Amount of last year
Employee Compensation	380,447,141.71	389,574,483.58
Depreciation expenses	71,844,542.19	64,582,968.17
Repair costs	23,208,358.62	30,295,171.87
Labor costs	23,258,671.29	26,089,482.21
Office expenses	25,024,679.72	20,610,564.45
Amortization of intangible assets	12,486,239.27	17,279,786.86
Consulting fees	18,317,551.75	13,106,236.81
– Other service fees	13,321,177.98	8,872,894.96
– Audit service fees	4,105,259.40	3,467,478.55
– Tax service fees	891,114.37	765,863.30
Travel expenses	7,759,787.12	7,704,509.55
Rental fees	7,165,050.16	6,267,832.80
Others	80,648,059.70	80,768,261.07
Total	650,160,081.53	656,279,297.37

4.5 RESEARCH AND DEVELOPMENT EXPENSES

Items	Amount of the year	Amount of last year
Material costs	228,568,889.60	182,927,288.21
Labor cost	164,053,025.33	165,610,564.83
Amortization of intangible assets	8,617,621.54	15,012,900.87
Depreciation expenses	11,532,972.13	10,104,388.85
Office expenses	7,298,512.09	5,950,058.01
Consulting fees	6,309,611.33	5,625,918.77
Power cost	5,367,096.13	3,779,270.34
Others	19,862,322.15	18,456,434.50
Total	451,610,050.30	407,466,824.38

4.6 FINANCIAL EXPENSES

Items	Amount of the year	Amount of last year
Interest Expense	70,691,716.75	77,696,993.43
Interest Income	16,305,072.14	21,397,758.42
Net interest income and expenditure	54,386,644.61	56,299,235.01
Add: Exchange loss	-836,973.61	-14,582,834.24
Add: Bill discount expenses	13,270,119.75	23,011,812.80
Add: Other expenses	14,004,641.63	7,896,470.99
Add: Amortization of lease liabilities	-252,668.03	891,887.02
Total	80,571,764.35	73,516,571.58

4.7 OTHER INCOME

Items	Amount of the year	Amount of last year
Government subsidies	146,029,773.52	110,953,879.78
Income from debt restructuring	32,583.30	—
Value added tax deduction and exemption	41,563,523.62	26,970,032.99
Others	5,633,311.76	3,248,244.90
Total	193,259,192.20	141,172,157.67

4.8 INVESTMENT INCOME

Items	Amount of the year	Amount of last year
Income from long-term equity investments accounted for by the equity method	498,827,482.58	284,779,634.76
Gain on disposal of long-term equity investments under the cost method	579,327.60	—
Gain or loss on debt restructuring	-3,692,093.84	13,100,014.68
Dividends on investments in other equity instruments	980,100.00	980,100.00
Investment income arising from the disposal of trading financial assets	1,904,517.80	555,739.17
Others	—	652,096.33
Total	498,599,334.14	300,067,584.94

4.9 GAIN ARISING FROM THE CHANGES IN FAIR VALUE

Items	Amount of the year	Amount of last year
Financial assets at fair value through profit or loss	<u>13,608,521.37</u>	<u>1,518,900.24</u>
Total	<u>13,608,521.37</u>	<u>1,518,900.24</u>

4.10 IMPAIRMENT LOSS OF CREDIT

Items	Amount of the year	Amount of last year
Deposit inter-bank payments	2,325,468.52	-1,482,426.14
Bad debt provision for note receivable	543,559.49	-432,512.09
Bad debt provision for accounts receivable	-74,045,184.48	-139,153,012.91
Provision for impairment of accounts receivable financing	-2,767,477.97	2,431,029.20
Bad debt provision for other receivables	6,606,471.01	-8,400,932.46
Provision for bad debts in loans and advances issued	-4,602,458.08	2,156,315.53
Credit commitment	<u>-664,360.43</u>	<u>-369,697.04</u>
Total	<u>-72,603,981.94</u>	<u>-145,251,235.91</u>

4.11 IMPAIRMENT LOSSES OF ASSETS

Items	Amount of the year	Amount of last year
Impairment loss on inventory	-173,351,213.74	-8,746,345.70
Provision for bad debts of contract assets	-21,745,930.74	-5,443,098.07
Fixed assets depreciation reserves	-3,863,373.19	-738,675.97
Intangible Assets depreciation reserves	-	-1,188,459.37
Impairment provision of projects under construction	-1,388,356.14	-8,623,377.99
Impairment of other non-current assets (write-back)/provision	19,391,150.81	-19,880,503.67
Provision for impairment of goodwill	-13,376,566.42	-17,291,680.35
Provision for impairment of prepaid accounts	<u>-9,355,752.57</u>	<u>-4,066,262.69</u>
Total	<u>-203,690,041.99</u>	<u>-65,978,403.81</u>

4.12 GAINS ON DISPOSALS OF ASSETS

Items	Amount of the year	Amount of last year	Amount recorded in extraordinary profit and loss
Disposal income of non current assets not classified as held for sale	23,392,978.65	90,859,016.01	23,392,978.65
Including: Benefits from environmental relocation	24,454,490.29	69,422,294.64	24,454,490.29
Income from disposal of fixed assets	-1,282,692.79	18,947,590.48	-1,282,692.79
Income from disposal of intangible assets	–	1,550,900.42	–
Income from disposal of right of use assets	221,181.15	938,230.47	221,181.15
Total	23,392,978.65	90,859,016.01	23,392,978.65

4.13 NON-OPERATING INCOME

Items	Amount of the year	Amount of last year	Amount recorded in extraordinary profit and loss
Penalty income, penalty and compensation, etc	2,783,292.35	7,303,107.72	2,783,292.35
Unpaid payables	2,216,301.55	2,451,936.75	2,216,301.55
Others	4,275,759.16	5,275,221.49	4,275,759.16
Total	9,275,353.06	15,030,265.96	9,275,353.06

4.14 NON-OPERATING EXPENSES

Items	Amount of the year	Amount of last year	Amount recorded in extraordinary profit and loss
Penalty and overdue surcharge	2,233,718.79	1,510,384.04	2,233,718.79
Loss from damage and Scrapping of non-current assets	1,262,813.07	242,347.14	1,262,813.07
Donation for Public welfare	1,000.00	170,000.00	1,000.00
Others	527,317.76	1,602,626.97	527,317.76
Total	4,024,849.62	3,525,358.15	4,024,849.62

4.15 INCOME TAX EXPENSE

Items	Amount of the year	Amount of last year
Current income tax calculated according to tax law and provision	86,142,982.44	49,306,792.88
– Enterprise income tax in Chinese Mainland	86,142,982.44	49,306,792.88
Deferred income tax	-24,482,552.02	-1,397,809.21
Total	61,660,430.42	47,908,983.67

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

4.16 CASH AND CASH EQUIVALENTS

Items	31 Dec 2024	31 Dec 2023
Cash in hand	46,398.29	183,669.08
Cash at bank	2,192,125,901.99	1,772,845,322.01
Other monetary assets	550,693,225.77	541,404,369.82
Accrued interest on Cash at bank	1,765,551.64	4,128,703.94
Total	2,744,631,077.69	2,318,562,064.85
Including: cash deposited abroad	86,306,682.11	83,134,096.62

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

4.17 NOTES RECEIVABLE

(1) Classification of notes receivable

Items	31 Dec 2024	31 Dec 2023
Bank acceptance bills	34,003,248.84	53,838,664.48
Commercial acceptance bills	166,635,003.21	289,856,178.54
Total original value	200,638,252.05	343,694,843.02
Less: provision for bad debts	<u>1,955,821.88</u>	<u>2,499,381.37</u>
Total	<u>198,682,430.17</u>	<u>341,195,461.65</u>

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

4.18 ACCOUNTS RECEIVABLE

Items	31 Dec 2024	31 Dec 2023
Accounts receivable	4,098,840,132.24	3,457,511,126.32
Less: Bad debt provision	<u>773,470,164.77</u>	<u>713,135,783.45</u>
Net accounts receivable	<u>3,325,369,967.47</u>	<u>2,744,375,342.87</u>

Note: The Group's accounts receivable are primarily generated through the sale of goods, provision of technology and related services, and construction projects, and are settled according to the terms specified in the relevant transaction contracts. The related receivables for quality assurance deposits typically mature within 1 to 2 years after product delivery and project completion. The Group's accounts receivable are non-interest bearing.

4.18 ACCOUNTS RECEIVABLE (CONTINUED)

(1) Accounts receivable listed by aging

31 Dec 2024			
Aging	Accounts receivable	Provision for bad debts	Percentage of provision for bad debts (%)
Within 1 year	2,584,801,312.04	85,414,444.70	3.30
1-2 years	586,125,174.21	39,965,297.83	6.82
2-3 years	227,093,175.06	51,876,922.48	22.84
Over 3 years	700,820,470.93	596,213,499.76	85.07
Including: 3-4 years	92,979,912.46	45,982,248.55	49.45
4-5 years	192,426,995.93	156,944,817.62	81.56
Over 5 years	415,413,562.54	393,286,433.59	94.67
Total	<u>4,098,840,132.24</u>	<u>773,470,164.77</u>	<u>18.87</u>
31 Dec 2023			
Aging	Accounts receivable	Provision for bad debts	Percentage of provision for bad debts (%)
Within 1 year	2,085,193,460.83	30,018,353.52	1.44
1-2 years	444,362,496.14	39,070,137.80	8.79
2-3 years	158,729,130.77	46,213,215.46	29.11
Over 3 years	769,226,038.58	597,834,076.67	77.72
Including: 3-4 years	298,533,696.07	173,491,714.85	58.11
4-5 years	120,532,323.30	92,417,934.74	76.67
Over 5 years	350,160,019.21	331,924,427.08	94.79
Total	<u>3,457,511,126.32</u>	<u>713,135,783.45</u>	<u>20.63</u>

4.19 NOTES PAYABLE

Items	31 Dec 2024	31 Dec 2023
Bank acceptance bill	1,433,852,853.05	1,483,769,192.29
Commercial acceptance bill	<u>17,756,828.96</u>	<u>5,400,000.00</u>
Total	<u>1,451,609,682.01</u>	<u>1,489,169,192.29</u>

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

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

4.20 ACCOUNTS PAYABLE

(1) The types of accounts payable

Items	31 Dec 2024	31 Dec 2023
Material payable	2,519,989,746.08	2,259,707,319.16
Freight payable	38,915,746.07	32,941,873.46
Equipment payable	96,071,560.09	26,959,196.25
Project payable	4,556,207.53	8,551,672.99
Others	<u>50,015,136.57</u>	<u>52,917,326.56</u>
Total	<u>2,709,548,396.34</u>	<u>2,381,077,388.42</u>

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

Aging	31 Dec 2024	31 Dec 2023
Within 1 year	2,255,155,829.50	1,984,007,090.56
1-2 years	269,949,839.54	180,798,720.13
2-3 years	57,840,359.80	66,344,563.93
More than 3 years	<u>126,602,367.50</u>	<u>149,927,013.80</u>
Total	<u>2,709,548,396.34</u>	<u>2,381,077,388.42</u>

4.21 UNDISTRIBUTED PROFIT

Items	Current year	Last year
Undistributed profit at the beginning of the period (before adjustment)	3,404,126,480.53	3,220,571,231.28
Add: Accounting policy changes and adjustments	—	—
Undistributed profit at the beginning of the period (adjusted)	3,404,126,480.53	3,220,571,231.28
Add: Net profit attributable to owners of the parent company for the period	431,282,798.81	303,626,849.13
Less: Withdrawal of statutory surplus reserve	35,413,321.29	8,808,191.73
Withdrawal of employee incentive and welfare funds	168,571.13	724,203.53
Dividends payable on common stock	73,692,803.08	110,539,204.62
Undistributed profit at the end of the Period	<u>3,726,134,583.84</u>	<u>3,404,126,480.53</u>

Note 1: According to the 2023 Annual General Meeting of Shareholders held by the Group on 12 June 2024, the meeting reviewed and approved the Group's 2023 profit distribution plan, which entails a distribution of RMB0.02 per share (tax inclusive). Based on the total issued shares of 3,684,640,154, the total dividend to be distributed amounts to RMB73,692,803.08. The Group has already distributed the aforementioned dividend to all Shareholders in July 2024.

Note 2: According to the Measures for the Administration of Reserves and Provisions of Financial Enterprises (Finance [2012] No.20) issued by the Ministry of Finance, Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd.*, a subsidiary of the Group, sets up a general risk preparation on the basis of extracting the asset impairment provision to make up for the unidentified potential losses related to the risky assets. The general risk provision, as a profit distribution treatment, is a component part of the owner's equity, and in principle should not be less than 1.5% of the balance of the risky assets at the end of the year. At the same time, the measure stipulates that the proportion of the general reserve balance of financial enterprises in the year-end balance at the end of risky assets, which is difficult to reach 1.5% at one time, can be in place by year, in principle shall not exceed 5 years. The year-end balance of general risk preparation withdrawal of Chongqing Electromechanical Holding Group Finance Co., LTD. is 1.5% (2023:1.5%).

At the end of the year, the undistributed profits of the Group included the subsidiary Chongqing Electromechanical Holding Group Finance Co., Ltd. with general risk provision of RMB49,333,995.67 (the amount at the beginning of the year was RMB43,684,420.70).

4.22 RETURN ON NET ASSETS AND EARNINGS PER SHARE

Profit for the reporting year	Weighted mean Return on equity (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the company	5.47	0.12	0.12
Net profit attributable to the common shareholders of the parent company after deducting non-recurring gains and losses	3.54	0.08	0.08

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the board of the Company (the “Board”), I am pleased to announce the annual results of the Group for the year ended 31 December 2024 (the “Period” or the “Year”). The Group’s annual results have been audited by the Company’s auditor, ShineWing Certified Public Accountants LLP. It is my pleasure to present the annual results of the Group as well as its sustainable development strategy and outlook to the Shareholders.

I. INTERNATIONAL AND DOMESTIC REVIEW FOR THE YEAR

In 2024, the slower growth of the global economy showed a continuation of sluggish recovery trends. The United States (the “U.S.”) economy was in a soft landing cycle with demand cooling down in an orderly manner and supply recovering slowly; the European economy was recovering slowly, with significant disparities in the performance of major member states; Japan’s economic recovery was below expectations and inflation remained at a high level; and other emerging economies, despite the challenges they faced, still recorded positive overall economic performance. In addition, the monetary policies of the European and U.S. central banks have entered their interest rate cutting cycle. The global fiscal policies have returned towards normalization, and international trade and direct investment rebounded. Domestically, China’s economy has maintained overall stability and made steady progress. New quality productive forces have developed steadily and positive progress has been made in preventing and resolving risks in key areas. However, the economic growth was weak due to the impact of a number of factors such as the deep contraction in the real estate market, weak domestic demand and low social expectations. In the second half of the year, China has accelerated its pace to introduce a series of policies to promote the incremental growth of the economy. These targeted policies cover a wide range of areas and positive changes were seen in many areas. Social expectations and market confidence gradually picked up, and the momentum of economic stabilization and recovery continuously strengthened. In 2024, China’s GDP growth rate was 5%, and the total economic output was approximately RMB132.4 trillion.

II. RESULTS REVIEW OF THE GROUP FOR THE YEAR

In 2024, the Group has overcome many adverse factors such as intensified competition in the industry by actively integrating into the new development pattern, focusing on major national strategies such as green and low-carbon transformation and innovation-driven development and Chongqing's modern manufacturing cluster system of "33618", breaking down traditional industry boundaries and integrating innovative development platforms. The Group has accelerated the adjustment, transformation, upgrading and digital empowerment of traditional industries, carried out research on major technological equipment and industrialization applications of innovation achievements to enhance product added value and market competitiveness, continuously moving towards the high end of the value chain. Simultaneously, the Group continued to optimize in various aspects such as market expansion, brand building, R&D innovation, risk management, talent attraction and sustainable development strategy, improve quality and create efficiency and promote high-quality development. The scientific and technological applications and core competitiveness of the Group have been improved, laying the foundation for the comprehensive completion of the annual goals set by the Board.

III. OUTLOOK FOR INTERNATIONAL AND DOMESTIC SITUATION IN 2025

Looking forward to 2025, global economic uncertainties increase, which are mainly associated with the new policies to be implemented by Donald Trump, the new U.S. President. Trump's new policies focus on aspects such as tariffs, immigration and taxation. Different combinations, sequences and intensity in the implementation of these policies will have different impacts on the U.S. itself, which will in turn affect the fiscal and monetary policies of various countries as well as competition in fields such as technology, trade and supply chain, making the global geopolitical environment more complicated and putting greater pressure on the expectation of and confidence in the growth of the global economy. In the face of exacerbated adverse effects brought about by the changes in the external environment and economic difficulties and challenges, the Chinese government insists on pursuing progress while maintaining stability; promoting stability through progress; adhering to the right path and fostering innovation; and establishing the new before abolishing the old. It will implement more active fiscal policies and moderate monetary easing policies, strengthen extraordinary counter-cyclical adjustment, expand domestic demand on all fronts, promote the integrated development of technological and industrial innovation, stabilize the property and stock markets, prevent and resolve the risks in key areas and external shocks, so as to stabilize the expectations, stimulate the vitality, drive for a sustained upturn of the economy, accomplish the goals and tasks of the "14th Five-Year Plan" with high quality and lay the solid foundation for a good beginning of the "15th Five-Year Plan".

IV. DEVELOPMENT STRATEGIES IN 2025

Development strategies and work priorities of the Group in 2025 are as follows:

Looking forward to 2025, the Group will fully implement the work requirements of “five reshaping” (i.e. functional reshaping, strategic reshaping, value reshaping, organizational reshaping and cultural reshaping), optimize resource allocation, improve lean management, promote industrial transformation and upgrading, cultivate and consolidate core industries, and highlight value creation and high-quality development.

Key tasks for the year:

(I) Strengthen the drive for innovation and add impetus to development

First, the Group will focus on the areas of new energy such as wind energy, hydrogen energy and pumped storage. It will strengthen cooperation and resource integration in respect of industry chain, supply chain and innovation chain projects and extend to upstream and downstream of the industry chain. Apart from this, the Group will develop and expand into new niche areas or new industries for new materials, new processes and new technologies. Leveraging on the national policies which advocate the building of new quality productive forces, the Group will drive for the transformation of product manufacturing technology towards high quality, top-notch craftsmanship and extreme precision, solve the problem of technology bottlenecks and achieve substitution by domestic production. Second, the Group will build an innovative system of industry-academia-research, introduce innovative resources, reinforce strategic cooperation with tertiary institutions, strengthen the R&D of technology application and transformation of scientific and technological achievement, and enhance the scientificity and foresight of technological strategy. Third, the Group will accelerate the iterative upgrade of products. By seizing the opportunities arising from the transformation and upgrading of technological equipment and manufacturing towards the direction of intelligence, digitalization and green development, it will accelerate the serialization and standardization of products, expand the product spectrum and enhance the intelligence level of products.

(II) Strengthen lean management and further enhancement in value

First, the Group will continue to promote the implementation of the lean system mechanism and improve the core indicators of the lean management evaluation system, strengthen lean management by nurturing talents and coordinating the development of talent exchange and skill enhancement activities for young talents. Second, the Group will apply the 5C value management model of “capital structure, cash creation, cash management, cash raising and capital allocation” to further optimize financial control, improve the financial indicator system, strengthen budget management, strictly control the “accounts receivable and inventory”, reduce the costs and expenditures to enhance cash generation capacity, strictly control the gearing ratio and strictly prevent debt risks. The Group will strengthen the integration of business and finance and digital management and control methods, accomplish a list of tasks of “clearing overdue accounts, reducing receivables, controlling inventories and reducing expenses”. Third, the Group will strengthen supplier management to ensure the stability of the supply chain. It will strengthen the evaluation of suppliers throughout their life cycle, reinforce the long-term and stable cooperation with high-quality suppliers through the mechanism of survival of the best and elimination of the worst, and continue to reduce purchasing costs. Fourth, the Group will maximize the effectiveness of “Digital Electromechanical”, accelerate the construction of phase III of “Digital Electromechanical”, continue to improve the construction of infrastructure platform, optimize the data base, IoT platform, public computility platform and business-finance integration platform. Fifth, the Group will earnestly launch the performance appraisal of safety management duties and assessment of the construction and operation of dual preventive and control mechanisms, implement the system of safety production accountability system and build a solid foundation of safety production.

(III) Strengthen resource integration and focus on overall synergy

First, the Group will promote the integration of internal resources. The Group will integrate and optimize the production and manufacturing, supply chain, technical talents, post-service market and other resources of our subsidiaries to promote technological innovation and make improvements to the product line, and enhance comprehensive competitiveness and overall profitability through differentiation of competitive strategies. Second, the Group will promote the integration of external resources. The Group will strengthen strategic cooperation, focus on both international and domestic markets, amplify strategic coordination with major customers such as listed companies and centralized state-owned enterprises, and accelerate project implementation and order conversion. Third, the Group will strengthen the synergy of industry resources. The Group will innovate the investment and financing model in a market-oriented manner, actively participate in mergers and acquisitions in the capital market and upstream and downstream of the industrial chain, introduce strategic partners with strong synergy, and accelerate the diversification of advantageous businesses or equity. Fourth, the Group will focus on the optimization and integration of its main business, continuing to thoroughly implement the requirements of Chongqing Municipal Government regarding the focus of municipal state-owned key enterprises on their main businesses, strengthening the core functions, optimizing and integration, revitalizing existing assets by category, and promoting the absorption and merger of inefficient and ineffective assets and their closure and cancellation.

(IV) Strengthen talent development and build a strong talent pipeline

First, the Group will promote organizational reshaping and continuous staff optimization, strengthen the construction of talent teams and comprehensively enhance organizational efficiency and human resource performance, with the view of enhancing organizational capabilities, optimize the functions, responsibilities and staffing of departments and build a more scientific, efficient and flexible organizational system. Second, the Group will promote performance management for all staff, improve the construction and application of performance appraisal and evaluation system, and form a market-oriented and differentiated performance system so as to motivate the staff and stimulate their enthusiasm and creativity, and drive for the achievement of the Group's performance targets and missions. Third, the Group will strengthen the introduction of high-level professional talents in the relevant fields and the training and cultivation of the talent pool to enrich the talent base by focusing on the "four competencies" of investment, market leadership, resource integration and implementation of major projects.

(V) Strengthen risk management and facilitate compliance and efficiency

First, the Group will, on a regular basis, strengthen risk investigation, enhance risk analysis, prevention and control, and improve the alert system and consultation mechanism for major legal dispute cases, so as to steadily reduce the number of existing risks, curb incremental growth and identify variables, and to prevent and resolve potential risks from the sources. Second, the Group will strengthen the evaluation of internal control system, enhance the prediction and judgment of major risks in the course of operation, and prevent strategic deviation as a result of failure of internal control. Third, the Group will strengthen the legal compliance review to ensure full coverage of the legal review of three key tasks, ensure the operation is in compliance with the law, establish and improve the alert system on the length of the limitation period of litigation and circuit breaker mechanism to protect the rights and stop losses in a timely manner. Fourth, the Group will strengthen audit supervision and inspection, carry out accountability audits and various special audits in accordance with the law to ensure the sound and steady development of the Group.

(VI) Strengthen corporate management and enhance management efficiency

First, in accordance with the requirements of the new Company Law, the articles of association, systems and procedural rules of the Group and its subsidiaries will be reviewed and revised to ensure the governance is effective and in compliance with legal requirements. Second, the Group will strengthen the organic integration of the latest regulatory requirements with its daily governance, provide the Directors, supervisors and senior management with training on the performance of duties, disclose information in accordance with the law, and enhance the timeliness and effectiveness of disclosure. Third, the Group will strengthen the value management of the Company, enhance the multi-level and multi-channel interaction mechanism with investors, actively listen to investors' demands and suggestions, improve the quality and effectiveness of communication and interchange with investors, and enhance investors' recognition of the Company's strategy and long-term value. Fourth, the Group will, in conjunction with the latest ESG regulatory requirements, establish an ESG strategic system, optimize the ESG management structure, establish the ESG objectives and integrate sustainable development into the Company's strategy.

BUSINESS REVIEW AND OUTLOOK

Market Development

In 2024, the Group took the initiative to capitalize on its strength in major marketing platform by actively expanding the customer resources and making every effort to enhance the cooperative relationship with leading enterprises in the industry. We not only worked closely with strategic customers such as Dongfang Electric Corporation* (“Dongfang Electric”), China Railway Tunnel Bureau Group Co., Ltd., Harbin Electronic Corporation*, and Chongqing Expressway Group Co., Ltd.* (“Chongqing Expressway”), but also continuously explored the untapped potential of customer demand in the course of the cooperation, pushing our collaboration further and deeper. We succeeded in obtaining orders worth approximately RMB3,056 million from major customers. Our subsidiaries continued to reinforce cooperation with Xinjiang Goldwind Science & Technology Co., Ltd.*, the leader in wind power blade sector, and secured orders worth approximately RMB2,120 million. In terms of wire, cable and material business, we obtained orders worth RMB239 million from major customers such as Chongqing Expressway and Dongfang Electric. Meanwhile, we enhanced cooperation with customers such as Windey Energy Technology Group Co., Ltd. and Sinovel Wind Group Co., Ltd., and the proportion of orders placed by the customers increased by 1 percentage point year-on-year. For industrial pump business, we continuously enhanced cooperation with China National Nuclear Power Co., Ltd. and secured orders worth RMB145 million. At the same time, we continuously increased our market share of diaphragm pump products. We actively responded to the requirements of our mining and metallurgical customers on the level of green development and intelligence. A strong brand name has been built and orders amounting to RMB400 million were secured. For hydroelectric generation equipment business, we were awarded hydroelectric power projects in South Asia and Central Asia and secured orders worth over RMB240 million. For industrial blower business, we were awarded Xinjiang Clean, High Efficiency, Comprehensive Utilization Integration Project and secured orders of RMB37 million. For gas compressor business, we continued to enhance cooperation with China United Coalbed Methane Corp., Ltd. and China Petroleum & Chemical Corporation and secured orders of RMB80 million. We continued to cultivate the hydrogen energy industry and secured orders of RMB29 million.

Operational Quality

In 2024, the Group strengthened the two-level work responsibilities of its headquarters and subsidiaries, and strictly controlled the process, continued to carry out the work of reducing costs and increasing efficiency and controlling the “accounts receivable and inventory”. The Group has implemented a number of measures, and has also reduced its inventory by strengthening the procurement plans, controlling abnormal changes, checking the risk of inventory obsolescence, implementing the inventory counting system and revitalizing the overstocked materials, further accelerating the inventory turnover. The structure of human resources was continuously optimized, and the labor productivity of all employees was steadily improved. The Group strengthened the efforts on introduction of outstanding talents through market oriented recruitment.

In 2024, the Group continued to strengthen lean production, continued to profoundly explore quality improvement and improve efficiency. Taking advantage of the coordinated efforts made by the parent group in the promotion of lean management, the Group continued to continuously improve and elevate the quality and efficiency of operations. Businesses such as industrial pump and wind power blade segments increased significantly, gradually moving towards lean management. The quality loss of the integrated 100 Yuan product sales revenue of the Group was controlled and kept within the limit of RMB0.4 per 100 Yuan, reaching the expected target. The Group organized all subsidiaries to carry out industry ranking and benchmarking first-class work, and focused on benefit improvement and value creation by benchmarking against benchmark enterprises. The Group continued to maintain a sound production safety, occupational health and environmental protection management system. With proper preventive measures in place for production safety, the Group had no work-related fatalities, new occupational diseases nor environmental pollution accidents.

Technological Innovation

In 2024, centering on national strategies such as “carbon peaking and carbon neutralization”, “Chengdu-Chongqing economic circle construction”, digital economy, and intelligent manufacturing, the Group concentrated on the two main businesses of innovative clean energy equipment and high end smart equipment to promote the implementation of the “14th Five-Year Plan” with high quality. The Group invested approximately RMB397.84 million in aggregate in R&D expenses, accounting for 5.07% of the operating revenue.

199 new patents were filed by the Group in 2024; there were 147 authorized patents, of which 94 were authorized invention patents. We participated in the revision and formulation of a total of 14 standards, including 6 national standards, 5 industry standards and 3 group standards. We passed the identification/appraisal of 2 municipal-level and above new products.

The Group has promoted the construction of major projects which mainly include the construction of “Onshore Wind Power Blade’s Homeport Base Construction Project” for wind power blade business; the construction of “Fourth Generation Nuclear Power Lead Bismuth Main Pump R&D Trial Capacity Construction Project”, “Platform Construction of Complete Set of System” and “Technical Transformation of Process and Equipment for Mechanical Processing Center” for industrial pump business; the construction of “Specialized Electromagnetic Wire Technical Transformation Project for High Efficiency Electric Motors” for electric wire and cable business; the “Construction and Industrialization of High-Performance Complete Set of Gear Cutting Tools Key Process Machining Capacity Project” for high-end equipment and machine tool business; and the total investment in the Group's major projects in 2024 amounted to approximately RMB137.56 million.

In 2024, achievements have been made in the Group's phased construction of "Digital Electromechanical", centering around various milestones and incremental goals with a focus on management, enhancement of application, promoting data sharing and business synergies. In terms of management digitalization, the second phase construction of data control platform was completed, and the project management system and HSE system were put online. The trial run of business-finance integration platform was completed, which significantly enhanced data-driven management efficiency and business synergy capabilities. In terms of public platform capacity, the first phase of data center was implemented and the production data of five subsidiaries has been incorporated into the system. The first phase of pilot program of acquisition of data relating to critical core production equipment (IoT project) was completed, and the second phase of acquisition of equipment data is now underway. The construction of public computility platform, design simulation and dispatch platform was also completed, which have created favorable conditions of resource pooling, data sharing and synergy of capabilities for the Group in the initial stage. We supported our subsidiaries' investment in new energy and technological transformation of high-end products. Chongqing CAFF Automotive Braking & Steering Systems Co., Ltd. (重慶卡福汽車制動轉向系統有限公司), a subsidiary of the Group, was selected as the digitalized workshop for new energy automobile parts production; Chongqing Gas Compressor Factory Co., Ltd. (重慶氣體壓縮機廠有限責任公司) was selected as the digitalized workshop for reciprocating compressor assembly in new energy and new-type energy storage areas; Chongqing Tool Factory Co., Ltd. (重慶工具廠有限責任公司) was selected as the digitalized workshop for high-end gear cutting tools production.

Resource Integration

In 2024, the Group focused on principal businesses, breaking losses and reducing losses to continuously improve efficiency, promoting integration in a multi-pronged manner. The Group implemented the "AWL" strategy in respect of the PTG Company, which is an abbreviation for advanced R&D (A), worldwide markets (W) and light manufacturing (L). We completed the partial equity adjustment of Chongqing Holroyd Precision Screw Manufacturing Co., Ltd. (重慶霍洛伊德精密螺桿製造有限責任公司) and promoted new development with new strategies and concepts, We completed the comprehensive reform such as asset and debt restructuring of the hydroelectric power business, and pursued management reshaping, promoting the "light loading" of subsidiaries; completed the integration of the electrical control business of 3 subsidiaries to realize resource sharing and coordinated development.

Risk Management

In 2024, the Group closely focused on strategic development goals and annual business goals, continuously optimized the risk management and control system, actively played the role of “three lines” of risk prevention and control, actively promoted the integration of internal control, risk, legal, compliance, audit and other functions and responsibilities to further improve the efficiency and effectiveness of risk management and control, and further promoted the vertical linkage and horizontal linkage of risk management between the Group’s headquarters and subsidiaries. The Group completed the self-inspection and self assessment of internal control of the Group’s headquarters and its subsidiaries, carried out internal control supervision and evaluation for 5 subsidiaries, and identified and rectified the weaknesses in a timely manner to ensure the effective operation of the internal control system. The Group continuously optimized and improved the risk screening indicator database, established additional composite indicators, formulated detailed evaluation standards and made risk management more comprehensive and quantitative. By strengthening business training, interchange and learning, seminar discussions and in-depth intervention in the whole process, the subsidiaries have properly dealt with operational risks, financial risks, legal risks and other risks. To further safeguard the lawful and compliant operation of the Company, the Group has established a compliance management system and related supporting management measures. The construction of “three lists” compliance management was completed and a compliance management system has been gradually built and further refined. At the same time, the Group will further give full play to the effectiveness of audit supervision, continue to improve and adhere to the long-term mechanism of rectification, promote management improvement and elevate the quality and efficiency of the operations of the Group.

Development Foundation and Advantages

As the largest integrative equipment manufacturing company in western China, the Group will have the following foundation and advantages in the future development:

By taking advantage of the regional development plans of “the Belt and Road”, “Chengdu-Chongqing Economic Circle” and the construction of new land and sea corridors in the western region, the Group has favorable development opportunities to explore potential markets. Meanwhile, the Group benefits from preferential policies such as western development and enjoys unique industrial policy advantages and tax advantages.

The Group focuses on the businesses of clean energy equipment and high-end intelligent equipment, conforms with the important development strategies of the state, i.e. “promote the high-end, intelligent, and green development of manufacturing”, and centered on the carbon peak and carbon neutrality goals of the state, and is committed to promoting green development of manufacturing. Many products of the Group have obvious competitive advantages in market segments and overseas markets, providing diverse product mix and services to enhance its ability to guard against integrated risk.

The Group possesses 6 state-level enterprises technical centers, 1 famous brand in the PRC, 5 well-known trademarks in the PRC, 11 municipal-level technical centers in Chongqing and 375 invention patents and continues to invest in research and development.

The Group has maintained a highly efficient and standardized corporate governance structure and institutional system, and has developed a good corporate governance and risk control mechanism that is efficiently operated and effectively managed.

The Group has established a comprehensive human resource management system, incentive mechanism and overseas talent cultivation mechanism. It possesses excellent and leading technical elites, a high-quality staff team and a management team with international horizon. Focusing on the industrial layout, the Group has implemented the “562” human resources strategic planning, continuously promoted the optimization of talent structure focusing on the construction of “six major” talent projects, innovated the talent training and development mechanism, improved the remuneration allocation mechanism, and gradually formed a talent system and ecosystem with Chongqing Machinery & Electronic characteristics and industry competitiveness.

Awards

During this Period, the Group and its subsidiaries were granted the following awards:

- The Group was awarded the “Top 10 Socially Responsible Enterprises of the Year” in Chongqing in 2024. Ms. Liu Zhongtang, Vice General Manager and Chief Financial Officer of the Group, was awarded the 14th Outstanding CFO of Listed Companies in Hong Kong.
- Chongqing Pump Factory Co., Ltd. (重慶水泵廠有限責任公司) was awarded the National Champion Enterprise in Individual Field of Manufacturing; Chongqing Machine Tools (Group) Co., Ltd. (重慶機床(集團)有限責任公司) was awarded Municipal-level Champion in Individual Field in Chongqing.
- Chongqing CAFF Automotive Braking & Steering Systems Co., Ltd. (重慶卡福汽車制動轉向系統有限公司) and Chongqing Gepai Electrical Materials Co., Ltd. (重慶鵠牌電工材料有限公司) were recognized as high-tech enterprises;
- Chongqing Industrial Enabling Innovation Center Co., Ltd. (重慶工業賦能創新中心有限公司) and Gansu Chongtong Chengfei New Material Co., Ltd. (甘肅重通成飛新材料有限公司) have passed the review and were recognized as “specialized, excellent, unique and innovative” small and medium enterprises;
- Chongtong Chengfei Wind Power Equipment Jiangsu Co., Ltd. (重通成飛風電設備江蘇有限公司) was approved as a municipal-level enterprise technology center of Nantong and Gansu Chongtong Chengfei New Material Co., Ltd. (甘肅重通成飛新材料有限公司) was approved as a provincial-level industrial design center of Gansu;

- Six products, namely the “CNC Worm Wheel Grinding Machine”, “35MPa high-pressure oil-free air supply system used for commercial spacecraft launch”, “350,000 cubic meters/day large-scale shale gas compressor”, “million ton-grade propylene compressor for carbon dioxide recycling equipment”, “large-scale multi-stage centrifugal furnace gas compressor” and “large diameter piston pusher centrifuge” were recognized as the third batch of first piece/set of major technical equipment product in Chongqing;
- The precision and high-efficiency gear grinding machine of Chongqing Machine Tools (Group) Co., Ltd. (重慶機床(集團)有限責任公司) has passed the review of key laboratory of industrialization and informatization in Chongqing; the Technology Center Laboratory of Chongqing General Industry (Group) Co., Ltd. (重慶通用工業(集團)有限責任公司) has passed the review and assessment of CNAS Laboratory Accreditation for Replacement Certificate; Chongqing Chengfei New Material Co., Ltd. (重慶成飛新材料股份公司) was approved as a key laboratory of Chongqing; the “Key Laboratory of Industrialization and Informatization for High Parameter Special Industrial Pump in Chongqing” of Chongqing Pump Factory Co., Ltd. (重慶水泵廠有限責任公司) was assessed and rated “excellent”;
- Chongqing CAFF Automotive Braking & Steering Systems Co., Ltd. (重慶卡福汽車制動轉向系統有限公司), Chongqing Gas Compressor Factory Co., Ltd. (重慶氣體壓縮機廠有限責任公司) and Chongqing Machine Tools (Group) Co., Ltd. (重慶機床(集團)有限責任公司) have passed the review and were recognized as digital workshops of Chongqing in 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

BUSINESS REVIEW AND OUTLOOK

In 2024, the industrial blower business of the Group's clean energy equipment segment was affected by the downturn of traditional sectors such as steel and cement and fierce competition in the market. The hydroelectric equipment business was also affected by the downturn of economic environment and postponement of the projects of customers, resulting in a decline of performance results of these two business segments. However, the phosphorus removal system of industrial pumps continued to maintain its absolute competitive advantage. With the continuous growth of pulp diaphragm pumps and export market business, and the delivery of major projects such as Hebei Wenfeng, we achieved leapfrog growth in the business segment. In response to the downturn of real estate and infrastructure sectors, we have adjusted the market and product structure of the wire, cable and material business in a timely manner. The orders in the areas such as new energy, key infrastructure projects and power grid renovation achieved better growth. The business scale was moving up to the level of RMB2,000 million. For wind power blade business, we have improved the output efficiency by optimizing the production mode in a timely manner and maintained continuous growth. The gas compressor business maintained steady growth due to the stability of oil and gas and related markets as well as the support of new markets such as hydrogen energy and low-temperature compressors.

The overall operating revenue of this segment was approximately RMB7,300.4 million, representing a year-on-year increase of approximately 11.3%.

During the Period, the gross profit of the clean energy equipment operating segment was approximately RMB1,233.5 million, representing an increase of approximately RMB75.1 million or approximately 6.5% as compared with approximately RMB1,158.4 million (as restated) for the same period of 2023, mainly due to the sustained growth and high gross profit margin of industrial pump business. On the contrary, the gross profit of the wind power blades business declined, mainly due to the increase in raw material prices and significant price reductions in the industry.

During the Period, the results of the clean energy equipment operating segment was approximately RMB122.7 million, representing a decrease of approximately RMB55.3 million or approximately 31.1% as compared with the results of approximately RMB178.0 million for the same period of 2023, mainly due to the decrease in hydroelectric power generation business and non-recurring gains.

In terms of the R&D of new products, the trial production of prototype for natural gas compressors for the offshore platform of industrial blower business as well as refrigeration compressors for hydrogen production and ammonia synthesis through wind and solar power have completed. The project has passed the technical and craftsmanship requirements. The domestic production of natural gas compressors for offshore platform was successful. Upon the optimization of 105-meter class blade technology design for wind power blade business, we have achieved modular pre-fabrication of large, flexible blades with high efficiency and high reliability and shortened the molding cycle. The design and process development work of new products such as CGI series, GW99 were in progress. For industrial pump business, the trial production of engineering prototype development for two main pumps was completed. The R&D project of large-flow (550m³/h) and high-temperature slurry pump was completed. Small pumped storage units have reached advanced level of the industry and are capable of participating in the construction of pumped storage power stations and providing key equipment. For hydroelectric generation business, the R&D projects of 550-type bulb tubular turbine generator units and multi-phase flow high-speed Francis turbine generator units have reached advanced level of the industry, For gas compressor business, the R&D of 70MPa, 200,000 cubic meters/day large-displacement high-speed natural gas compressor and 35MPa high-pressure oil-free intelligent air supply system was completed to improve the reliability and life span of the system. Online remote intelligence control of the system was achieved.

In addition, Chongqing Cummins Engine Company Limited (重慶康明斯發動機有限公司) (“Chongqing Cummins”), a joint venture of the Company, is principally engaged in the production of high-horsepower engine. In 2024, Chongqing Cummins overcame the impact of intensified market competition and adequately released the production capacity of new plants and production lines, actively seizing the growth opportunities in the export market and continuously reduced costs and increased efficiency. The volume and price of high-horsepower products have increased, leading to a significant increase in the overall operating income. In the power market, Chongqing Cummins continuously increased its market share in the mobile power vehicles and express logistics industries and maintained its leading position in the domestic high-horsepower engine market. In the industrial market, it has promoted the successful entry of various new products such as QSK19, QSK50 into shipping machinery, engineering machinery, oil and gas field and rail markets. Some of the new products have already been delivered in small batches. It has also launched customer care activities and provided value-added guarantee services for firefighting, ships, bulldozers, oil and gas fields and other sub-markets and industry users, and is highly recognized by the end-users. At the same time, it has actively adjusted the product structure. As a result of the increase in the sales proportion of high-horsepower engines with high gross profit margin such as K38 and K50, the profitability increased.

Looking forward to 2025, the overall positive trend of the national economic situation remains unchanged. The state and local governments vigorously promote the development of clean energy and renewal of equipment in the industrial sector, which provides the Company with plenty of room to grow in the market. Due to the renewal and replacement of energy-using power generation, transmission and distribution equipment, the market demand for these products is high under the “Belt and Road” initiative. With the guidance and support of policies such as the world-class equipment manufacturing industry cluster in Sichuan and Chongqing regions as well as Chongqing’s modern manufacturing cluster system of “33618”, the taking part in regional cooperation and development of new industries such as wind power blades, pumped storage units, copper-based materials and high-performance fibers by the Company is safeguarded. Meanwhile, the value added in industrial output and value added in equipment manufacturing sector output have continued to grow nationwide against the backdrop of economic recovery and industrial upgrading, which provides the Company with stable market demand. The increase in infrastructure construction and industrial production will help the Company to secure more orders and business opportunities. The increasing pace of substitution of domestic products such as offshore platform compressors, oil-gas mixing pumps, CO₂ compressors/pumps, and high-pressure oil-free compressors provides the Company with market opportunities, driving for higher expectations of growth in this segment throughout the year.

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

In 2024, for the high-end smart equipment segment of the Group, the new HG500 product of PTG Company in the UK has been delivered to the key laboratories of domestic universities and tertiary institutions. The combination of HG400 and CBN grinding wheels was completed and the substitution of part of the products with domestic production was achieved, leading to a significant increase in the operating revenue and improvement of operating results. For CNC machine tool business, we grasped the evolving trend of the industry and experienced a good growth in the gear machine tool segment. The development of HG350C high-grade molding gear grinding machine with PTG Company in the UK was completed successfully. The substitution of part of the products with domestic production was achieved and a better growth in operating results was achieved. For smart electronics and system integration business, we continuously insisted on building our own products to enhance our competitiveness in the industry and generate an increase in operating revenue, but the profitability declined due to fierce competition in the industry and a lower gross profit margin for the orders.

The overall operating revenue of this segment was approximately RMB1,556.2 million, with a year-on-year increase of approximately 8.6%.

The gross profit of the high-end smart equipment operating segment was approximately RMB270.1 million, which was RMB270.4 million (as restated) for the same period of 2023, representing a decrease by approximately RMB0.3 million, the gross profit remained stable year-on-year.

During the Period, the loss of the high-end smart equipment operating segment was approximately RMB5.5 million, compared to the profit of approximately RMB19.5 million for the same period in 2023, this turn from profit to loss was mainly due to the significant loss of approximately RMB55.3 million in the steering system business.

With respect to the R&D of new products, for the CNC machine tool business, we have strengthened the overall synergy with PTG Company and launched the development of new products such as HG350 which has attained domestic leading and international advanced level after verification and tests. For the R&D project of YT7226G high-performance duplex gear grinding machine, we have completed the high-efficiency and high-precision grinding processing in large quantities targeting small modulus automobile, motorcycle and speed reducer gears. The highest speed of grinding spindle is 10,000 rpm and the grinding wheel linear velocity speed is over 75m/s, reaching the advanced level of the industry. For the research on the integration technology of photovoltaic and energy storage system for intelligent manufacturing, we have successfully achieved the engineering application of decentralized photovoltaic power generation and electrochemical energy storage.

Looking forward to 2025, in support of the real economy and manufacturing industry, China has promulgated many national and local policies which place high emphasis on the vigorous development of advanced high-end equipment manufacturing industry. The high-quality development of high-end equipment manufacturing industry has become the core and area of focus of China's economic development. As the "industrial mother machine" of major equipment which is the basis of the nationwide strategy, it is expected that the machine tool equipment sector will recover and thrive markedly with the state investment in manufacturing industry. The Group has strong industrial chain integration capabilities in areas such as industrial mother machine and can form a complete industrial chain through our cooperation with other enterprises in the region to enhance its overall competitiveness. According to the National "14th Five-Year Plan" on Intelligent Manufacturing, the extent of investment and support of intelligent manufacturing field will continue to grow. This will drive for the robust demand of smart equipment and integration business. It is expected that the segment will improve steadily throughout the year.

INDUSTRIAL SERVICES BUSINESS (INCLUDING INDUSTRIAL EMPOWERMENT, FINANCING, CENTRALIZED PROCUREMENT AND OTHER SERVICES)

In 2024, the digital intelligence procurement management platform is fully online and operational, hence the procurement process was intelligent, digital, visualized and real-time. The financial business is affected by the national financial policy, and the business showed a large decline. The operating revenue of this segment amounted to approximately RMB62.4 million, a year-on-year decrease of approximately 6.7%. The gross profit was approximately RMB51.5 million, and the gross profit remained stable year-on-year.

During the Period, the results of the industrial services operating segment were approximately RMB34.0 million, representing an increase of approximately RMB12.4 million as compared with the results of approximately RMB21.6 million for the same period of 2023.

We have continuously promoted the construction of “Chained Network” platform. In terms of platform construction, we capitalized on the achievements after the construction of “Digital Electromechanical” platform and completed the construction of hybrid cloud which is supported by container cloud foundation, data center and high computility. We have completed the construction of low-code development tool and integration platform. We commenced the construction of supply chain financial service platform which is centered around six scenarios of “Chained Network” platform. We have launched the financing business of seven suppliers on a pilot basis with a financing amount of RMB2.6 million. We have been continuously building the “Electromechanical Mall” and gained access to more than 4,000 types of commodities. The Luoding platform has been extended to upstream and downstream applications, with more than 100 users connected.

Looking forward to 2025, for the financial business, we will strengthen the financial services and improve the efficiency of capital utilization. For centralized procurement business, we will continuously optimize the intelligence procurement platform and improve its functions, fully utilize the application modules such as e-commerce platform and online marketing platform and continuously reduce purchasing costs. It is expected that the annual performance of this segment will remain stable.

SALES

For the year ended 31 December 2024, the Group’s total operating revenue amounted to approximately RMB8,919.2 million, representing an increase of approximately RMB860.7 million or approximately 10.7% as compared with approximately RMB8,058.5 million for the same period of 2023. Save for the industrial services business which declined year-on-year, other businesses of the Group had achieved stable growth.

The Group expects better growth in operating revenue in 2025.

GROSS PROFIT

The gross profit for 2024 was approximately RMB1,555.3 million, increased by approximately RMB73.5 million or approximately 5.0% as compared with approximately RMB1,481.8 million for 2023. The gross profit margin was approximately 17.4%, representing a year-on-year decrease of 1.0 percentage point as compared with the corresponding period of last year and remained relatively stable.

OTHER INCOME

The other income for 2024 was approximately RMB193.3 million, compared with approximately RMB141.2 million for the corresponding period in 2023, representing a significant increase of approximately RMB52.1 million, or approximately 36.9%, which was mainly attributable to the increase in the government subsidy income for the Period. Details are set out in Note 4.7 to the consolidated financial statements.

GAIN ON DISPOSAL OF ASSET

The gain on disposal of asset for 2024 was approximately RMB23.4 million, representing a significant decrease of the gain of approximately RMB67.5 million as compared with the gain of approximately RMB90.9 million for the same period of 2023, which was mainly attributable to the decrease in revenue from environmental relocation during the Period. Details are set out in Note 4.12 to the consolidated financial statements.

SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses for 2024 were approximately RMB890.8 million, representing an increase of approximately RMB4.5 million or approximately 0.5% as compared with approximately RMB886.3 million for the same period of 2023. The proportion of the selling and administrative expenses to operating revenue slightly decreased compared with the same period of last year. Selling expenses increased by approximately RMB10.6 million year-on-year, mainly due to the increase in sales labor costs, while administrative expenses decreased by approximately RMB6.1 million year-on-year, mainly due to the decrease in labor costs.

OPERATING PROFIT

The operating profit for 2024 was approximately RMB516.4 million, representing a significant increase of approximately RMB140.2 million or approximately 37.3% as compared with approximately RMB376.2 million for the same period of 2023, mainly due to the significant year-on-year increase in investment income from associated and joint ventures of approximately RMB214.0 million.

FINANCE COSTS

The net interest expenses in 2024 were approximately RMB80.6 million, representing an increase of approximately RMB7.1 million or approximately 9.7% as compared with approximately RMB73.5 million in the same period of 2023, which was mainly due to the impact of exchange gains and losses. Details are set out in 4.6 to the consolidated financial statements.

INVESTMENT INCOME

Investment income for 2024 amounted to approximately RMB498.6 million, representing a significant increase of approximately RMB198.5 million as compared with approximately RMB300.1 million for the same period of 2023, mainly benefited from the increase in profitability of the high-horsepower diesel engine business. Details are set out in Note 4.8 to the consolidated financial statements.

INCOME TAX EXPENSES

The income tax expenses for the year ended 31 December 2024 were approximately RMB61.7 million, representing an increase of approximately RMB13.8 million or approximately 28.8% as compared with approximately RMB47.9 million for the same period of 2023, mainly due to an increase in payable income tax. Details are set out in Note 4.15 to the consolidated financial statements.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders for the year ended 31 December 2024 amounted to approximately RMB431.3 million, representing an increase of approximately RMB127.7 million or approximately 42.1% as compared with approximately RMB303.6 million for the same period of 2023. Earnings per share amounted to approximately RMB0.12, representing an increase of RMB0.4 or 50% as compared with the same period of last year.

DISTRIBUTABLE RESERVES

According to the articles of association of the Company (“Articles of Association”), the Company’s reserves available for distribution based on the Company’s profit are the lower of that determined under Hong Kong Financial Reporting Standards and China Accounting Standards for Business Enterprises.

As at 31 December 2024, the Company’s distributable reserves attributable to shareholders of the Company (“Shareholders”) amounted to approximately RMB2,929.7 million.

FINAL DIVIDEND

The Company considers stable and sustainable returns to Shareholders of the Company to be our goal.

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

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

The Board has recommended the payment of a final dividend of RMB0.035 per share (tax inclusive) for the year ended 31 December 2024 (for the year ended 31 December 2023: RMB0.02 per share), which is calculated based on the total share capital of 3,684,640,154 shares for the year ended 31 December 2024 totaling RMB128,962,405.39 (totaling RMB73,692,803,08 for the year ended 31 December 2023). Subject to the approval by Shareholders at the forthcoming annual general meeting to be convened on 12 June 2025, the proposed final dividend will be paid on 25 July 2025 to Shareholders whose names appear on the register of members of the Company on 25 June 2025 (the “Record Date”).

In order to ascertain the entitlements of the Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Wednesday, 18 June 2025 to Wednesday, 25 June 2024 (both days inclusive), during which no transfer of shares will be registered. All transfer documents accompanied by share certificates of the Shareholders of the Company must be lodged with our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 17 June 2025.

WITHHOLDING OF ENTERPRISE INCOME TAX FOR NON-RESIDENT CORPORATE SHAREHOLDERS

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

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

If any resident enterprise (as defined in the EIT Law) whose name appears on the H Share Register of Members which is duly incorporated in the PRC or under the laws of a foreign country (or a territory) but with a PRC-based de facto management body does not wish to have the 10% enterprise income tax to be withheld by the Company, it should lodge all transfers with and submit a legal opinion issued by a PRC certified lawyer (with affixation of common seal of the law firm thereto) that establishes its resident enterprise status to the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 17 June 2025. Any natural person investor whose H shares are registered in the name of any such non-individual shareholders and who does not wish to have any enterprise income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her own name and lodging all relevant transfer instruments accompanied by the H share certificates with the Company's H Share Registrars for registration no later than 4:30 p.m. on 17 June 2025. Shareholders are recommended to consult their tax advisors regarding tax issues in respect of the ownership and disposal of H shares in the PRC and Hong Kong and other tax effects.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements of the Shareholders to attend and vote in the annual general meeting, the register of members of the Company will be closed from Monday, 9 June 2025 to Thursday, 12 June 2025 (both days inclusive), during which no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 6 June 2025.

CASH FLOW

As at 31 December 2024, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB2,744.6 million (31 December 2023: approximately RMB2,318.6 million), representing an increase of approximately RMB426 million or approximately 18.4%, mainly due to the redemption of national debt.

During the Period, the Group had a net cash inflow from operating activities of approximately RMB718.3 million (for the year ended 31 December 2023: a net cash inflow of approximately RMB145.8 million); a net cash inflow from investing activities of approximately RMB47.8 million (for the year ended 31 December 2023: a net cash inflow was approximately RMB235.3 million); a net cash inflow from financing activities was approximately RMB -846.1 million (for the year ended 31 December 2023: a net cash inflow was approximately RMB -366.5 million). Directors believe that the Group is financially sound and has sufficient resources to meet its operating capital needs and fund any predictable capital expenditure.

ACCOUONTS RECEIVABLE AND OTHER RECEIVABLES

As at 31 December 2024, the total accounts receivable and other receivables of the Group amounted to approximately RMB3,763.9 million, representing an increase of approximately RMB363.2 million as compared with approximately RMB3,400.7 million as at 31 December 2023, mainly due to the overall increase in the clean energy equipment business. Please refer to Note 4.18 to the consolidated financial statements for detailed ageing analysis of accounts receivable.

ACCOUNTS PAYABLE AND OTHER PAYABLES

As at 31 December 2024, accounts payable and other payables of the Group amounted to approximately RMB3,103.8 million, representing an increase of approximately RMB286.1 million as compared with approximately RMB2,817.7 million as at 31 December 2023, mainly due to the overall increase in the clean energy equipment business. Details of the ageing analysis of accounts payable is set out in Note 4.20 to the consolidated financial statements.

ASSETS AND LIABILITIES

As at 31 December 2024, the total assets of the Group amounted to approximately RMB17,616.7 million, representing an increase of approximately RMB130.6 million as compared with approximately RMB17,486.1 million as at 31 December 2023. Total current assets amounted to approximately RMB11,248.7 million, representing a decrease of approximately RMB130.1 million as compared with approximately RMB11,378.8 million as at 31 December 2023, accounting for approximately 63.9% of total assets. However, the total non-current assets amounted to approximately RMB6,368.1 million, representing an increase of approximately RMB260.8 million as compared with approximately RMB6,107.3 million as at 31 December 2023, accounting for approximately 36.1% of total assets.

As at 31 December 2024, the total liabilities of the Group amounted to approximately RMB9,031.3 million, representing a decrease of approximately RMB215.0 million as compared with approximately RMB9,246.3 million as at 31 December 2023. Total current liabilities were approximately RMB7,385.6 million, representing an increase of approximately RMB271.9 million as compared with approximately RMB7,113.7 million as at 31 December 2023, accounting for approximately 81.8% of the total liabilities. However, the total non-current liabilities were approximately RMB1,645.7 million, representing a decrease of approximately RMB486.8 million as compared with approximately RMB2,132.5 million as at 31 December 2023, and accounting for approximately 18.2% of total liabilities.

As at 31 December 2024, the net current assets of the Group were approximately RMB3,863.1 million, representing a decrease of approximately RMB402.0 million as compared with approximately RMB4,265.1 million as at 31 December 2023, mainly due to the increase in current liabilities.

CURRENT RATIO

As at 31 December 2024, the current ratio (the ratio of current assets to current liabilities) of the Group was 1.52:1 (31 December 2023: 1.60:1).

GEARING RATIO

As at 31 December 2024, the gearing ratio of the Group, calculated as borrowings divided by total capital which comprises equity and borrowings as shown in the consolidated balance sheets, was 20.4% (31 December 2023: 25.0%).

INDEBTEDNESS

As at 31 December 2024, the Group had an aggregate bank and other borrowings of approximately RMB2,198.3 million, representing a decrease of approximately RMB542.4 million as compared with approximately RMB2,740.7 million as at 31 December 2023.

Borrowings repayable by the Group within one year were approximately RMB1,117.1 million, representing a decrease of approximately RMB9 million as compared with approximately RMB1,108.1 million as at 31 December 2023. Borrowings repayable by the Group after one year were approximately RMB1,081.3 million, representing a decrease of approximately RMB551.3 million as compared with approximately RMB1,632.6 million as at 31 December 2023.

SECURED ASSETS

As at 31 December 2024, approximately RMB642.2 million of the Group's bank deposits was deposited with the banks with pledge or restriction for use (31 December 2023: approximately RMB535.7 million). In addition, as at 31 December 2024, the Group's bank borrowings were not secured by the Group's land use rights, properties, plant and equipment, investment properties, and other assets of the Group. The net book value of collateral and pledged assets as of 31 December 2024 was approximately RMB33.3 million (31 December 2023: approximately RMB385.0 million).

CONTINGENT LIABILITIES

As at 31 December 2024, the Group had no significant contingent liabilities.

SIGNIFICANT EVENTS

Events in the Period

(1) Election of an executive Director

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, Mr. Yang Quan had 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. As the resignation of Mr. Yang Quan would neither lead to the number of members of the sixth session of the Board of the Company falling below the requirement of the statutory minimum number of members, nor affect the normal operation of the Board of the Company, the resignation of Mr. Yang Quan shall take immediate effect upon the delivery of his resignation letter to the Board. Mr. Yang Quan had confirmed that he had no disagreements with the Board or the supervisory committee of the Company and there were no other matters that need to be brought to the attention of the shareholders and creditors of the Company. The Company would like to express its sincere gratitude to Mr. Yang Quan for his contributions to the Company during his tenure.

In order to replace Mr. Yang Quan, the Company had considered and approved the election of Mr. Qin Shaobo as an executive Director of the sixth session of the Board of the Company at the extraordinary general meeting held on 29 November 2024. For the biographical details of Mr. Qin Shaobo, please refer to the announcement on election of an executive Director of the Company dated 29 November 2024.

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

SUBSEQUENT EVENTS

The Company does not have any other significant events after the Period to be disclosed.

CAPITAL EXPENDITURE

In 2024, the total capital expenditure of the Group was approximately RMB144.4 million which was principally used for plant expansion, improvement of production technology and equipment upgrade (2023: approximately RMB268.4 million).

CAPITAL COMMITMENTS

As at 31 December 2024, the Group had capital commitments of approximately RMB35.7 million (31 December 2023: approximately RMB33.9 million) in respect of fixed assets and intangible assets.

TREASURY POLICIES

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

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

EMPLOYEES

As at 31 December 2024, the Group had a total of 7,880 employees (31 December 2023: 8,083 employees). The Group will continue to upgrade its technical talent base, foster/recruit technical and management personnel possessed with extensive professional experiences, optimise the distribution system that links with the remunerations and performance reviews of the management and employees, improve training on safety and strengthen epidemic prevention measures so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

OTHER CORPORATE INFORMATION

Competition and Conflict of Interests

For the year ended 31 December 2024, the non-competition agreement entered into between Chongqing Machinery and Electronics Holding (Group) Co., Ltd., the Parent Company, and the Company remained effective. Please refer to the Prospectus for details.

For the year ended 31 December 2024, Mr. Fu Yihong, the non-executive Director of the Company, is a middle-level manager of Chongqing Machinery and Electronic Holding (Group) Co., Ltd.*. The main business of Chongqing Machinery and Electronic Holding (Group) Co., Ltd. includes sales of automobiles and automotive parts, electrical machinery and equipment, electronic products, building materials, transportation and electrical appliances, mechanical and electrical equipment, metallurgical products; and provision of technical consulting services in environmental protection, etc.

As the Board is independent of the board of directors of Chongqing Machinery and Electronic Holding (Group) Co., Ltd.*, and Mr. Fu Yihong does not have control over the Board, the Group can operate its own business independently of the business of Chongqing Machinery and Electronic Holding (Group) Co., Ltd. for its own interests.

Save as disclosed above, to the knowledge of the Directors and in accordance with the Listing Rules, none of the Directors and their respective associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with that of the Group for the year ended 31 December 2024.

CONNECTED TRANSACTIONS

For the year ended 31 December 2024, pursuant to the disclosure requirements of Chapter 14A of the Listing Rules, the Group has entered into multiple connected transactions with connected persons (as defined in the Listing Rules), and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules, with the relevant disclosures made as follows:

1. On 23 January 2024, the Company, China Agriculture Development Key Construction Fund Co., Ltd.* (“Agricultural Development Fund”) and Chongqing Gas Compressor Factory Co., Ltd. (“Gas Compressor Company”) entered into an equity transfer agreement, pursuant to which Agricultural Development Fund agreed to sell and the Company agreed to acquire 35.79% equity interest in Gas Compressor Company held by Agricultural Development Fund, for a consideration of RMB67 million. After the completion of the acquisition, Gas Compressor Company will become a wholly-owned subsidiary of the Company.

The Company holds 64.21% equity interest in Gas Compressor Company, and Agricultural Development Fund holds 35.79% equity interest in Gas Compressor Company, which is a substantial shareholder of Gas Compressor Company and a connected person of the Company at the subsidiary level. Accordingly, pursuant to Chapter 14A of the Listing Rules, the acquisition under the equity transfer agreement constitutes a connected transaction for the Company. The details of the aforementioned connected transaction have been disclosed in the announcement of the Company dated 23 January 2024.

2. On 29 November 2024, Chongqing General Industry (Group) Co., Ltd.* (a wholly-owned subsidiary of the Company) (“CQGI Group”) and CQMEHG Asset Management Co., Ltd.* (重慶機電控股集團資產管理有限公司, a wholly-owned subsidiary of the Company’s controlling shareholder, namely Chongqing Machinery & Electronics Holding (Group) Co., Ltd.* (重慶機電控股(集團)公司), hereinafter referred to as the “Parent Company”) (“Asset Company”) entered into an equity transfer agreement, pursuant to which CQGI Group agreed to acquire and Asset Company agreed to sell its held target equity at a consideration of approximately RMB9.9556 million.

CQGI Group holds 40% equity interest in the target company, which is a subsidiary of the Company, while Asset Company directly holds approximately 33.33% equity interest in the target company, being the substantial shareholder of the target company. Meanwhile, CQGI Group is a wholly-owned subsidiary of the Company, and Asset Company is a wholly-owned subsidiary of the controlling shareholder of the Company. Accordingly, all parties under the equity transfer agreement are all connected persons of the Company. Therefore, according to Chapter 14A of the Listing Rules, the acquisition constitutes a connected transaction for the Company. The details of the aforementioned connected transaction have been disclosed in the announcement of the Company dated 29 November 2024.

Apart from these, the Company has no other connected transactions.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2024, the summary of the connected party transactions entered into by the Group is set out in the notes to the consolidated financial statements, which constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules. Except for the continuing connected transactions mentioned below, the related party transactions conducted by the Group in the ordinary course of business do not constitute “connected transactions” or “continuing connected transactions” as defined by the Listing Rules.

Pursuant to the disclosure requirements of Chapter 14A of the Listing Rules, the Group has entered into multiple continuing connected transactions with connected persons (as defined in the Listing Rules), and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules, with the relevant disclosures made as follows:

Master Sales Agreement

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

Additionally, in case where there are material fluctuations in the prices of any or all of the products, the parties shall re-negotiate the terms of the Master Sales Agreement in good faith by way of entering into a supplemental agreement or a new master sales agreement. The Master Sales Agreement is valid for a period of three years from the date of the agreement and can be renewed by the Company for a successive term of three years by giving notice at least three months prior to the expiry of the initial term. Accordingly, the approved annual caps of sales for the year ended 31 December 2024 (as approved at the annual general meeting dated 23 June 2022) was set at RMB220.0 million.

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

- (i) The quoted prices in the market through the industry website or enquiry (including the website of Alibaba (www.1688.com)) with at least two independent third parties in the market (i.e. the price of the same or similar products provided by suppliers (except the Company and its subsidiaries) in the same area under daily operations and on normal commercial terms to independent third parties);
- (ii) If there is no market price determined by an independent third party, the transaction price between the Group with the independent third party;

- (iii) If none of the above is applicable, the cost plus a percentage mark-up (tax-inclusive) which is not less than 15% (i.e. price = cost * (1 + percentage mark-up)), whereas the 15% mark-up is determined based on the average gross margin of the Group in the past three years.

For the year ended 31 December 2024, the monetary value of sales under the Master Sales Agreement by the Company to the Parent Company and its associates was approximately RMB46.1 million (for the year ended 31 December 2023: approximately RMB22.9 million).

Master Supplies Agreement

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

Additionally, in case where there are material fluctuations in the prices of any or all of the products, the parties shall re-negotiate the terms of the Master Supplies Agreement in good faith by way of entering into a supplemental agreement or a new master supplies agreement. The Master Supplies Agreement is valid for a period of three years from the date of the agreement and can be renewed by the Company for a successive term of three years by giving notice at least three months prior to the expiry of the initial term. Accordingly, the approved annual caps of supplies for the year ended 31 December 2024 (as approved at the Board meeting dated 24 March 2022) was set at RMB90.0 million.

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

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

For the year ended 31 December 2024, the monetary value of supplies under the Master Supplies Agreement by the Parent Company and its associates to the Company was approximately RMB29.1 million (for the year ended 31 December 2023: approximately RMB35.0 million).

Master Leasing Agreement

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

The Parent Group leases land and buildings to the Group as the Group’s offices, production facilities, workshops and staff quarters. Accordingly, the approved annual cap of the lease for the year ended 31 December 2024 (as approved at the Board meeting dated 24 March 2022) was set at RMB45 million.

For the year ended 31 December 2024, the rent paid by the Company to the Parent Company and its associates under the Master Leasing Agreement was approximately RMB26.0 million (for the year ended 31 December 2023: approximately RMB16.0 million).

FINANCIAL SERVICES FRAMEWORK AGREEMENT

(I) Parent Group Financial Services Framework Agreement

The Company’s subsidiary, Chongqing Mechanical and Electrical Holdings Group Finance Company Limited (the “Finance Company”), and the Parent Company entered into the Financial Service Framework Agreement on 7 April 2022 (the “Parent Group Financial Services Framework Agreement”), under which, (i) the approved proposed annual cap for loan services for the year ended 31 December 2024 (as approved at the annual general meeting held on 23 June 2022) was RMB2,946 million; (ii) the approved proposed annual cap for guarantee services for the year ended 31 December 2024 (as approved at the Board meeting held on 24 March 2022) was RMB90 million (including corresponding handling fees); (iii) the approved proposed annual cap for other financial services for the year ended 31 December 2024 (24 March 2022) was RMB33 million.

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

Loan Services

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

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

Guarantee services

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

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

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

For the year ended 31 December 2024, pursuant to the Financial Services Framework Agreement, the daily maximum limit amount in respect of the loan services provided by the Finance Company to the Parent Group was approximately RMB812.4 million, the transaction amount in respect of guarantee services was approximately RMB0 million and the transaction amount of other financial services was approximately RMB0.8 million (for the year ended 31 December 2023: the daily maximum limit amount in respect of loan services was approximately RMB769.8 million, the transaction amount in respect of guarantee services was approximately RMB0 million and the transaction amount of other financial services was approximately RMB0.5 million).

(II) Group Financial Services Framework Agreement

The Finance Company entered into a financial services framework agreement (the "Group Financial Services Framework Agreement") with the Company on 7 April 2022, under which, (i) the approved proposed annual cap for the transactions in respect of the deposit services for the year ended 31 December 2024 (as approved at the annual general meeting held on 23 June 2022) was RMB3,433 million; (ii) the approved proposed annual cap for the transactions in respect of other financial services for the year ended 31 December 2024 (as approved at the Board meeting held on 24 March 2022) was RMB34 million.

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

Deposit services

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

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

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

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

For the year ended 31 December 2024, pursuant to the Financial Services Framework Agreement, the daily maximum limit amount in respect of deposit services provided by the Finance Company to the Group was approximately RMB2,223.6 million and the amount of the other financial services was approximately RMB4.1 million (for the year ended 31 December 2023: the daily maximum limit amount in respect of deposit services was approximately RMB2,382.9 million and the amount of other financial services was approximately RMB5.1 million).

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

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

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

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

A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the purpose of continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules from time to time, and the value and the transaction terms of the transactions for the year ended 31 December 2024 have been determined in accordance with the pricing policies and guidelines set out in the Stock Exchange's Guidance Letter HKEx-GL73-14.

The details of the aforementioned continuing connected transactions have been disclosed in the announcement of the Company dated 7 April 2022 and the circular of the Company dated 24 May 2022.

Share Scheme

For the year ended 31 December 2024, the Company had no share schemes.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2024 in compliance with the code provisions under the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Board of the Company has established the Audit and Risk Management Committee in accordance with the requirements and its latest revision of the Corporate Governance Code. The committee has written terms of reference which are available on the websites of the Stock Exchange HKEXnews and the Company. The Audit and Risk Management Committee of the Company currently consists of 3 independent non-executive Directors and 1 non-executive Director (namely, Mr. Lo Wah Wai, Mr. Liu Wei, Mr. Ke Rui and Mr. Dou Bo), where Mr. Lo Wah Wai serves as the chairman of the Audit and Risk Management Committee. The major responsibilities of the Audit and Risk Management Committee are to review and monitor the Company's financial reporting process and internal controls system and provide advice and suggestions to the Directors of the Company. The Audit and Risk Management Committee has reviewed the Company's annual results for the year ended 31 December 2024.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

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

STRATEGY COMMITTEE

In response to the Company's needs of strategic development, the Board of the Company has established the Strategy Committee. The committee has written terms of reference which are available on the websites of the Stock Exchange HKEXnews and the Company. The Strategy Committee of the Company currently consists of 1 executive Director (namely Mr. Yue Xiangjun), 2 non-executive Directors (namely Mr. Fu Yihong and Ms. Zhu Ying), and 3 independent non-executive Directors (namely Mr. Ren Xiaochang, Mr. Liu Wei and Mr. Ke Rui). Mr. Yue Xiangjun is the chairman of the Strategy Committee. The major responsibilities of the Strategy Committee are to carry out research and propose suggestions on the Company's long-term development strategies and material investment decisions for the Board's reference in decision-making.

SUPERVISORY COMMITTEE

The Supervisory Committee of the Company comprises five supervisors, namely Mr. Sun Wenguang, Mr. Wang Haibing, Mr. Cao Xingquan, Mr. Duan Lian and Mr. Li Fangzhong. Mr. Sun Wenguang acts as the chairman of the Supervisory Committee. To safeguard the interests of the Shareholders, the Company's Supervisory Committee is responsible for the supervision of the Company's financial activities and duty fulfillment of the Board, its members and senior management. In 2024, the Supervisory Committee has reviewed the legality of the Company's financial situation and business. Through convening the meetings of the Supervisory Committee and attending the Board meetings, general meetings and other important meetings and establishing archives, etc., the Supervisory Committee conducted the due diligence on senior management personnel. The Supervisory Committee carefully and thoroughly performed their duties according to the principle of prudence.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted procedures governing directors' securities transactions in compliance with Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix C3 to the Listing Rules. Individual confirmation has been obtained from all Directors to confirm compliance with the Model Code during the year ended 31 December 2024.

REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year ended 31 December 2024, none of the Group and its subsidiaries repurchased, sold or redeemed any listed securities of the Company.

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

The annual results announcement has been published on the Company's website (<http://www.chinacqme.com>) and the Stock Exchange HKEXnews' website (www.hkexnews.hk). The annual report will also be published at the Company's website and the Stock Exchange HKEXnews' website on or around 11 April 2025 and will be dispatched to Shareholders of the Company thereafter according to the means they choose to receive communications.

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Yue Xiangjun
Executive Director and General Manager
(performing duties and powers as chairman of the Board)

Chongqing, the PRC
20 March 2025

As at the date of the announcement, the executive Directors are Mr. Yue Xiangjun and Mr. Qin Shaobo; 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*