



# 重慶機電股份有限公司

CHONGQING MACHINERY & ELECTRIC CO., LTD.\*

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

Stock Code: 02722

## INTERIM REPORT 2020



\* For identification purposes only

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Zhang Fulun  
*(appointed on 26 August 2020)*  
Ms. Chen Ping  
Mr. Yang Quan

### Non-executive Directors

Mr. Huang Yong  
Mr. Zhang Yongchao  
Mr. Dou Bo  
Mr. Wang Pengcheng

### Independent Non-executive Directors

Mr. Lo Wah Wai  
Mr. Ren Xiaochang  
Mr. Jin Jingyu  
Mr. Liu Wei

## SUPERVISORS

Mr. Sun Wenguang *(Chairman)*  
Ms. Wu Yi  
Mr. Wang Haibing  
Mr. Xia Hua  
Mr. Li Fangzhong

## COMMITTEES UNDER BOARD OF DIRECTORS

### Members of the Audit and Risk Management Committee

Mr. Lo Wah Wai *(Chairman)*  
Mr. Jin Jingyu  
Mr. Liu Wei  
Mr. Dou Bo

### Members of the Remuneration Committee

Mr. Ren Xiaochang *(Chairman)*  
Mr. Lo Wah Wai  
Mr. Jin Jingyu  
Mr. Huang Yong

### Members of the Nomination Committee

Mr. Zhang Fulun *(Chairman)*  
*(appointed on 26 August 2020)*  
Mr. Ren Xiaochang  
Mr. Jin Jingyu  
Mr. Liu Wei

### Members of the Strategic Committee

Mr. Zhang Fulun *(Chairman)*  
*(appointed on 26 August 2020)*  
Ms. Chen Ping  
Mr. Yang Quan  
Mr. Huang Yong  
Mr. Ren Xiaochang  
Mr. Jin Jingyu  
Mr. Liu Wei

# Corporate Information (Continued)

## LEGAL REPRESENTATIVE

Mr. Zhang Fulun  
(appointed on 26 August 2020)

## COMPANY SECRETARY

Ms. Chiu Hoi Shan (Practicing Solicitor)

## QUALIFIED ACCOUNTANT

Mr. Kam Chun Ying, Francis (Certified Public Accountant)

## AUTHORIZED REPRESENTATIVES AND CONTACT INFORMATION

Mr. Yang Quan  
No. 60 Middle Section of Huangshan Avenue, Liangjiang New District, Chongqing City, the PRC  
Postal code: 401123  
Tel.: (86) 023-63075687

Ms. Chiu Hoi Shan  
Room 1204-06, 12th Floor, The Chinese Bank Building, 61 Des Voeux Road Central, Central, Hong Kong  
Tel.: 852-2155 4820

## ALTERNATE AUTHORIZED REPRESENTATIVE AND CONTACT INFORMATION

Mr. Lo Wah Wai  
33rd Floor, Shui On Centre, No. 6-8 Harbour Road, Wanchai, Hong Kong  
Tel.: 852-2802 2191

## REGISTERED OFFICE

No. 60 Middle Section of Huangshan Avenue, Liangjiang New District, Chongqing City, the PRC

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## AUDITOR

ShineWing Certified Public Accountants (Special General Partnership)  
9th Floor, Block A, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing, the PRC

## LEGAL ADVISORS

Chiu & Co. (趙凱珊律師行)  
(As to Hong Kong Laws)  
Beijing Zhong Lun (Chongqing) Law Firm  
(As to Chinese Law)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1202, 1204-06, The Chinese Bank Building, 61 Des Voeux Road Central, Central, Hong Kong

## WEBSITE OF THE COMPANY

[www.chinacqme.com](http://www.chinacqme.com)

## PRINCIPAL BANKER

China Merchants Bank  
Chongqing Shangqingsi Sub-branch  
1st Floor, Zhong-an International Building  
No.162 Zhongshan Third Road  
Yuzhong District  
Chongqing City, the PRC

## SHARE INFORMATION

### Listing Place

The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

### Stock Code

02722

## FINANCIAL YEAR END

31 December

# Results Highlights

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

- Revenue of the Group for the six months ended 30 June 2020 amounted to approximately RMB2,758.3 million, representing an increase of approximately 13.2% from the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2020 amounted to approximately RMB553.2 million, representing an increase of approximately 13.6% from the corresponding period of last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2020 amounted to approximately RMB108.4 million, representing a decrease of approximately 33.7% from the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2020 amounted to approximately RMB0.03.

# Chairman's Statement



Dear shareholders,

The board of directors (the “Board”) of the Company announces the interim results of the Group for the six months ended 30 June 2020 (the “Period”). The Group’s interim results have not been audited but have been reviewed by the audit and risk management committee and the Company’s auditor, ShineWing Certified Public Accountants (Special General Partnership).

## RESULTS

Total turnover of the Group for the six months ended 30 June 2020 amounted to approximately RMB2,758.3 million, representing an increase of approximately 13.2% from approximately RMB2,437.4 million for the corresponding period of last year, mainly because the Group’s wind power blades business achieved rapid growth driven by national policies, which resulted in a significant increase in operating income of wind power blades.

Profit attributable to the shareholders of the Company for the six months ended 30 June 2020 amounted to approximately RMB108.4 million, representing a decrease of approximately 33.7% from approximately RMB163.6 million for the corresponding period of last year.

## Chairman's Statement (Continued)

For the six months ended 30 June 2020, earnings per share amounted to approximately RMB0.03 (for the first half of 2019: RMB0.04). Total assets of the Group as at 30 June 2020 amounted to approximately RMB16,777.7 million (as at 31 December 2019: approximately RMB16,517.8 million), while total liabilities amounted to approximately RMB9,394.9 million (as at 31 December 2019: approximately RMB9,228.7 million); total equity was approximately RMB7,382.8 million (as at 31 December 2019: approximately RMB7,289.1 million); net asset value per share was approximately RMB2.00 (as at 31 December 2019: approximately RMB1.98).

In the first half of 2020, the global spread of the new coronavirus COVID-19 (the "COVID-19") had a severe impact on the world economy. The world economic order and international economic relations have been significantly affected, and the process of globalization may show a fragmented development trend. Countries have successively adopted strict virus prevention and control measures, and global trade demand has rapidly shrunk. During the worst of the epidemic, various industries have stagnated to varying degrees, facing unprecedented operating pressure. In the first half of the year, all of the world's major economies showed negative growth. In the face of the epidemic, the Chinese government has taken decisive measures to prevent the spread of the epidemic. Since March 2020, as the domestic epidemic has been effectively controlled, Chinese enterprises have gradually resumed work and production, and the economic gravity has shifted to the "six stabilities" and "six guarantees". Production and demand continue to improve, and the recovery trend of consumer demand continues. The economic data in the second quarter improved significantly, and the growth turned from negative to positive, exceeding market expectation. Chinese economy is gradually recovering from the impact of the epidemic. In the first quarter of the year, the raging epidemic, coupled with the Spring Festival holiday, had a certain impact on the Group's production and sales, including delays in orders, blocked production, blocked supply of raw materials and key components as well as suspension of domestic and foreign logistics. Since the full resumption of work and production at the end of February, the Group has been sincerely united. On the one hand, the Group actively participated in the prevention and control of the epidemic. On the other hand, the Group made efforts to seize the market, resume production, and strive for preferential policies under the epidemic. Benefiting from investment opportunities in the national clean energy, smart grid, environmental protection, urban rail transit and smart manufacturing, the Group accelerated product technology research and development, optimized production capacity upgrading, and promoted the Group to achieve high-quality development. Centering on the main work task of "one focus, three guarantees, three reductions and four enhancements (一抓三保三降四增强)" and by virtue of "one corporation with one policy", the Group strived to ensure its objectives and tasks, strengthened its confidence, comprehensively implemented

## Chairman's Statement (Continued)

its work measures, sized up the situation, paid close attention to domestic and international markets, continuously improved the quality and profitability of its operations, promoted technological innovation, efficient management and talent cultivation and stepping to lay the foundation for the Group's healthy development. Although the Group was affected by the global epidemic, each business segment calmly responded to severe tests and impacts, struggled to break through. In the first half of the year, the overall business performance of the Group was better than expected.

### **BUSINESS REVIEW AND OUTLOOK**

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

In the first half of 2020, the COVID-19 has spread at home and abroad since January. In order to control the epidemic, enterprises have suspended work and production, which has seriously affected the normal production and sales of the Group. In addition, due to the restrictions on movement of personnel, sales activities and technical exchanges with users have been blocked. Businesses in this segment are differentiated to varying degrees. Hydroelectric generation equipment was affected by the epidemic. The projects in the international market have been completely stagnated, and projects in the domestic market have been generally postponed, so the business performance has declined significantly. However, affected by increased domestic investment, the industrial pumps, industrial blowers and gas compressors business achieved a steady growth. In particular, the wind power blades business achieved rapid growth driven by policies, which drove the operating income of this segment to approximately RMB1,981.0 million, showing an increase of approximately 16.4% over the same period.

In the first half of the year, driven by policies, the orders of wind power blades business reached approximately RMB1,160.0 million, representing a rapid growth of approximately 36.0% from the same period of last year. The industrial pump business won the bid for the nuclear pump project of Xudabao and Tianwan Nuclear Power Station achieving nuclear power orders of nearly RMB100.0 million. The cumulative orders in the first half of the year was about RMB501.0 million, showing an increase of approximately 4.0% over the same period of last year. The industry blowers business won the bid for Xiapu water chiller with the largest cooling capacity in the nuclear power sector in recent years with a value of nearly RMB70.0 million. The gas compressor business won the bid for Sinopec Nanchuan and Fuling shale gas compressor of approximately RMB41.0 million.





## Chairman's Statement (Continued)

It is expected that if the epidemic is effectively controlled in the second half of the year, economic recovery at home and abroad accelerates, coupled with the promotion of certain businesses by national policies, the electrical wires and cables and hydroelectric generation equipment business of the segment will achieve a restorative growth, and the wind power blades, industrial pumps and gas compressors and other businesses will grow stably, which will drive the segment to achieve a steady growth throughout the year.

In addition, Chongqing Cummins Engine Company Limited ("Chongqing Cummins"), a joint venture of the Company, is mainly engaged in the production of high horsepower diesel engines. In the first half of 2020, Chongqing Cummins actively responded and optimized marketing strategies. Production volume of sales of engines above 500 horsepower still maintained market leading position. However, affected by the epidemic, operating performance declined slightly. The high-power engine technology R&D center of Chongqing Cummins has been put into use. The new high-power engine plant project has commenced construction and is expected to achieve trial operation in 2020. Nevertheless, due to the increase in R&D investment and fixed asset depreciation, it is expected that the operating performance of this business will decline moderately throughout 2020. The annual results of Chongqing Cummins in 2020 are set out in Note VIII. 3 to the consolidated financial statements.

### **High-end smart equipment (smart manufacturing, smart machine tools and other businesses)**

In the first half of 2020, the smart machine tool business recovered from the bottom as affected by market recovery of automobile, engineering machinery, petrol machinery and other industries to which is closely related. The smart manufacturing business achieved a breakthrough, the electronic communication business actively expanded new customers and increased product price. The intelligent integration business recorded revenue growth, and the screw machine tools business recorded moderate growth in the first half of the year. Accordingly, the segment recorded overall turnover of approximately RMB739.5 million, representing an increase of approximately 9.6% from the same period of last year.

In the first half of the year, as to the smart machine tool business, the orders for gear grinding machines achieved nearly RMB60.0 million, and sales of mask machines recorded nearly RMB12.0 million. As to the smart manufacturing business, the "research and development and application of communication module IoT production line" project was selected as one of the IoT pilot projects of Chongqing in 2020. Smart manufacturing business actively broadened new customers, and has realized orders of approximately RMB220.0 million, an increase of approximately 31.0% over the same period of last year.

## Chairman's Statement (Continued)

In the second half of the year, it is expected that the domestic and overseas economy will resume growth provided that the epidemic is effectively controlled. The Group will take advantage of the opportunities of the rapid development of smart manufacturing to accelerate the development of high-quality development of smart gear machine tools, smart screw machine tools and smart electronics, and will continue to promote the construction of smart technology and applied research centers, 3D printing centers, smart manufacturing displays and experience centers. The smart machine tool business further achieved a recovery, and the smart manufacturing business grew steadily, driving the stable growth of the segment for the year.

### **Industrial service business (industrial empowerment, financing, trading and other businesses)**

In the first half of 2020, the scale of trading business significantly reduced; the interest rate of the financial business reduced with response to the national epidemic prevention policies; the turnover of the segment reached approximately RMB37.2 million, representing a decrease of approximately 37.6% from the same period of last year.

It is expected that in the second half of the year, the domestic and overseas economy will resume and accelerate the growth provided that the epidemic is effectively controlled. As to the industrial empowerment business, the Group will continue to accelerate the implementation of digital upgrade demonstration projects for hydropower equipment and the construction of digital projects such as e-procurement platform. The Group will promote the research on the long-distance operation and maintenance service application of intelligentized industrial pump big data and the construction of intelligent warning and diagnosis system for ultrahigh-head impact-type hydroelectric turbine generators and life cycle project system of industrial fan products.

It is expected that the overall turnover of the segment for the year will continuously decrease as affected by the further shrinking of the trade scale and interest cut in the second half of the year.

## **DEVELOPMENT STRATEGIES**

2020 is the planning year of "Fourteenth Five-Year" Plan. Along with the deep reform of "acceleration period of domestic manufacturing industry transformation and upgrading", "pilot transformation period of deepening the reform of state-owned capital investment corporations" and "critical stage of comprehensively promoting from stepping into benign cycle to high quality as a whole", the Group will adhere to adopt the new "321" development strategy as the overall strategy, the supply side structural reform as the



## Chairman's Statement (Continued)

main line, the reform and efficiency as the focus, and the "1334" work as the starting point, continuously improve the operation quality and profitability of the Group and comprehensively implement the work priorities of the second half of the year.

### **Work priorities of the second half of the year**

#### **(1) Seize the opportunity and expand the market**

First, foster growth drivers. As to the wind power blades business, we will strengthen the cooperation with Haizhuang Windpower, Goldwind Science & Technology and Guodian United Power so as to realize the mass production of offshore wind power blades; as to the wire and cable business, we will proactively deepen the cable market; as to the industrial pump business, we will further put great effort in tracking of the nuclear power market; as to the gas compressor business, we will seize the opportunity of the shale gas market; as to the smart electronics business, we will strengthen the expansion of new clientele such as Chengdu Vantron and China Internet of Things; and as to the smart machine tool business, we will actively expand the gear grinding machine market to ensure that the annual orders meet expectations.

Second, strengthen industrial operation and maintenance services. As to the hydropower equipment business, we will vigorously promote the power station operation and maintenance services, and develop supporting and coordination services with leading enterprises such as Voith and Dongfang Electrical Machinery; and as to the industrial pump business, smart machine tool business, gas compressor business and wind power blades business, we will actively carry out the industrial operation and maintenance service.

#### **(2) Carry out the "three guarantees" and improve quality**

First, guarantee the quality: continue to conduct the construction of quality culture of the Company, deeply carry out QC improvement practice activities, pay attention to the operating effectiveness of the Company's quality system, and ensure that the quality loss reduction for the year shall meet the expected goal.

Second, guarantee the delivery: closely follow up customers' demand for delivery, optimize organizational and supporting and coordination modes of production, improve output efficiency, and make sure that the overall average delivery rate of the Group for the year reaches the expected goal.

## Chairman's Statement (Continued)

Third, guarantee the service: continue to perfect the marketing system and constantly improve the stability of product quality. The Group will enhance the tracking of customer satisfaction and after-sales opinions to ensure that the overall customer satisfaction for the year reaches the expected goal.

### **(3) Strictly control the “three reduction” and improve operational efficiency**

First, reduce costs: strengthen cost and period expense control, in-depth advance the establishment of the electronic centralized procurement platform, take advantage of national policies of epidemic prevention and resumption in operation and production, so as to reduce financial costs, labor costs and tax expenditures, improve labor productivity, and ensure that gross profit margin reaches the expected goal.

Second, reduce the “two funds”: strengthen the management of accounts receivable and reduce the risks of accounts receivable; improve the technical level, strictly control the delivery nodes, reduce inventory, and ensure that the “two funds” reach the expected goals.

Third, reduce debt: ensure that the annual income and “two funds” meet expectations, strictly control the scale of financing and guarantees, optimize the financing structure, ease the pressure of debt repayment, mitigate financial risks, reduce financial costs, and ensure that the debt ratio is under control within the expected range.

### **(4) Innovate independently and drive development**

First, prepare the Group's “Fourteenth Five-Year Plan” with high standards, plan major projects of subsidiaries, highlight the directions of industrial Internet, big data and intelligence, and seek for important supports for future development.

Second, increase investment in technology research and development in high quality, focus on promoting the nuclear-grade vertical high and low pressure backwash pumps of the industrial pump business, the Hualong One nuclear power centrifugal chiller of the wind power business, the vertical shaft volute centrifugal pump set of the hydropower equipment business, and the research and development and application of automatic assembly robot production equipment of the smart electronics business, accelerate the progress of industrialization and realize the market benefits.



## Chairman's Statement (Continued)

Third, promote the construction of major projects with high efficiency, and focus on the completion of the target progress of the construction of phase II of the new base of high-powered engine project of Chongqing Cummins at the end of the year and the completion of the relocation for the gas compressor business; the completion of the acceptance of the digital workshop construction project for the hydropower equipment business; the acceleration of construction of the large-scale reciprocating diaphragm pump R&D and testing capacity project for the industrial pump business; and the completion of the small batch production of some products of the railway special-purpose cable project for the wire and cable business.

### **(5) Reform and improve vitality**

First, create conditions for mixed reform, accelerate the reform and restructuring, and focus on promoting the pilot of employee option incentive in scientific and innovative type affiliated companies. Second, steadily promote the disposal of inefficient and invalid assets, and advance the land transfer of two parcels of lands of old factories in an actively and orderly manner. Third, optimize the structure of human resources, establish incentive and restraint mechanisms, and accelerate the introduction and cultivation of various talents.

### **(6) Consolidate the foundation and prevent risks**

First, focus on the risk prevention and control of trade business, the disposal of inefficient and invalid assets, and overseas EPC projects. Second, execute risk control and appraisal, carry out risk control linkage, risk control self-evaluation, and procure the risk investigation and rectification. Third, focus on the special self-examination and inspection of corporate governance, strengthen the publicity of the laws, and carry out the activities of "governing the corporate according to laws and studying laws".

# Chairman's Statement (Continued)

## SUMMARY

Looking forward to the second half of 2020, the global spread of the COVID-19 will bring extreme uncertainty to the global economy. Currently, the industrial chain and supply chain in the world are exposed to the severe situation of looseness and separation, and may have the risk of tear or separation to a certain extent in the future.

The economic rebound in China in the first half of the year will lay a solid foundation for the comprehensive economic recovery in the second half of the year. China's economy is likely to resume to the economic growth level before the epidemic in general as at the end of the year. In the face of the epidemic, the Chinese government has resolutely adopted the stable fiscal policies and monetary policies. The economic focus has been adjusted to "six guarantees" and "six stabilities" as the main lines, the expansion of fiscal expenditure and stabilization of national economy as the main means, with an aim to achieve building a well-off society in an all-round way. It is expected that the GDP of China throughout the year will show a slight decrease from last year, but it will still maintain the leading level in the world in terms of GDP growth.

Leveraging on Chongqing's promotion of the transformation and upgrade of the manufacturing industry, development of an entire industry chain of the chip, LCD panel, smart terminal, core component, IoT and building of the Chengdu-Chongqing economic circle, the Group will accelerate the manufacturing and market development of wind power, hydropower, nuclear power, power generation, transmission, distribution and high-end smart equipment, and actively promote the overall entry into a benign cycle of development. In the face of extremely complex and severe internal and external situations, the Group will strengthen its confidence, unswervingly grasp the "1334" work measures, lay the foundation for the successful completion of the "Thirteenth Five-Year Plan" and the start of the "Fourteenth Five-Year Plan" with collective practical actions.

On behalf of the Board, I would like to extend my heartfelt gratitude to our shareholders for their support and trust. My sincere appreciation also goes to our Directors, supervisors and all of our staff members for their efforts in contributing to the Group.

*Executive Director, Chairman*  
**Zhang Fulun**

Chongqing, the PRC  
26 August 2020

# Management's Discussion and Analysis

## RESULTS OVERVIEW

### Sales

For the six months ended 30 June 2020, the Group's total revenue amounted to approximately RMB2,758.3 million, an increase of approximately 13.2% as compared with approximately RMB2,437.4 million for the same period of last year.

Overall, revenue of the clean energy equipment segment was approximately RMB1,981.0 million (accounting for approximately 71.8% of the total revenue), representing an increase of approximately 16.4%; revenue of the high-end smart manufacturing segment was approximately RMB739.5 million (accounting for approximately 26.8% of the total revenue), representing an increase of approximately 9.6%; revenue of the industrial service segment was approximately RMB37.2 million (accounting for approximately 1.4% of the total revenue), representing a decrease of approximately 37.6%.

During the Period, the growth in sales revenue of the clean energy equipment segment was mainly due to the increase in domestic investment and the impact driven by policy, which led to a rapid growth in this segment. The growth in sales revenue of the high-end smart manufacturing segment was mainly due to the recovery of the market industry, the active expansion in clientele and increase of product price in the electronic communication business in this segment, as well as the growth of revenue from the intelligent integration business and screw machine tools business, which led to the achievement of an obvious growth in this segment. The decline in revenue in the industrial services segment was mainly due to the change of business model in the trading business, scale reduction and interest rate cuts in the financial business, leading to a decline in the operating performance of the segment in the first half of the year. It is expected that the overall operating performance of the Group for the whole year of 2020 can achieve a steady growth.

There has been no significant change in the possible future development of the Group's business and the Group's outlook for the financial year of 2020 since the publication of the Group's annual report for the year ended 31 December 2019.

### Gross Profit

The gross profit for the six months ended 30 June 2020 was approximately RMB553.2 million, showing an increase of approximately RMB66.2 million or approximately 13.6% as compared with approximately RMB487.0 million for the same period of last year, which was mainly due to the substantial increase in revenue from the general machinery business in

# Management's Discussion and Analysis (Continued)

the clean energy equipment segment and the smart manufacturing product business in the high-end smart manufacturing segment. The Group's gross profit is expected to remain stable in the second half of 2020.

## Gain on Disposal of Assets

Gain on disposal of assets for the six months ended 30 June 2020 was approximately RMB10.5 million, showing a significant decrease of approximately RMB123.9 million or 92.2% as compared with approximately RMB134.4 million for the same period of last year, which was mainly attributable to the year-on-year decrease in gain on disposal of lands during the current period. Details are set out in Note VI.58 to the consolidated financial statements.

## Other Income

Other income for the six months ended 30 June 2020 was approximately RMB38.7 million, showing a decrease of approximately RMB18.9 million or approximately 32.8% as compared with approximately RMB57.6 million for the same period of last year, which was mainly attributable to the decrease in post-government subsidy income for innovative development projects income during the current period.

## Selling and Administrative Expenses

The selling and administrative expenses for the six months ended 30 June 2020 were approximately RMB399.6 million, showing an increase of approximately RMB6.9 million or approximately 1.8% as compared with approximately RMB392.7 million for the same period of last year. The ratio of selling and administrative expenses to sales decreased from approximately 16.1% in the same period last year to approximately 14.5%, in particular the selling expenses decreased by approximately RMB25.9 million compared to the same period last year, mainly due to the reduction of transportation expenses, "3-Aspect-Warranty" fees and after-sales service fees. On the contrary, the administrative expenses increased by approximately RMB32.7 million compared to the same period last year, due to the increase of approximately RMB12.3 million in restructuring costs and an increase of RMB12.8 million in amortization of intangible assets.

## Operating Profit

The operating profit for the six months ended 30 June 2020 was approximately RMB141.3 million, showing a decrease of approximately RMB82.1 million or approximately 36.8% as compared with approximately RMB223.4 million for the same period of last year.





# Management's Discussion and Analysis (Continued)

## Net Finance Costs

The net interest expenses for the six months ended 30 June 2020 was approximately RMB53.8 million, representing a significant decrease of approximately RMB24.8 million or approximately 31.6% as compared to approximately RMB78.6 million for the same period of last year, which was mainly due to the interest reduction in finance costs during the current period.

## Investment Income

For the six months ended 30 June 2020, the Group's investment income was approximately RMB168.2 million, representing an increase of approximately RMB9.2 million or 5.8% as compared with approximately RMB159.0 million for the same period of last year. This is due to the increase of approximately RMB14.5 million in performance of transformer business which turned loss to profit and the increase of approximately RMB6.6 million in the performance of the brake system business. On the contrary, the high-horsepower diesel engine business was affected by the epidemic, and its operating performance declined slightly by approximately RMB14.0 million. Details are set out in Note VI.54 to the consolidated financial statements.

## Income Tax Expenses

The income tax expenses for the six months ended 30 June 2020 were approximately RMB19.6 million, representing a decrease of approximately RMB27.9 million or approximately 58.7% as compared with approximately RMB47.5 million for the same period of last year, which was mainly due to the decrease in current accrued income tax and the decrease in changes in deferred income tax expenses. Details are set out in Note VI.61 to the consolidated financial statements.

## Profit Attributable to Shareholders

Profit attributable to shareholders for the Period was approximately RMB108.4 million, representing a decrease of approximately RMB55.2 million or approximately 33.7% as compared with approximately RMB163.6 million for the same period of last year. Earnings per share decreased from approximately RMB0.04 in the same period last year to approximately RMB0.03 in the current Period.

# Management's Discussion and Analysis (Continued)

## BUSINESS PERFORMANCE

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

	Revenue		Gross Profit		Segment Results	
	Period ended		Period ended		Period ended	
	30 June	30 June	30 June	30 June	30 June	30 June
	2020	2019	2020	2019	2020	2019
<i>(RMB in millions, except for percentage)</i>						
<b>Clean energy equipment business</b>						
Hydropower equipment	105.4	289.8	11.4	63.5	(28.8)	11.7
Electrical wires and cables	545.2	710.4	90.3	104.1	42.4	78.4
General machinery	911.6	331.9	145.2	47.5	(9.8)	(80.8)
Other products	418.8	370.5	152.1	134.9	49.9	122.4
Total	<u>1,981.0</u>	<u>1,702.6</u>	<u>399.0</u>	<u>350.0</u>	<u>53.7</u>	<u>131.7</u>
% of total	71.8%	69.9%	72.1%	71.9%	38.0%	58.9%
<b>High-end smart manufacturing business</b>						
CNC machine tools	345.3	305.4	59.9	48.7	(85.6)	(76.3)
Steering systems	215.7	237.2	40.7	40.5	12.8	10.4
Other products	178.5	132.0	32.9	15.6	9.1	17.1
Total	<u>739.5</u>	<u>674.6</u>	<u>133.5</u>	<u>104.8</u>	<u>(63.7)</u>	<u>(48.8)</u>
% of total	26.8%	27.7%	24.1%	21.5%	(45.1)%	(21.8)%

## Management's Discussion and Analysis (Continued)

	Revenue		Gross Profit		Segment Results	
	Period ended		Period ended		Period ended	
	30 June		30 June		30 June	
	2020	2019	2020	2019	2020	2019
	<i>(RMB in millions, except for percentage)</i>					
<b>Industrial services business</b>						
Domestic Trade	13.6	25.0	0.5	3.3	(6.2)	0.5
Financial	23.6	34.4	19.6	28.1	18.1	26.8
Other services	–	0.2	–	0.2	(3.1)	(2.5)
Total	<u>37.2</u>	<u>59.6</u>	<u>20.1</u>	<u>31.6</u>	<u>8.8</u>	<u>24.8</u>
% of total	1.4%	2.4%	3.7%	6.5%	6.3%	11.1%
Headquarters						
Total	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>142.5</u>	<u>115.7</u>
% of total	–%	–%	0.1%	0.1%	100.8%	51.8%
Total	<u>2,758.3</u>	<u>2,437.4</u>	<u>553.2</u>	<u>487.0</u>	<u>141.3</u>	<u>223.4</u>

### CLEAN ENERGY EQUIPMENT

Revenue from the clean energy equipment segment for the six months ended 30 June 2020 was approximately RMB1,981.0 million, showing an increase of approximately RMB278.4 million or approximately 16.4% as compared with approximately RMB1,702.6 million for the six months ended 30 June 2019, which was primarily due to the sales revenue of wind power blades business achieving a rapid growth driven by national policies.

During the Period, the gross profit for the clean energy equipment segment was approximately RMB399.0 million, showing an increase of approximately RMB49.0 million or approximately 14.0% as compared with approximately RMB350.0 million for the six months ended 30 June 2019, which was primarily due to the increase in sales revenue of wind power blades.

## Management's Discussion and Analysis (Continued)

The results for the clean energy equipment segment for the six months ended 30 June 2020 were approximately RMB53.7 million, showing a significant decrease of approximately RMB78.0 million or approximately 59.2% as compared with the results of profit of approximately RMB131.7 million for the six months ended 30 June 2019, which were primarily because of the year-on-year decrease in land disposal income of this operating segment.

### **HIGH-END SMART MANUFACTURING**

Revenue from the high-end smart manufacturing segment for the six months ended 30 June 2020 was approximately RMB739.5 million, showing an increase of approximately RMB64.9 million or approximately 9.6% as compared with approximately RMB674.6 million for the six months ended 30 June 2019, which was mainly due to the active expansion in the clientele and increase of product price in the electronic communication business in smart manufacturing business, recording an increase in revenue of approximately RMB46.4 million year-on-year, coupled with the growth of revenue from the intelligent integration business and screw machine tools business, the segment achieved a better growth in the first half of the year.

During the Period, gross profit for the high-end smart manufacturing segment was approximately RMB133.5 million, showing an increase of approximately RMB28.7 million or 27.4% as compared with approximately RMB104.8 million for the six months ended 30 June 2019, primarily due to increased revenue in screw machine tools business and smart manufacturing business.

For the six months ended 30 June 2020, the loss for the high-end smart manufacturing segment was approximately RMB63.7 million, showing an increase in loss of approximately RMB14.9 million or 30.5% as compared with a loss of approximately RMB48.8 million for the six months ended 30 June 2019, primarily due to the increase in losses in the CNC machine tool business.

### **INDUSTRIAL SERVICE**

Revenue from the industrial service segment for the six months ended 30 June 2020 was approximately RMB37.2 million, showing a decrease of approximately RMB22.4 million or approximately 37.6% as compared with approximately RMB59.6 million for the six months ended 30 June 2019, mainly due to the significant decrease in the trading business of the Company and the interest rate cut in the financial business.



## Management's Discussion and Analysis (Continued)

During the Period, gross profit for the industrial service segment was approximately RMB20.1 million, showing a decrease of approximately RMB11.5 million or approximately 36.4% as compared with approximately RMB31.6 million for the six months ended 30 June 2019, mainly due to the interest reduction in the financial business in response to the national epidemic policy.

For the six months ended 30 June 2020, the results for the industrial service segment amounted to approximately RMB8.8 million, showing a decrease of approximately RMB16.0 million or approximately 64.5% as compared with approximately RMB24.8 million for the six months ended 30 June 2019.

### CASH FLOW

As at 30 June 2020, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB2,129.2 million (31 December 2019: approximately RMB2,094.6 million), representing an increase of approximately RMB34.6 million or approximately 1.7%.

During the Period, the Group had a net cash flow generated from operating activities of approximately RMB-154.4 million (for the six months ended 30 June 2019: net cash flow generated from operating activities of approximately RMB-131.2 million), a net cash flow generated from investing activities of approximately RMB-413.7 million (for the six months ended 30 June 2019: a net cash flow generated from investing activities of approximately RMB-423.9 million), and a net cash flow generated from financing activities of approximately RMB401.2 million (for the six months ended 30 June 2019: a net cash flow generated from investment activities of approximately RMB584.1 million).

### TRADE RECEIVABLES AND OTHER RECEIVABLES

As at 30 June 2020, the total trade receivables and other receivables of the Group amounted to approximately RMB3,980.9 million, showing an increase of approximately RMB89.2 million as compared with approximately RMB3,891.7 million as at 31 December 2019, which was mainly due to an increase of approximately RMB75.9 million in industrial pump business in correspondence to sales turnover increase. Details of aging analysis of trade receivables are set out in Note VI. 4 and VI. 7 to the consolidated financial statements.

# Management's Discussion and Analysis (Continued)

## TRADE PAYABLES AND OTHER PAYABLES

As at 30 June 2020, the total trade payables and other payables of the Group amounted to approximately RMB2,219.9 million, showing an increase of approximately RMB76.8 million as compared with approximately RMB2,143.1 million as at 31 December 2019, which was mainly due to an increase of approximately RMB22.3 million in the wire and cable business, an increase of approximately RMB31.6 million in the industrial pumps business and an increase of approximately RMB42.2 million in the steering system business while the general machinery business decreased by approximately RMB57.4 million. Details of aging analysis of trade payables are set out in Note VI. 29 and VI. 34 to the consolidated financial statements.

## ASSETS AND LIABILITIES

As at 30 June 2020, the total assets of the Group amounted to approximately RMB16,777.7 million, showing an increase of approximately RMB259.9 million as compared with approximately RMB16,517.8 million as at 31 December 2019. The total current assets amounted to approximately RMB10,636.2 million, showing an increase of approximately RMB285.5 million as compared with approximately RMB10,350.7 million as at 31 December 2019, accounting for approximately 63.4% of the total assets (31 December 2019: approximately 62.7%). However, the total non-current assets amounted to approximately RMB6,141.5 million, showing a decrease of approximately RMB25.6 million as compared with approximately RMB6,167.1 million as at 31 December 2019, accounting for approximately 36.6% of the total assets (31 December 2019: approximately 37.3%).

As at 30 June 2020, the total liabilities of the Group amounted to approximately RMB9,394.9 million, showing an increase of approximately RMB166.2 million as compared with approximately RMB9,228.7 million as at 31 December 2019. The total current liabilities amounted to approximately RMB6,962.1 million, showing a decrease of approximately RMB52.7 million as compared with approximately RMB7,014.8 million as at 31 December 2019, accounting for approximately 74.1% of the total liabilities (31 December 2019: approximately 76.0%). However, the total non-current liabilities amounted to approximately RMB2,432.8 million, showing an increase of approximately RMB218.8 million as compared with approximately RMB2,214.0 million as at 31 December 2019, accounting for approximately 25.9% of the total liabilities (31 December 2019: approximately 24.0%).

As at 30 June 2020, the net current assets of the Group amounted to approximately RMB3,674.2 million, showing an increase of approximately RMB338.3 million as compared with approximately RMB3,335.9 million as at 31 December 2019.



# Management's Discussion and Analysis (Continued)

## CURRENT RATIO

As at 30 June 2020, the current ratio (the ratio of current assets divided by current liabilities) of the Group was 1.53:1 (31 December 2019: 1.48:1).

## GEARING RATIO

As at 30 June 2020, by dividing borrowings by total capital, the gearing ratio of the Group was 50.1% (31 December 2019: 41.2%).

## INDEBTEDNESS

As at 30 June 2020, the Group had an aggregate bank and other borrowings of approximately RMB3,696.4 million, representing an increase of approximately RMB690.9 million as compared with approximately RMB3,005.5 million as at 31 December 2019.

Borrowings repayable by the Group within one year amounted to approximately RMB1,755.2 million, representing an increase of approximately RMB392.3 million as compared with approximately RMB1,362.9 million as at 31 December 2019. Borrowings repayable after one year amounted to approximately RMB1,941.2 million, representing an increase of approximately RMB298.6 million as compared with approximately RMB1,642.6 million as at 31 December 2019.

## SIGNIFICANT EVENTS

### Events in the Period

- (I) Due to work arrangements, Mr. Wang Yuxiang ("Mr. Wang") has resigned from the positions as the chairman of the fifth session of the Board, an executive director, chairman of the strategy committee and chairman of the nomination committee of the Company. The resignation of Mr. Wang has not resulted in the number of members of the fifth session of the Board of the Company falling below the required minimum quorum. For details, please refer to the announcement of the Board published on the website of the Hong Kong Stock Exchange and the website of the Company on 7 July 2020.

## Management's Discussion and Analysis (Continued)

- (II) The Extraordinary General Meeting of the Company held on 26 August 2020 has considered and approved the following matters:
- 1) The appointment of Mr. Zhang Fulun as the chairman and an executive Director, for a term commencing from the date of the meeting until the expiration of the fifth session of the Board. The Board was authorized to fix the remuneration of such Director pursuant to the remuneration standard for Directors passed at the 2018 annual general meeting and to enter into a service agreement with such Director on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters.
  - 2) Amendments to the articles.

For details of the above matters, please refer to the circular of the Board published on the website of the Hong Kong Stock Exchange and the website of the Company on 10 July 2020.

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

### **SUBSEQUENT EVENTS**

The Group had no significant subsequent event.

### **CONTINGENT LIABILITIES**

As at 30 June 2020, the Group had no significant contingent liabilities.

### **CAPITAL EXPENDITURE**

During the Period, the total capital expenditure of the Group was approximately RMB33.2 million, which was principally used for plant expansion, production technology improvement and upgrade of production equipment and enhancement of productivity (for the six months ended 30 June 2019: approximately RMB87.5 million).





# Management's Discussion and Analysis (Continued)

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

## **RISK OF FOREIGN EXCHANGE**

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

## **EMPLOYEES**

As at 30 June 2020, the Group had a total of 7,976 employees (30 June 2019: a total of 8,124 employees). The Group will continue the upgrade of its technical talent base, foster and recruit technical and management personnel possessed with extensive professional experiences, optimize the distribution system that links with the remuneration and performance reviews, improve training supervision on safety so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

# Other Information

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

As at 30 June 2020, so far as the Directors are aware, the following persons (not being a director, chief executive or supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (“SFO”):

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

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

(L) Long Position

## Other Information (Continued)

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

Name of shareholders	Number of shares	Status	Note	Percentage of total issued H shares	Percentage of total issued shares
The Bank of New York Mellon (formerly known as "The Bank of New York")	87,276,000(L) 0(P)	Custodian		7.93(L) 0(P)	2.37(L) 0(P)
The Bank of New York Mellon Corporation	87,276,000(L) 87,276,000(P)	Interest in corporation controlled by substantial shareholders	(4)	7.93(L) 7.93(P)	2.37(L) 2.37(P)
GE Asset Management Incorporated	75,973,334(L)	Investment manager		6.91(L)	2.06(L)

(L) Long Position

(S) Short Position

(P) Lending Pool

Notes:

- (1) As Chongqing Machinery and Electronics Holding (Group) Co., Ltd. and Chongqing Yufu Capital Operation Group Co., Ltd. are wholly owned by Chongqing State-owned Assets Supervision and Administration Commission, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 1,924,225,189 domestic shares and 92,670,000 H shares as well as 232,132,514 domestic shares of the Company held by the two companies respectively.
- (2) Chongqing Construction Engineering Group Corporation Limited is held as to 76.53% by Chongqing State-owned Assets Supervision and Administration Commission through its wholly-owned Chongqing Construction Investment Holding Co., Ltd. Therefore, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 232,132,514 domestic shares of the Company held by Chongqing Construction Engineering Group Corporation Limited.
- (3) China Huarong Asset Management Co., Ltd.\* (中國華融資產管理股份有限公司) is held as to 63.36% directly by the Ministry of Finance of the People's Republic of China and as to 4.22% indirectly by the Ministry of Finance of the People's Republic of China through China Life Insurance (Group) Company, its wholly-owned subsidiary. Therefore, the Ministry of Finance of the People's Republic of China is deemed to be interested in 195,962,467 domestic shares of the Company held by China Huarong Asset Management Co., Ltd.

## Other Information (Continued)

- (4) The Bank of New York Mellon Corporation holds 100% interest in The Bank of New York Mellon (formerly known as “The Bank of New York”), which holds 87,276,000 H shares of the Company. The interest in 87,276,000 H shares relates to the same block of shares in the Company and includes a lending pool of 87,276,000 H shares of the Company.

Save as disclosed above, the Directors of the Company are not aware of any persons holding any interests or short positions in the shares or underlying shares which were required to be recorded in the register pursuant to Section 336 of the SFO as at 30 June 2020.

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the Period, the Company has adopted and complied with the code provisions under the Corporate Governance Code set out in the Appendix 14 of the Listing Rules.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has complied with and adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. The Company has obtained the respective confirmations by all of its directors that they have strictly complied with the provisions set out in the Model Code for the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividends.



## Other Information (Continued)

### AUDIT AND RISK MANAGEMENT COMMITTEE

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

### BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE

As at the date of this report, the executive Directors of the Company are Mr. Zhang Fulun, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Zhang Yongchao, Mr. Dou Bo and Mr. Wang Pengcheng; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.

As at the date of this report, the members of the Supervisory Committee of the Company are Mr. Sun Wenguang, Ms. Wu Yi, Mr. Wang Haibing, Mr. Xia Hua and Mr. Li Fangzhong.

The interim results announcement has been published on the websites of the Company (<http://www.chinacqme.com>) and the Stock Exchange. The interim report will also be available on the websites of the Company and the Stock Exchange on or around 11 September 2020 and will be dispatched to the shareholders of the Company thereafter by the means of receipt of corporate communications they selected.

By Order of the Board

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

**Zhang Fulun**

*Executive Director and Chairman*

Chongqing, the PRC  
26 August 2020

# Review Report



信永中和会计师事务所

ShineWing  
certified public accountants

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XYZH/2020CQA10499

## To the Shareholders of Chongqing Machinery & Electric Co., Ltd:

We have reviewed the accompanying financial statements of Chongqing Machinery & Electric Co., Ltd (the "Company"), which comprise the consolidated and the Company's statement of financial position as at 30 June 2020, the consolidated and the Company's statement of comprehensive income, the consolidated and the Company's statement of cash flow and the consolidated and the Company's statement of changes in equity for January-June 2020 and notes to financial statements. The management of the Company is responsible for fair presentation of these financial statements. Our responsibility is to issue our review report on these financial statements based on our review.

We conducted our review in accordance with the "Review Standard for Chinese Certified Public Accountants No.2101-Review of Financial Statements". The standard requires us to plan and conduct a review to obtain limited assurance as to whether financial statements are free from material misstatement. A review is primarily limited to inquire of company personnel and performing analytical procedures on financial data. A review provides less assurance than audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the consolidated and the Company's financial position as at 30 June 2020, the consolidated and the Company's results of operations and cash flows for six-month period then ended in accordance with Accounting Standards for Business Enterprises.

**ShineWing Certified Public Accountants LLP**

**CICPA:**

**CICPA:**

China, Beijing

26 August 2020

# Consolidated Statement of Financial Position

As at 30 June 2020

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

Unit: RMB

Items	Notes	30 June 2020	31 December 2019
<b>Current assets</b>			
Cash and cash equivalents	VI.1	2,129,168,976.79	2,094,619,648.56
Financial assets held for trade	VI.2	4,249,637.16	269,494.13
Notes receivable	VI.3	238,943,613.97	296,071,386.86
Accounts receivable	VI.4	2,856,179,714.73	2,688,114,256.49
Receivable financing	VI.5	554,330,108.35	470,685,913.42
Prepayments	VI.6	336,498,510.11	266,180,611.67
Other receivables	VI.7	1,124,753,617.09	1,203,555,781.66
Including: Interests receivable			
Dividends receivable	VI.7.1	342,791,694.00	436,478,069.56
Loans and advances to customers	VI.12.1	777,048,573.44	921,848,681.16
Inventories	VI.8	2,077,075,670.58	1,981,484,606.34
Contract assets	VI.9	326,966,077.26	368,454,512.15
Non-current assets due within one year	VI.10	17,400,000.00	17,500,000.00
Other current assets	VI.11	193,632,572.99	41,915,619.38
<b>Total current assets</b>		<b>10,636,247,072.47</b>	<b>10,350,700,511.82</b>
<b>Non-current assets</b>			
Loans and advances to customers	VI.12.2	79,950,000.00	117,000,000.00
Long-term receivables	VI.13	87,000,000.00	95,700,000.00
Long-term equity investments	VI.14	1,162,435,058.80	996,391,965.41
Other equity instruments investment	VI.15	52,314,020.88	52,314,020.88
Investment properties	VI.16	76,908,704.36	78,047,637.67
Property, plant and equipment	VI.17	2,766,443,439.77	2,838,969,790.21
Construction in progress	VI.18	216,753,788.17	207,448,578.58
Right-to-use assets	VI.19	311,838,084.80	358,581,230.46
Intangible assets	VI.20	613,860,210.12	656,254,825.20
Development expenditures	VI.21	16,675,817.82	16,610,242.60
Goodwill	VI.22	143,312,435.00	143,312,435.00
Long-term deferred expenses	VI.23	237,341,855.31	232,876,050.24
Deferred tax assets	VI.24	117,433,467.29	121,906,877.97
Other non-current assets	VI.25	259,209,771.74	251,701,138.83
<b>Total non-current assets</b>		<b>6,141,476,654.06</b>	<b>6,167,114,793.05</b>
<b>Total assets</b>		<b>16,777,723,726.53</b>	<b>16,517,815,304.87</b>

# Consolidated Statement of Financial Position (Continued)

As at 30 June 2020

Items	Notes	30 June 2020	31 December 2019
<b>Current liabilities</b>			
Short-term loans	VI.26	1,206,508,020.00	1,156,886,625.41
Institutions	VI.27	774,194,758.03	1,117,908,116.74
Notes payable	VI.28	908,857,210.25	1,202,637,121.55
Accounts payable	VI.29	1,716,887,365.93	1,686,336,446.82
Contract liabilities	VI.30	985,703,110.93	807,469,495.64
Repurchase agreements	VI.31	–	49,949,000.00
Employee benefits payables	VI.32	67,204,648.27	65,766,577.42
Taxes and levies payables	VI.33	175,047,533.55	186,244,866.97
Other payables	VI.34	503,057,174.85	456,796,531.42
Including: Interests payable		–	–
Dividends payable	VI.34.1	60,670,292.72	28,451,140.35
Non-current liabilities due within one year	VI.35	622,063,164.14	281,511,419.08
Other current liabilities	VI.36	2,541,665.79	3,259,736.35
<b>Total current liabilities</b>		<b>6,962,064,651.74</b>	<b>7,014,765,937.40</b>
<b>Non-current liabilities</b>			
Long-term loans	VI.37	1,941,176,399.19	1,642,606,224.02
Lease liabilities	VI.38	71,522,473.40	127,703,443.23
Long-term payables	VI.39	4,080,402.88	4,505,143.84
Long-term employee benefits payable	VI.40	6,753,824.08	6,759,000.00
Provisions	VI.41	19,550,640.57	21,754,527.73
Deferred revenue	VI.42	284,871,460.34	301,172,088.60
Deferred tax liabilities	VI.24	104,879,224.41	109,458,767.32
<b>Total non-current liabilities</b>		<b>2,432,834,424.87</b>	<b>2,213,959,194.74</b>
<b>Total liabilities</b>		<b>9,394,899,076.61</b>	<b>9,228,725,132.14</b>



# Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2020

Items	Notes	30 June 2020	31 December 2019
<b>Shareholder's equity</b>			
Share capital	VI.43	<b>3,684,640,154.00</b>	3,684,640,154.00
Capital reserves	VI.44	<b>50,311,968.20</b>	50,311,968.20
Other comprehensive income	VI.45	<b>29,844,059.53</b>	21,514,640.55
Surplus reserves	VI.46	<b>364,663,370.96</b>	364,663,370.96
Retained profits	VI.47	<b>2,794,842,854.28</b>	2,723,290,866.87
<b>Total equity attributable to shareholders of the Company</b>		<b><u>6,924,302,406.97</u></b>	<u>6,844,421,000.58</u>
<b>Non-controlling interests</b>		<b><u>458,522,242.95</u></b>	<u>444,669,172.15</u>
<b>Total shareholder's equity</b>		<b><u>7,382,824,649.92</u></b>	<u>7,289,090,172.73</u>
<b>Total liabilities and shareholder's equity</b>		<b><u>16,777,723,726.53</u></b>	<u>16,517,815,304.87</u>

Legal Representative:

Person in charge of  
accounting function:

Person in charge of  
accounting department:

# Statement of Financial Position of the Company

As at 30 June 2020

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

Unit: RMB

Items	Notes	30 June 2020	31 December 2019
<b>Current assets:</b>			
Cash and cash equivalents		<b>1,484,973,611.43</b>	1,109,485,020.12
Notes receivable		<b>3,699,342.90</b>	2,800,000.00
Other receivables	XVI.1	<b>1,482,152,636.52</b>	1,455,032,793.77
Including: Interests receivable		–	–
Dividends receivable	XVI.1.1	<b>374,721,694.00</b>	436,478,069.56
Non-current assets due within one year		<b>17,400,000.00</b>	17,500,000.00
Other current assets		<b>156,908,287.35</b>	3,722,935.34
<b>Total current assets</b>		<b><u>3,145,133,878.20</u></b>	<u>2,588,540,749.23</u>
<b>Non-current assets:</b>			
Long-term receivables		<b>986,900,000.00</b>	838,000,000.00
Long-term equity investments	XVI.2	<b>4,773,170,677.98</b>	4,602,220,235.53
Other equity instruments investment		<b>52,314,020.88</b>	52,314,020.88
Property, plant and equipment		<b>37,769,839.31</b>	35,610,757.03
Construction in progress		–	4,515,158.77
Intangible assets		<b>19,456,587.81</b>	19,998,224.66
Goodwill		<b>293,943.72</b>	293,943.72
<b>Total non-current assets</b>		<b><u>5,869,905,069.70</u></b>	<u>5,552,952,340.59</u>
<b>Total assets</b>		<b><u>9,015,038,947.90</u></b>	<u>8,141,493,089.82</u>
<b>Current liabilities</b>			
Short-term loans		<b>712,000,000.00</b>	696,781,000.00
Employee benefits payables		<b>1,207,208.80</b>	1,780,697.30
Taxes and levies payables		<b>1,355,537.10</b>	251,357.01
Other payables		<b>45,029,952.61</b>	9,262,442.99
Including: Interests payable		–	–
Dividends payable		<b>9,273,194.24</b>	–
Non-current liabilities due within one year		<b>332,000,000.00</b>	22,100,000.00
<b>Total current liabilities</b>		<b><u>1,091,592,698.51</u></b>	<u>730,175,497.30</u>

# Statement of Financial Position of the Company (Continued)

As at 30 June 2020

Items	Notes	30 June 2020	31 December 2019
<b>Non-current liabilities</b>			
Long-term loans		1,543,000,000.00	1,194,000,000.00
Deferred tax liabilities		8,367,050.00	8,367,050.00
<b>Total non-current liabilities</b>		<b>1,551,367,050.00</b>	<b>1,202,367,050.00</b>
<b>Total liabilities</b>		<b>2,642,959,748.51</b>	<b>1,932,542,547.30</b>
<b>Shareholder's equity</b>			
Share capital		3,684,640,154.00	3,684,640,154.00
Capital reserves		140,716,900.00	140,716,900.00
Other comprehensive income		6,237,599.88	6,237,599.88
Surplus reserves		379,038,746.87	379,038,746.87
Retained profits		2,161,445,798.64	1,998,317,141.77
<b>Total shareholder's equity</b>		<b>6,372,079,199.39</b>	<b>6,208,950,542.52</b>
<b>Total liabilities and shareholder's equity</b>		<b>9,015,038,947.90</b>	<b>8,141,493,089.82</b>

Legal Representative:

Person in charge of  
accounting function:

Person in charge of  
accounting department:

# Consolidated Income Statement

For the six months ended 30 June 2020

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

Unit: RMB

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>1. Total operating revenue</b>	VI.48	<b>2,758,285,266.75</b>	2,437,375,522.67
Including: Operating revenue	VI.48	<b>2,734,732,446.36</b>	2,402,962,360.09
Interest income	VI.48	<b>23,392,737.48</b>	34,387,621.46
Transaction fees and commission income	VI.48	<b>160,082.91</b>	25,541.12
<b>2. Total operating cost</b>		<b>2,818,925,671.54</b>	2,597,514,651.01
Including: Operating cost	VI.48	<b>2,201,166,381.08</b>	1,944,134,954.38
Interest expenses	VI.48	<b>3,857,195.46</b>	6,186,612.31
Transaction cost and commission fees	VI.48	<b>92,678.40</b>	61,983.93
Business taxes and surcharges		<b>22,275,046.55</b>	28,822,102.41
Selling and distribution expenses	VI.49	<b>129,637,962.19</b>	155,458,830.60
Administrative expenses	VI.50	<b>269,919,869.47</b>	237,233,280.11
Research and development expenses	VI.51	<b>138,162,539.50</b>	147,065,236.22
Financial expenses	VI.52	<b>53,813,998.89</b>	78,551,651.05
Including: Interest expenses	VI.52	<b>68,532,652.99</b>	79,918,608.69
Interest income	VI.52	<b>18,716,139.28</b>	10,061,435.33
Add: Other income	VI.53	<b>38,682,860.31</b>	57,606,923.79
Investment income (Loss listed with "-")	VI.54	<b>168,218,313.21</b>	158,974,553.62
Including: Income from investments in associates and joint ventures	VI.54	<b>167,098,200.47</b>	155,987,807.84
Gain arising from the changes in fair value (Loss listed with "-")	VI.55	<b>(19,856.97)</b>	4,808,649.57
Impairment loss of credit (Loss is listed by "-")	VI.56	<b>(304,567.97)</b>	22,346,159.52
Impairment loss of assets (Loss is listed by "-")	VI.57	<b>(15,129,662.29)</b>	5,412,239.96
Gain on disposal of assets (Loss listed with "-")	VI.58	<b>10,496,278.63</b>	134,423,031.35

# Consolidated Income Statement (Continued)

For the six months ended 30 June 2020

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>3. Operating profit (Loss listed with “-”)</b>		<b>141,302,960.13</b>	223,432,429.47
Add: Non-operating income	VI.59	<b>6,073,169.81</b>	3,218,045.55
Less: Non-operating expenses	VI.60	<b>4,671,622.35</b>	2,944,875.04
<b>4. Total profit (Loss listed with “-”)</b>		<b>142,704,507.59</b>	223,705,599.98
Less: Income tax expenses	VI.61	<b>19,610,128.84</b>	47,456,037.06
<b>5. Net profit (Net loss listed with “-”)</b>		<b>123,094,378.75</b>	176,249,562.92
<b>(1) Classification by continuing or discontinued operation</b>		<b>123,094,378.75</b>	176,249,562.92
1. Net profit attributable to continuing operation (Net loss listed with “-”)		<b>123,094,378.75</b>	176,249,562.92
2. Net profit attributable to discontinued operation (Net loss listed with “-”)		—	—
<b>(2) Classification by ownership</b>		<b>123,094,378.75</b>	176,249,562.92
1. Net profit attributable to shareholders of the controlling company		<b>108,398,388.95</b>	163,618,899.53
2. Net profit attributable to non-controlling interests		<b>14,695,989.80</b>	12,630,663.39
<b>6. Net other comprehensive income after tax</b>	VI.62	<b>8,329,418.98</b>	(13,500,404.39)
Net other comprehensive income after tax attributable to shareholders of the Company	VI.45	<b>8,329,418.98</b>	(13,500,404.39)
<b>(1) Other comprehensive incomes that cannot be reclassified into profit or loss</b>	VI.45	—	(13,497,388.88)
1. Changes from recalculation of defined benefit plan	VI.45	—	(479,399.50)
2. Transfer changes of defined benefit plan to retained earnings	VI.45	—	(13,017,989.38)
3. Changes in fair value of other equity instrument investments	VI.45	—	—

# Consolidated Income Statement (Continued)

For the six months ended 30 June 2020

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>(2) Other comprehensive income that can be reclassified into profit or loss</b>			
	VI.45	<b>8,329,418.98</b>	(3,015.51)
1. Gain or loss from fair value changes of available-for-sale financial assets		—	—
2. Share of other comprehensive income of investee company under equity method that can be reclassified as profit or loss		—	—
3. Effective portion of net investment hedging gains and losses	VI.45	<b>3,220,037.26</b>	79,178.23
4. Translation differences of financial statements in foreign currencies	VI.45	<b>5,109,381.72</b>	(82,193.74)
Net other comprehensive income after tax attributable to non-controlling interests		—	—
<b>7. Total comprehensive income</b>		<b>131,423,797.73</b>	162,749,158.53
(1) Total comprehensive income attributable to shareholders of the Company		<b>116,727,807.93</b>	150,118,495.14
(2) Total comprehensive income attributable to non-controlling interests		<b>14,695,989.80</b>	12,630,663.39
<b>8. Earnings per share</b>			
(1) Basic earnings per share		<b>0.03</b>	0.04
(2) Diluted earnings per share		<b>0.03</b>	0.04

Legal Representative:

Person in charge of  
accounting function:

Person in charge of  
accounting department:

# Income Statement of the Company

For the six months ended 30 June 2020

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

Unit: RMB

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>1. Operating revenue</b>	XVI.3	<b>634,675.69</b>	621,573.16
Less: operating cost		-	-
Business taxes and surcharges		<b>170,468.60</b>	289,091.92
Selling and distribution expenses		-	-
Administrative expenses		<b>17,478,126.42</b>	20,205,747.65
Research and development expenses		-	-
Financial expenses		<b>2,574,433.76</b>	8,354,965.90
Including: Interest expenses		<b>49,587,117.30</b>	38,196,212.18
Interest income		<b>43,781,447.54</b>	29,748,999.04
Add: Other income		<b>20,816.23</b>	-
Investment income (Loss listed with "-")	XVI.4	<b>219,015,699.53</b>	161,080,431.17
Including: Income from investments in associates and joint ventures	XVI.4	<b>167,005,549.53</b>	158,097,362.68
Gain arising from the changes in fair value (Loss listed with "-")		-	4,914,863.01
Impairment loss of credit (Loss is listed by "-")		<b>1,000,000.00</b>	20,100.00
Impairment loss of assets (Loss is listed by "-")		-	-
Gain on disposal of assets (Loss listed with "-")		<b>37,895.74</b>	601,957.79
<b>2. Operating profit (Loss listed with "-")</b>		<b>200,486,058.41</b>	138,389,119.66
Add: Non-operating income		-	0.21
Less: Non-operating expenses		<b>511,000.00</b>	-

# Income Statement of the Company (Continued)

For the six months ended 30 June 2020

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>3. Total profit (Loss listed with "-")</b>		<b>199,975,058.41</b>	138,389,119.87
Less: Income tax expenses		-	-
<b>4. Net profit (Net loss listed with "-")</b>		<b>199,975,058.41</b>	138,389,119.87
(1) Net profit attributable to continuing operation (Net loss listed with "-")		<b>199,975,058.41</b>	138,389,119.87
(2) Net profit attributable to discontinued operation (Net loss listed with "-")		-	-
<b>5. Net other comprehensive income after tax</b>		-	-
(1) Other comprehensive incomes that cannot be reclassified into profit or loss		-	-
(2) Other comprehensive income that can be reclassified into profit or loss		-	-
<b>6. Total comprehensive income</b>		<b>199,975,058.41</b>	<b>138,389,119.87</b>

Legal Representative:

Person in charge of  
accounting function:

Person in charge of  
accounting department:



# Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

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

Unit: RMB

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		<b>2,596,387,497.52</b>	2,413,333,091.74
Net increase in customer deposits and interbank deposits		<b>(343,859,464.84)</b>	33,743,115.14
Net increase in central bank payments		—	(10,000,000.00)
Net increase in interbank payments		—	(30,000,000.00)
Cash received from interest, surcharges and commission fee		<b>24,030,538.97</b>	29,203,140.51
Net increase in repurchase agreements		<b>(49,949,000.00)</b>	22,711,750.00
Cash received from tax refund		<b>17,524,352.65</b>	7,327,158.72
Cash received relating to other operating activities		<b>316,753,712.83</b>	167,634,892.91
<b>Sub-total of cash inflows from operating activities</b>		<b>2,560,887,637.13</b>	2,633,953,149.02
Cash paid for goods and services		<b>1,996,081,061.83</b>	1,861,030,745.48
Net increase in loans and advances to customers		<b>(186,539,091.44)</b>	45,432,100.11
Net increase in central bank and interbank payments		<b>34,456,457.78</b>	(32,355,953.16)
Cash paid for interest, surcharges and commission fee		<b>3,803,767.73</b>	4,160,405.50
Cash paid to and on behalf of employees		<b>446,349,257.04</b>	474,897,624.56
Payments of taxes and surcharges		<b>129,346,362.00</b>	183,742,405.91
Cash paid relating to other operating activities		<b>291,757,369.13</b>	228,201,526.54
<b>Sub-total of cash outflows from operating activities</b>		<b>2,715,255,184.07</b>	2,765,108,854.94
<b>Net cash flows from operating activities</b>		<b>(154,367,546.94)</b>	(131,155,705.92)

# Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2020

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>2. Cash flows from investment activities</b>			
Cash received from return of investments		–	5,280,782.54
Cash received from investments income		<b>100,053,655.97</b>	137,953,615.36
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>41,566,227.20</b>	1,138,376.00
Cash received relating to other investing activities		<b>9,800,000.00</b>	22,214,899.10
<b>Sub-total of cash inflows from investing activities</b>		<b>151,419,883.17</b>	166,587,673.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>49,891,307.59</b>	133,122,134.27
Cash paid for investments		<b>154,000,000.00</b>	450,000,000.00
Cash paid relating to other investing activities		<b>361,187,463.73</b>	7,351,503.75
<b>Sub-total of cash outflow from investing activities</b>		<b>565,078,771.32</b>	590,473,638.02
<b>Net cash flows from investing activities</b>	VI.63(2)	<b>(413,658,888.15)</b>	(423,885,965.02)

# Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2020

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>3. Cash flows from financing activities</b>			
Cash received from investments		371,700.00	–
Including: cash received by subsidiaries from investment of non-controlling interests		371,700.00	–
Cash received from loans granted		1,274,205,425.00	1,420,409,465.00
Cash received relating to other financing activities		26,801,199.53	259,553,221.50
<b>Sub-total of cash inflows from financing activities</b>		<b>1,301,378,324.53</b>	1,679,962,686.50
Cash paid for repayment of borrowings		571,212,762.78	818,271,007.09
Cash paid for dividends, profits or payments of interests		72,996,667.63	49,724,148.69
Including: dividends and profits paid to non-controlling interests by subsidiaries		4,752,225.00	–
Cash paid relating to other financing activities		255,927,309.71	227,852,434.21
<b>Sub-total of cash outflows from financing activities</b>		<b>900,136,740.12</b>	1,095,847,589.99
<b>Net cash flows from financing activities</b>		<b>401,241,584.41</b>	584,115,096.51
<b>4. Effects of changes in exchange rate on cash and cash equivalents</b>		<b>(1,943,967.50)</b>	383,269.04
<b>5. Net increase in cash and cash equivalents</b>		<b>(168,728,818.18)</b>	29,456,694.61
Add: opening balance of cash and cash equivalents		1,537,567,094.59	1,570,343,395.06
<b>6. Balance of cash and cash equivalents at the end of this period</b>		<b>1,368,838,276.41</b>	1,599,800,089.67

Legal Representative:

Person in charge of  
accounting function:

Person in charge of  
accounting department:

# Cash Flows Statement of the Company

For the six months ended 30 June 2020

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

Unit: RMB

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		—	234,316.66
Cash received relating to other operating activities		<b>11,002,797.06</b>	6,191,910.53
<b>Sub-total of cash inflows from operating activities</b>		<b>11,002,797.06</b>	<b>6,426,227.19</b>
Cash paid for goods and services		—	—
Cash paid to and on behalf of employees		<b>8,824,053.73</b>	10,686,947.74
Payments of taxes and surcharges		<b>243,869.70</b>	322,339.02
Cash paid relating to other operating activities		<b>6,271,484.86</b>	3,078,525.46
<b>Sub-total of cash outflows from operating activities</b>		<b>15,339,408.29</b>	<b>14,087,812.22</b>
<b>Net cash flows from operating activities</b>		<b>(4,336,611.23)</b>	<b>(7,661,585.03)</b>
<b>2. Cash flows from investment activities</b>			
Cash received from return of investments		—	—
Cash received from investments income		<b>316,998,318.01</b>	137,953,615.36
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>59,500.00</b>	894,100.00
Cash received relating to other investing activities		<b>681,037,946.18</b>	941,017,274.10
<b>Sub-total of cash inflows from investing activities</b>		<b>998,095,764.19</b>	<b>1,079,864,989.46</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>14,009.00</b>	716,000.00
Cash paid for investments		<b>155,000,000.00</b>	450,000,000.00
Cash paid relating to other investing activities		<b>1,325,910,947.58</b>	1,138,000,000.00
<b>Sub-total of cash outflow from investing activities</b>		<b>1,480,924,956.58</b>	<b>1,588,716,000.00</b>
<b>Net cash flows from investing activities</b>		<b>(482,829,192.39)</b>	<b>(508,851,010.54)</b>

# Cash Flows Statement of the Company (Continued)

For the six months ended 30 June 2020

Items	Notes	For the six months ended 30 June	
		2020	2019
<b>3. Cash flows from financing activities</b>			
Cash received from loans granted		<b>882,000,000.00</b>	1,038,000,000.00
<b>Sub-total of cash inflows from financing activities</b>		<b>882,000,000.00</b>	1,038,000,000.00
Cash paid for repayment of borrowings		<b>211,100,000.00</b>	372,400,000.00
Cash paid for dividends, profits or payments of interests		<b>47,131,192.30</b>	20,074,578.17
Cash paid relating to other financing activities		<b>—</b>	—
<b>Sub-total of cash outflows from financing activities</b>		<b>258,231,192.30</b>	392,474,578.17
<b>Net cash flows from financing activities</b>		<b>623,768,807.70</b>	645,525,421.83
<b>4. Effects of changes in exchange rate on cash and cash equivalents</b>		<b>430.04</b>	—
<b>5. Net increase in cash and cash equivalents</b>		<b>136,603,434.12</b>	129,012,826.26
Add: opening balance of cash and cash equivalents		<b>1,019,104,126.44</b>	1,092,582,082.60
<b>6. Balance of cash and cash equivalents at the end of this period</b>		<b>1,155,707,560.56</b>	1,221,594,908.86

Legal Representative:

Person in charge of  
accounting function:

Person in charge of  
accounting department:

Items

For the six months ended 30 June 2020

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

## 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	Total equity
<b>1. Balance at 31 December 2019</b>	3,684,646,154.00	-	-	-	50,311,568.20	-	21,514,640.55	-	364,653,370.95	-	2,722,290,666.87	444,659,172.15	7,289,090,172.73
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2020</b>	3,684,646,154.00	-	-	-	50,311,568.20	-	21,514,640.55	-	364,653,370.95	-	2,722,290,666.87	444,659,172.15	7,289,090,172.73
<b>3. Increase/Decrease for the year (Decrease listed with "-")</b>	-	-	-	-	-	-	8,292,418.99	-	-	-	71,551,987.41	13,653,070.89	93,734,477.19
(1) Total comprehensive income	-	-	-	-	-	-	8,292,418.99	-	-	-	108,398,398.95	14,655,968.80	131,423,767.73
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	371,700.00	371,700.00
3. Equity increase from State-based payments	-	-	-	-	-	-	-	-	-	-	-	371,700.00	371,700.00
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	-	-	(36,846,401.54)	(121,4519.00)	(38,061,020.54)
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	(36,846,401.54)	(121,4619.00)	(38,061,020.54)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-



# Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020

Items	For the six months ended 30 June 2020										
	Equity attributable to the equity holders of the controlling Company										
	Other equity instruments			Other			General risk provision	Retained profits	Non-controlling interests	Total equity	
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares					comprehensive income
(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	-	-	-	-	-	-	-	-	-	-	
<b>4. Balance at 30 June 2020</b>	<b>3,084,640,154.00</b>	-	-	-	<b>50,311,568.20</b>	-	<b>29,844,093.53</b>	-	<b>384,663,370.95</b>	<b>458,522,420.95</b>	<b>7,362,824,689.32</b>

Legal Representative: \_\_\_\_\_ Person in charge of accounting function: \_\_\_\_\_  
 Person in charge of accounting department: \_\_\_\_\_

## Consolidated Statement of Changes in Equity (Continued)

For the year 2019

Items	For the year 2019												
	Equity attributable to the equity holders of the controlling Company												
	Other equity instruments												
	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
<b>1. Balance at 31 December 2018</b>	3,684,640,154.00	-	-	-	50,311,988.20	-	31,652,427.09	-	334,373,473.12	-	2,705,521,621.81	420,752,299.14	7,229,661,943.36
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	(4,927,467.14)	(5,543,362.57)	(5,443,362.57)
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2019</b>	3,684,640,154.00	-	-	-	50,311,988.20	-	31,652,427.09	-	334,373,473.12	-	2,705,594,154.67	420,249,403.71	7,224,216,580.79
<b>3. Increase/Decrease for the year (Decrease listed with "-")</b>	-	-	-	-	-	-	(9,537,786.54)	-	30,289,897.84	-	19,696,712.20	24,422,788.44	64,871,591.94
(1) Total comprehensive income	-	-	-	-	-	-	3,450,550.34	-	-	-	184,833,923.25	19,155,393.90	207,470,867.49
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	-	-	-	36,000,000.00	36,000,000.00
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	36,000,000.00	36,000,000.00
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	30,289,897.84	-	(176,126,274.36)	(24,659,291.70)	(172,556,668.22)
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	30,289,897.84	-	(30,289,897.84)	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	(450,770.36)	-	(450,770.36)
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	(147,355,636.16)	(24,659,291.70)	(172,014,927.86)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-





# Consolidated Statement of Changes in Equity (Continued)

For the year 2019

Items	For the year 2019													
	Equity attributable to the equity holders of the controlling Company													
	Other equity instruments			Other			Retained profits	Non-controlling interests	Total equity					
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares					Other comprehensive income	Special reserves	Surplus reserves	General risk provision
(4) Transfer	-	-	-	-	-	-	(12,968,336.88)	-	-	-	12,968,336.88	-	-	-
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	-	-	-	-	-	-	(12,968,336.88)	-	-	-	12,968,336.88	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	(273.57)	(6,063,333.76)	-	(6,063,607.33)
<b>4. Balance at 31 December 2019</b>	<b>3,684,640,154.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>503,1968.20</b>	<b>-</b>	<b>21,514,640.55</b>	<b>-</b>	<b>384,663,370.95</b>	<b>-</b>	<b>2,723,290,656.67</b>	<b>444,658,172.15</b>	<b>-</b>	<b>7,269,900,172.73</b>

Legal Representative: \_\_\_\_\_ Person in charge of accounting function: \_\_\_\_\_  
 Person in charge of accounting department: \_\_\_\_\_

## Statement of Changes in Equity of the Company

For the six months ended 30 June 2020

Items	For the six months ended 30 June 2020											
	Share capital	Preferred shares	Perpetual bond	Other equity instruments	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profits	Total equity
<b>1. Balance at 31 December 2019</b>	3,684,640,154.00	-	-	-	-	140,716,900.00	-	6,237,599.88	-	379,088,746.87	1,998,317,141.77	6,208,950,542.52
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2020</b>	3,684,640,154.00	-	-	-	-	140,716,900.00	-	6,237,599.88	-	379,088,746.87	1,998,317,141.77	6,208,950,542.52
<b>3. Increase/Decrease for the period (Decrease listed with "-")</b>	-	-	-	-	-	-	-	-	-	-	163,128,656.87	163,128,656.87
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	199,975,058.41	199,975,058.41
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	-	-	(36,846,401.54)	(36,846,401.54)
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	(36,846,401.54)	(36,846,401.54)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-

# Statement of Changes in Equity of the Company (Continued)

For the six months ended 30 June 2020

Items	For the six months ended 30 June 2020																						
	Other equity instruments			Preferred shares		Perpetual bond		Others		Capital reserves		Less: treasury shares		Other comprehensive income		Special reserves		Surplus reserves		Retained profits		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 changes of defined benefit plan to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>4. Balance at 30 June 2020</b>	<b>3,684,640,154.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,716,900.00</b>	<b>-</b>	<b>-</b>	<b>6,237,599.88</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>379,038,746.87</b>	<b>-</b>	<b>2,161,445,798.64</b>	<b>-</b>	<b>6,372,079,199.39</b>	

Legal Representative:

Person in charge of  
accounting function:

Person in charge of  
accounting department:

## Statement of Changes in Equity of the Company (Continued)

For the year 2019

Unit: RMB

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

Items	For the year 2019							Total equity			
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income		Special reserves	Surplus reserves	Retained profits
<b>1. Balance at 31 December 2018</b>	3,684,640,154.00	-	-	-	140,716,900.00	-	616,640.00	-	348,748,849.03	1,873,093,667.34	6,047,816,210.37
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2019</b>	3,684,640,154.00	-	-	-	140,716,900.00	-	616,640.00	-	348,748,849.03	1,873,093,667.34	6,047,816,210.37
<b>3. Increase/Decrease for the period (Decrease listed with "-")</b>	-	-	-	-	-	-	5,620,959.88	-	30,289,897.84	125,223,474.43	161,134,332.15
(1) Total comprehensive income	-	-	-	-	-	-	5,620,959.88	-	-	302,898,976.43	308,519,936.31
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-
(3) Profit appropriations	-	-	-	-	-	-	-	-	30,289,897.84	(177,675,504.00)	(147,385,606.16)
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	30,289,897.84	(30,289,897.84)	-
2. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	(147,385,606.16)	(147,385,606.16)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-

# Statement of Changes in Equity of the Company (Continued)

For the year 2019

Items	For the year 2019												
	Other equity instruments			Preferred shares		Perpetual bond		Others		Capital reserves	Less: treasury shares	Other comprehensive income	Retained profits
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Retained profits	Surplus reserves	Special reserves	Surplus reserves	Retained profits	Total equity
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer changes of defined benefit plan to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>4. Balance at 31 December 2019</b>	<b>3,684,640,154.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,716,300.00</b>	<b>-</b>	<b>6,237,599.88</b>	<b>1,998,317,141.77</b>	<b>379,088,746.87</b>	<b>-</b>	<b>379,088,746.87</b>	<b>1,998,317,141.77</b>	<b>6,208,860,542.52</b>

Legal Representative:

Person in charge of  
accounting function:

Person in charge of  
accounting department:

# Notes to the Consolidated Financial Statements

From 1 January 2020 to 30 June 2020  
(All amounts are presented in RMB except otherwise stated)

## I. GENERAL INFORMATION

Chongqing Machinery & Electric Co., Ltd. (the “Company”) was established on 27 July 2007 as a joint share company with limited liability by Chongqing Machinery & Electronics Holding (Group) Co., Ltd. (“CQMEHG”), Chongqing Yufu Capital Operation Group Co., Ltd (“Yufu company”, originally called Chongqing Yufu Assets Management Co., Ltd), China Huarong Asset Management Co., Ltd. (“Huarong Company”), and Chongqing Construction Engineering Group Co. Ltd. (“CCEG”). The address of the Company’s registered office is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC. The Company’s headquarter is located in Chongqing, the PRC. The parent company and the ultimate controlling shareholder is Chongqing Machinery & Electronics Holding (Group) Co. Ltd. The Group was established with a registered capital of RMB2,679.74 Million (RMB1 per share).

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

As of 30 June 2020, the registered capital of the Group was RMB3,684,640,154 yuan. The Group and its Subsidiaries (hereinafter collectively referred to as “the Group”) are mainly engaged in the manufacturing, sales and services of clean energy equipment and high-end intelligent equipment.

The consolidated financial statements have been approved for issue by the Board of Directors of the Group on 26 August 2020.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidated financial statements of the Group includes 41 companies such as Chongqing General Industry (Group) Co., Ltd., Chongqing Pigeon Electric Wires & Cables Co., Ltd. (“Pigeon Wires”) and Chongqing Water Turbine Works Co., Ltd..

For details, please refer to relevant content as set out in “VII. CHANGES IN CONSOLIDATION SCOPE” and “VIII. INTEREST IN OTHER ENTITIES” of this note.

## III. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

### (1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15-General Rules on Financial Reporting issued by the China Securities Regulatory Commission, Hong Kong’s “Companies Ordinance” and based on the accounting policies and accounting estimates set out in “IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES” in this note.

### (2) Going concern

The financial statements are prepared on a going concern basis. The Group has a history of recent profitable operations and financial support, so it is reasonable to prepare financial statements on a going concern basis.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

### 1. Declaration on Compliance with CAS

The Company complied with the requirements of CAS in preparing its financial statements, which give a true and full view of the financial position, financial performance and cash flows of the Group.

### 2. Accounting Period

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

### 3. Business Cycle

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

### 4. Functional Currency

The Group's functional currency is Renminbi (RMB). The financial statements of the Group are expressed in RMB unless otherwise stated.

The subsidiaries decide their own functional currency according to the main economic environment in which they operate. Their functional currency converts to RMB when the financial statements were prepared.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

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

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

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

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 6. Preparation of Consolidated Financial Statements

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

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

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

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



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **6. Preparation of Consolidated Financial Statements *(continued)***

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

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

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

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 6. Preparation of Consolidated Financial Statements *(continued)*

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

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



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **7. Cash and Cash Equivalents**

Cash in the Group's cash flows statement represents cash on hand and deposits that can be readily draw on demand. Cash equivalents in the cash flow statement represent short-term (3 months or less), and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

### **8. Foreign currency transactions and translation of financial statements denominated in foreign currency**

#### **(1) Foreign currency transactions**

Foreign currency transactions are translated into RMB at the spot exchange rate of the transaction dates. On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets.

#### **(2) Translation of foreign currency financial statements**

Asset and liability items in the balance sheet of foreign operations are translated at the spot exchange rates at the balance sheet date; equity items other than undistributed profits are translated at the spot exchange rates at the date of the transactions. Income and expense items in the income statements are translated at the spot exchange rate at the date of the transactions. The foreign currency statement translation difference arising from the above conversion shall be listed in other comprehensive income item. The impact of the foreign currency translation on the cash is presented in the cash flow statement separately.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities

The Group recognizes a financial asset or liability when it enters a financial instrument contract.

#### (1) Financial assets

##### 1) *Classification, recognition basis and measurement of financial assets*

Based on the business mode for management of the Group and cash flow characteristics of contracts, the financial assets are classified into the following categories: (i) financial assets measured at amortized cost; (ii) financial assets at fair value through other comprehensive income; (iii) financial assets at fair value through profit or loss.

The Group classifies the financial assets into financial assets as subsequently measured at amortized cost if all the following conditions are met: a) The objective of the business model within which the asset is held is to hold assets in order to collect contractual cash flows, and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Such financial asset is measured initially at its fair value, the relating transaction costs shall be recognized into the initial amount of the financial asset, and is subsequently measured at amortized cost. Except for the case that the financial asset is designated for hedging project, gain or loss arising from derecognition, impairment or amortization for the difference between the initial amount and the amount due using the effective interest method are recorded in current profit or loss. These financial assets include cash at bank and on hand, notes receivable, accounts receivable, other receivables, contractual assets, debt investments and long-term receivables. Debt investments and long-term receivables due within 1 year (inclusive) at the balance sheet date are listed as the current portion of non-current assets; at acquiring date, debt investments with maturities within one year (inclusive) are listed as other current assets.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 1) *Classification, recognition basis and measurement of financial assets (continued)*

The Group classifies the financial assets into financial assets as measured at fair value through other comprehensive income if all the following conditions are met: a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial asset is measured initially at its fair value, and the relating transaction costs shall be recognized into the initial amount of the financial asset. Gain or loss incurred by financial assets measured at fair value through other comprehensive income excepting the case that the financial asset is designated for hedging project shall be recognized in other comprehensive income except the impairment loss or gains, foreign exchange profit or loss, and interests calculated by the effective interest rate method of financial assets. When the financial asset is derecognized, accumulated gains or losses previously recognized in other comprehensive income shall be transferred to current profit or loss from other comprehensive income. These financial assets are listed as receivables financing and other equity instrument investments.

The Group lists those debt instruments that do not meet the criteria for amortised cost or fair value through other comprehensive income as financial assets held for trading that are measured at fair value through profit or loss. At the initial recognition, for eliminating or dramatically reducing accounting mismatch, the Group specifies parts of financial assets as those measured at fair value through current profit or loss.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 2) *Equity instruments*

The Group recognises its equity instruments that have no control, joint control and significant influence on the fair value through profit or loss and list them as financial assets held for trading; the equity instruments that are expected to be held for more than a year from the balance sheet date are listed as other non-current financial assets.

Besides, the Group specifies certain non-tradable equity instrument investments as financial assets that are measured at fair value through other comprehensive income and presented as other equity instrument investments. The relevant dividend income of such financial assets is included in the current profit and loss.

##### 3) *Recognition basis and measurement of transferring financial assets*

The Group will derecognized the financial asset if one of the following conditions is satisfied: (a) The contractual rights to collect the cash flows from the financial asset terminate; (b) When the financial asset is transferred, and the Group transfers substantially all the risks and rewards of ownership of the financial asset; (c) When the financial asset is transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and has not retained control.





# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 3) *Recognition basis and measurement of transferring financial assets (continued)*

When a transfer of the financial asset qualifies for derecognition, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and the cumulative amount of changes in fair value that has been previously recorded in other comprehensive income, is recorded in current profit or loss (the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding).

If a transfer of part of a financial asset qualifies for derecognition, the carrying amount of the entire financial asset transferred is allocated between the part that is derecognized and the part that continues to be recognized, based on the respective fair values of those parts. The difference between the sum of consideration received from the transfer and cumulative amount of changes in fair value that shall be allocated to the part derecognized which has been previously recognized in other comprehensive income and the above allocated carrying amount, is recorded in current profit or loss (the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding).

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 4) *Impairment of financial assets*

On the basis of expected credit losses, the Group performs impairment treatment on the financial assets at amortized cost, debt instrument investments, loan commitments and contract assets at fair value through other comprehensive income, and recognize the loss provision.

Based on reasonable information such as past events, current conditions and economic forecasts, the Group calculate the default-risk-weighted present value of the difference between the agreed and expected cash flow to project the default loss of our contracts.

The Group measures loss provisions according to the following circumstances: (i) the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses; (ii) the credit risk on a financial instrument has increased significantly, the Group measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses; (iii) financial asset is considered credit-impaired at the time of acquisition or at the beginning, the Group measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses. Except for the amounts of which the credit loss rate can be expected with the obvious evidence, the Company calculates the expected credit loss on a group basis.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 4) Impairment of financial assets *(continued)*

- (i) The Group classifies accounts receivable and other receivables into several groups according to the credit risk characteristics and calculates the expected credit losses on a group basis. The basis of determination of groups is as follows:

Classification and basis of notes receivable:

<b>Name of groups</b>	<b>Basis of determination of groups</b>
Bank acceptance notes	Banks with low credit risk
Trade acceptance bill	Notes other than bank acceptance bills

Accounts receivable division and combination and basis:

<b>Name of groups</b>	<b>Basis of determination of groups</b>
Related company funds	Funds formed from transactions with related companies
Quality margin portfolio	Quality deposit not in collection period
Good combination of repayment within credit period	Customers who have received good payment within the credit period
General customer fund portfolio	Other general customers

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 4) *Impairment of financial assets (continued)*

##### (i) *(continued)*

Classification and basis of other receivables:

<b>Name of groups</b>	<b>Basis of determination of groups</b>
Government funds	Accounts receivable from government
Related company funds	Accounts receivable from related companies
Deposit, security deposit and reserve fund	Deposits, security deposit and reserve fund receivable
General or other payments	Accounts receivable from general customers or others

For the accounts receivable and other receivables classified as accounts receivable from general customers or others, the Group refers to the historical credit loss experience, combined with the forecast of the current and the future economic condition to calculate the expected credit loss according to the accounts receivable aging and other receivables aging and expected credit loss through full life time in reference.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 4) Impairment of financial assets *(continued)*

###### (i) (continued)

For the accounts receivable and other receivables classified as accounts receivable from government, accounts receivable from related companies, deposits, security deposit and reserve fund receivable, the Group calculates the expected credit loss according to the default risk exposure and expected credit loss rates over the next 12 months or throughout the lifetime.

###### (ii) The group divides the contract assets into the following combinations according to the characteristics of credit risk, and calculates the expected credit loss based on the combination. Confirm the combination and its basis as follows:

<b>Name of groups</b>	<b>Basis of determination of groups</b>
Contract assets related to construction contracts	Construction contract
Contract assets formed by general business	Contracts other than construction contracts

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 4) *Impairment of financial assets (continued)*

- (iii) The group divides long-term receivables into the following combinations according to the characteristics of credit risk, and calculates the expected credit loss based on the combination. The combination and basis are as follows:

<b>Name of groups</b>	<b>Basis of determination of groups</b>
Related company funds	Accounts receivable from related companies
Other payments	Other payments except related companies

For the contract assets and long-term receivables divided into portfolios, the group, referring to the historical credit loss experience, combined with the current situation and future forecast, prepares the reconciliation table of the contract asset aging and the expected credit loss rate of the duration through the default risk exposure and the expected credit loss rate of the whole duration, and calculates the expected credit loss.

- (iv) For loans and advances, the Group classifies loans into normal, concerned, secondary, suspicious and loss combinations according to the credit risk characteristics and the guiding principles of loan risk classification of the people's Bank of China, and calculates the expected credit loss based on the combination.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (2) Financial liabilities

##### 1) *Classification recognition basis and measurement of financial liabilities*

The group classifies the financial liabilities upon initial recognition as financial liabilities measured at fair value through profit or loss and other financial liabilities.

Financial liabilities measured at fair value through profit or loss, including financial liabilities held for trading and those designated as measured at fair value through profit or loss upon initial recognition, (relevant classification basis is disclosed according to the classification basis of financial assets), are measured subsequently at fair value, and profits or losses resulting from changes in fair value and dividends and interest expense related to financial liabilities are recognized in current profits and losses.

Other financial liabilities, (specific disclosure of financial liabilities according to actual situation), are subsequently measured at amortized cost using effective interest method. The Group classify all financial liabilities as subsequently measured at amortised cost, except for: (a) Financial liabilities measured at fair value through profit or loss, including financial liabilities held for trading (including derivatives that are liabilities) and those designated as measured at fair value through profit or loss upon initial recognition; (b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. (c) financial guarantee contracts that do not satisfied (a) and (b), and commitments to provide a loan at a below-market interest rate that do not satisfied (a).

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (2) Financial liabilities *(continued)*

##### 1) *Classification recognition basis and measurement of financial liabilities (continued)*

The financial liability constituted by contingent consideration confirmed by the buyer through a business combination not under common control by the Group is measured at fair value through current profit or loss.

##### 2) *Derecognition criteria of financial liabilities*

When the present obligation or a part of the present obligation of a financial liability is discharged, a financial liability or a part of a financial liability shall be derecognized. A contract is entered into between the Group and the creditor to replace the existing financial liability by a new financial liability. And if the contract terms of new financial liability are substantially different with those in existing financial liability, it shall derecognize the existing financial liability and recognize a new financial liability. When the Group performed substantive changes to all or part of the contract terms of the existing financial liabilities, the existing financial liabilities or part of it shall be derecognized. And financial liabilities after term revision will be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in current profit or loss.





# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (2) Financial liabilities *(continued)*

##### (3) *Methods for determination of the fair value of financial assets and financial liabilities*

The Group measures the fair value of financial assets and financial liabilities at the prices in principal market, or in the absence of a principal market, measures the fair value at the prices in the most advantageous market, and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The input value used in fair value measurement is divided into three levels: the first level of input value is the unadjusted quotation of the same assets and liabilities that can be obtained on the measurement day in the active market; the second level of input value is the direct or indirect observable input value of related assets and liabilities in addition to the first level input value; the third level of input value is the unobservable input level of related assets and liabilities. The Group prefers the first level of input values, and uses the third level of input values at last. Investment of other equity instruments uses the first level of input values. The level of fair value measurement results is determined by the lowest level of input values which are of great significance to fair value measurement as a whole.

The Group measures the investment of equity instruments at fair value. But in limited cases, if the short-term information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (2) Financial liabilities *(continued)*

##### (4) *Elimination between financial assets and financial liabilities*

The financial assets and liabilities of the Group are shown separately in the balance sheet and are not offset by each other. However, when the following conditions are met at the same time, the net amount offset shall be shown in the balance sheet: a) the Group has a statutory right to set off the recognized amount, and the statutory right is currently enforceable. b) the Group intends to settle its financial assets and liabilities in net amount, or liquidate the financial assets and settle the financial liabilities at the same time.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (2) Financial liabilities *(continued)*

##### (5) *Difference between financial liabilities and equity instruments and relevant measurement*

The Group distinguishes between financial liabilities and equity instruments in accordance with the following principles: (1) If the Group cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability. Although some financial instruments do not explicitly contain terms and conditions for the obligation to deliver cash or other financial assets, they may indirectly form contractual obligations through other terms and conditions. (2) If a financial instrument is to be settled with the Group's own equity instruments, it is necessary to consider whether the Group's own equity instruments used to settle the instrument are to be used as a substitute for cash or other financial assets, or to enable the holder of the instrument to take residual equity in the assets after the issuer deducts all liabilities. If the former is the case, the instrument is the issuer's financial liabilities. If the latter is the case, the instrument is the issuer's equity instrument. In some cases, a financial instrument contract sets that the group shall use or use its own equity instruments to settle the financial instrument, in which the amount of contractual rights or obligations is equal to the number of its own equity instruments available or to be delivered multiplied by the fair value at the time of settlement, whether the amount of the contractual rights or obligations is fixed or changes totally or partially based on the division of this set variables other than the market price of the group's own equity instruments (such as interest rates, the price of a commodity or the price of a financial instrument), the contract is classified as financial liabilities.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 9. Financial Assets and Financial Liabilities *(continued)*

#### (2) Financial liabilities *(continued)*

##### (5) *Difference between financial liabilities and equity instruments and relevant measurement (continued)*

In classifying financial instruments (or their components) in the consolidated statements, the Group takes into account all terms and conditions reached between the members of the Group and the holders of financial instruments. If the group as a whole assumes the obligation to deliver cash, other financial assets or settle accounts in other ways that result in the instrument becoming a financial liability, the instrument should be classified as a financial liability.

Where financial instruments or their components are financial liabilities, the relevant interest, dividends (or stock bonus), gains or losses, as well as gains or losses arising from redemption or refinancing, shall be included in the profits and losses of the current period.

Where a financial instrument or its components belong to an equity instrument, when it is issued (including refinancing), repurchased, sold or cancelled, the Group shall account as a change of equity, and shall not recognize the change of the fair value of the equity instrument.

### 10. Inventories

The Group's inventories include but not limited to the raw materials, packaging material, low-value consumption goods, unfinished products, and merchandise inventories.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **10. Inventories *(continued)***

Perpetual inventory system is adopted by the Group. Inventory is valued at actual cost when acquired. Weighted average method and individual valuation method are used to determine the actual cost of the inventory used or issued. Low-value consumption goods are amortized at one time when they are used.

Net realizable value of merchandise inventory, unfinished products and materials held for sale is the estimated selling price in the ordinary course of business less the applicable variable selling expenses and related taxes. Net realizable value of material inventory held for production is the estimated selling price of the products less estimated costs of completion, applicable variable selling expenses and related taxes.

### **11. Contractual assets**

Contractual assets refer to the Group's right (depends on factors other than passage of time) to collect costs from customers in exchange for goods or services transferred by the Group. If the Group sells two clearly distinguishable goods to its customers, it has the right to collect payment for one of the goods delivered, but the collection depends on the delivery of another commodity, the Group regards the right to collect payment as a contractual asset.

The method for determining the expected credit losses of the group on the contract assets is as shown in Note IV.9.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 12. Contractual costs

#### (1) Method for determining the amount of assets related to contractual costs

The Group's assets related to contractual costs include contract performance costs and contract acquisition costs.

The cost of contract performance, that is, the cost incurred by the Group for the performance of the contract, does not fall within the scope of other enterprise accounting standards and meets the following conditions at the same time, is recognized as an asset as the cost of contract performance: the cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs and other costs incurred solely as a result of the contract and is clearly undertaken by the customer. The cost increases the Group's resources for future performance obligations; the cost is expected to be recovered.

The acquisition cost of a contract, is the incremental cost expected to be recovered by the Group in order to obtain the contract, and is recognized as an asset as the acquisition cost of the contract; if the amortization period of the asset does not exceed one year, the profits and losses of the current period shall be included in the occurrence of the asset. Incremental cost refers to the cost (such as sales commission) that will not occur if the group does not obtain a contract. Expenditures incurred by the Group for the purpose of obtaining a contract other than the incremental costs expected to be recovered (e.g. travel expenses incurred regardless of whether the contract was acquired) are recorded in the current profits and losses at the time of occurrence, except those clearly undertaken by the customer.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **12. Contractual costs *(continued)***

#### **(2) Amortization of assets related to contractual costs**

The Group's assets related to contract costs shall be amortized on the same basis as the commodity income recognition related to the assets, and shall be included in the current profits and losses.

#### **(3) Impairment of assets related to contractual costs**

In determining impairment losses of assets related to contract costs, the Group first determines impairment losses in accordance with other relevant enterprise accounting standards and other assets related to the contract; then determines impairment losses in accordance with their book value higher than the residual consideration expected by the Group for the transfer of commodities related to the asset and estimates the costs to be incurred for the transfer of the related commodities. If the difference between the two items exceeds the allowance for impairment, the provision for impairment shall be calculated and the impairment loss of assets shall be considered.

After the factors of impairment in the previous period have changed, and the above-mentioned balance is higher than the book value of the asset, the provision for asset impairment which was originally calculated shall be transferred back to the current profit and loss, but the book value of the asset after the transfer shall not exceed the book value of the asset on the transfer date assumed that the provision for asset impairment is not included.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 13. Long-term Equity Investment

Long-term equity investments of the Group comprise the investment towards subsidiaries and investments towards associates and joint ventures.

The Group's judgment on joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of parties sharing control.

If the Group holds, directly or indirectly (e.g. through subsidiaries) more than 20% but lower than 50% of the voting power of the investee, it is presumed that the entity has significant influence. If the Group holds, directly or indirectly (e.g. Through subsidiaries) less than 20% of the voting power of the investee, the representation on the board of directors or equivalent governing body of the investee, or participation in financial and operation policy-making process, or the material transaction between the entity and the investee, or expedition of management personnel, or the provision of essential technical information will be considered.

A subsidiary company of the Group is the entity that controls the invested unit. As for long-term equity investment acquired through a business combination under common control, the initial recognition are measured in accordance with the proportion of the book value of the owner's equity of the merged party in ultimately control party's consolidated financial statements. If the book value of the net assets of the merged party is negative on the date of merger, the cost of long-term equity investment shall be fixed at zero.





# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **13. Long-term Equity Investment *(continued)***

If a company acquires the equity of the invested entity under common control step by step through multiple transactions and eventually forms a merger, it shall supplement the method of dealing with the long-term equity investment disclosed in the financial statements of the parent company during the reporting period of acquiring the control right. For example, the investee's equity is acquired step by step under common control through multiple transactions, and eventually the enterprise merges, which belongs to a package transaction. The Group will treat all transactions as a control transaction. If it does not belong to the package transaction, the initial investment cost of the long-term equity investment shall be the share of the net assets of the merged party in the book value of the final controlling party's consolidated financial statements on the date of merger. The capital reserve is adjusted by the difference between the initial investment cost and the book value of the long-term equity investment before the merger, plus the sum of the book value of the new share payment on the merger day, and if the capital reserve is insufficient to be reduced, the retained earnings shall be reduced.

The initial investment cost is the actual acquisition cost if the long-term equity investment is acquired through a business combination not under common control.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 13. Long-term Equity Investment *(continued)*

If a company acquires the equity of the invested entity not under common control step by step through multiple transactions and eventually forms a merger, it shall supplement the method of dealing with the cost of long-term equity investment disclosed in the financial statements of the parent company during the reporting period of acquiring the control right. For example, the investee's shares are acquired step by step through multiple transactions, and eventually a merger of enterprises is formed, which belongs to a package transaction, the Group will treat all transactions as a control transaction. If the transaction does not belong to the package transaction, the initial investment cost shall be accounted for according to the book value of the original equity investment and the sum of the additional investment cost. If the equity held is accounted for by equity method before the acquisition date, the other comprehensive income accounted by the original equity method will not be adjusted temporarily, and when dealing with the investment, the same basis as the assets or liabilities directly disposed of by the invested entity shall be adopted for accounting treatment. If the equity held prior to the purchase date is accounted for at fair value in the financial assets available for sale, the cumulative changes in fair value originally included in other comprehensive gains are transferred to the current investment gains and losses on the consolidation date.

In addition to the above-mentioned long-term equity investments obtained through enterprise mergers, long-term equity investments obtained by paying cash shall be regarded as investment costs according to the purchase price actually paid; long-term equity investments obtained by issuing equity securities shall be regarded as investment costs according to the fair value of issuing equity securities; long-term equity investments invested by investors shall be regarded as investment costs in accordance with investment contracts or agreements.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **13. Long-term Equity Investment *(continued)***

The Group adopts cost method to account for subsidiary investment and equity method to account for joint venture and joint venture investment.

The book value of the cost of long-term equity investment which based on cost method in subsequent measurement will increase according to the fair value of the cost paid by the additional investment and the related transaction costs when additional investment is made. The cash dividend or profit declared by the invested entity shall be recognized as the current investment income according to the amount taken.

The book value of long-term equity investment which uses equity method in subsequent measurement will increase or decrease accordingly with the change of owner's equity of other invested units. Among them, when confirming the share of the net profit and loss of the invested unit, based on the fair value of the identifiable assets of the invested unit at the time of acquiring the investment, and in accordance with the accounting policies and accounting period of the group, and offsetting the internal transaction gains and losses occurring between the joint venture and the joint venture, which belong to the invested enterprise according to the share-holding ratio, the net value of the invested unit shall be calculated. Profit is confirmed after adjustment.

When the long-term equity investment is disposed, the difference between its book value and the actual price obtained shall be included in the current investment income. If a long-term equity investment calculated by the equity method is included in the owner's rights and interests due to other changes in the owner's rights and interests other than net profit and loss of the invested entity, the portion originally included in the owner's rights and interests shall be transferred to the current investment profit and loss according to the corresponding proportion when disposing of the investment.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 13. Long-term Equity Investment *(continued)*

If the joint control or significant influence on the invested unit is lost due to the disposal of part of the equity investment, the residual equity after disposal shall be accounted for financial assets available for sale. The difference between the fair value and book value of the remaining equity on the date of the loss of joint control or significant influence shall be included in the current profits and losses. The other comprehensive income of the original equity investment confirmed by the equity method shall be accounted for on the same basis as the assets or liabilities directly disposed of by the invested entity when the equity method is terminated.

If the disposal of part of the long-term equity investment loses control over the invested entity, the residual equity after disposal can exercise joint control or exert significant influence on the invested entity, the balance between the book value of the disposal equity and the disposal consideration shall be accounted for as the investment income, and the residual equity shall be accounted for by the equity method after disposal. If the residual equity cannot exert joint control or exert significant influence on the invested unit, it shall be accounted for according to the relevant provisions of the financial assets available for sale. The difference between the book value of the disposal equity and the book value of the disposal equity shall be included in the investment income. The difference between the fair value of the residual equity on the day of losing control and the book value shall be included in the current investment profit and loss.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 13. Long-term Equity Investment *(continued)*

If the transaction from step-by-step disposal to the loss of controlling rights does not belong to the package of transaction, each transaction is accounted for separately. In a “package transaction”, transactions are treated as a transaction to dispose of subsidiaries and lose control rights. However, before the loss of control rights, the difference between the disposal price of each transaction and the book value of the long-term equity investment corresponding to the disposed equity is recognized as other comprehensive income, and when the control rights are lost, it will be transferred to current profits and losses of losing control rights.

### 14. Investment Properties

Investment properties comprise land-use rights and buildings which are held for long-term rental yields and not occupied by the Group, and uncompleted buildings which are intended to hold for rent. Investment properties are initially recognized at cost. The subsequently costs shall be added to the initial costs of the investment properties when the economic benefit related is likely to realize and is measurable. Or else, it should be stated in current profit or loss.

Depreciation (or amortization) of investment properties is calculated using a straight-line method to allocate the depreciable amounts (cost less residual value) over the estimated useful life. Below is the table of estimated useful lives, residual value rate and annual depreciation (amortization) rates:

<b>Category</b>	<b>Estimated useful life</b>	<b>Estimated residual value rates (%)</b>	<b>Annual depreciation rate (%)</b>
Buildings (including the land-use right)	30-50 years	0.00-5.00	1.90-3.33

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 14. Investment Properties *(continued)*

If the usage is changed into owner-occupied, the investment property is reclassified into a property, plant and equipment or an intangible asset since the day the change has been made. On the contrary, the fix or intangible asset is transferred into investment property if the usage of these properties is to earn rentals or capital appreciations. When a transfer occurs, the previous carrying amount shall be used as the new book value.

The estimated useful lives, estimated residual value rates and depreciation method shall be annually reviewed and adjusted properly.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gains from sale, transfer, written-off or destroy of the investment properties less the carrying amount and relevant taxes shall be recognized in current profit or loss.

When an investment property's recoverable amount is lower than its carrying amount, the carry amount shall be decreased to the recoverable amount.

### 15. Property, Plant and Equipment

#### (1) Recognition and Initial measurement of property, plant and equipment

Property, plant and equipment comprise buildings, machineries, transportations, office equipments end etc.

Property, plant and equipment are recognized when it is probable that the future economic benefits associated with the assets will flow into the entity, and the cost of the asset can be measured reliably. It is recognized at purchase cost or construction cost for the initial cost. The state owned property, plant and equipment were recognized at the evaluation price during the system-changing of the state-owned enterprise.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 15. Property, Plant and Equipment *(continued)*

#### (1) Recognition and Initial measurement of property, plant and equipment *(continued)*

Subsequent recognition is recorded when the future economic benefits associated with the asset is likely to flow into the entity and the cost of the asset can be measured reliably. The value of the replaced part shall be derecognized its carrying amount. The other subsequent expenses are recognized in the current profit or loss.

#### (2) Depreciation of property, plant and equipment

Depreciation is calculated using a straight-line method to allocate the depreciable amounts (cost less residual value) over the estimated useful life. As for the property, plant and equipment with impairment provisions, the Depreciation is calculated using a straight-line method to allocate the depreciable amounts (cost less residual and impairment value) over the estimated useful life.

No.	Category	Estimated useful lives (years)	Estimated residual value (%)	Annual depreciation rate (%)
1	Buildings	20-50 years	3.00-5.00	1.90-4.75
2	Machinery equipments	7-28 years	5.00	3.39-13.57
3	Transportations	6-12 years	5.00	7.92-15.83
4	Office equipments	3-14 years	5.00	6.79-31.67

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 15. Property, Plant and Equipment *(continued)*

#### (2) Depreciation of property, plant and equipment *(continued)*

The estimated useful lives, estimated residual value rate and depreciation method shall be annually reviewed and adjusted properly.

When the recoverable amount of property, plant and equipment is lower than the carrying amounts, the carrying amounts shall be decreased to the recoverable amounts.

#### (3) Disposal of property, plant and equipment

The property, plant and equipment should be derecognized on disposal or when the property, plant and equipment is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gains from sale, transfer, written-off or destroy of the property, plant and equipment less the carrying amount and relevant taxes shall be recognized in current profit or loss.

### 16. Construction in Progress

Construction in progress is recognized according to the actual costs. The actual costs include construction cost, installment cost, borrowing costs eligible for capitalization and other necessary expenses incurred in order to make the construction in progress ready to use. When construction in progress reaches the predetermined usable state, it should be transferred to fixed asset and be depreciated from the next month. When the recoverable amount of construction in progress is lower than the carrying amount, the carrying amount shall be decreased to the recoverable amount.





# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **17. Borrowings costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. Capitalization should be suspended during periods in which active development is interrupted abnormally for more than 3 months. And it recapitalized when the abnormal interruption is over.

The actual interest costs incurred by the funds borrowed specifically less the interest earned by the unused part deposited in the bank or any income earned on the temporary investment shall be capitalized; where funds are part of a general pool, the eligible amount is determined by applying a capitalization rate to the expenditure on that asset. The capitalization rate will be the weighted average of the borrowing costs applicable to the general pool.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 18. Right-of-use assets

Right-of-use assets refer to the right of the Group as a lessee to use leased assets during the lease term. The types of leased assets of the Group mainly include buildings, machinery and equipment and site use rights.

#### (1) Initial measurement

At the start of the lease period, the Group initially measures the right-of-use asset at cost. The cost includes the following four items: (i) The initial measurement amount of the lease liability, that is, the present value of the outstanding lease payments is recognized as the lease liability, except for short-term leases and leases of low-value assets; (ii) Lease payments paid on or before the start of the lease period, where lease incentives exist, deduct the relevant amount of lease incentives already enjoyed; (iii) The initial direct costs incurred, that is, the incremental costs incurred to reach the lease; (iv) Expected costs incurred to demolish and remove leased assets, rehabilitate the site where the leased assets are located, or restore leased assets to the state agreed in the lease terms, except for costs incurred for the production of inventory.

#### (2) Subsequent measurement

After the start of the lease period, the Group adopts a cost model for subsequent measurement of the right-of-use asset, that is, the cost-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses.

If the Group remeasures the lease liability in accordance with the relevant provisions of the lease standards, the book value of the right-of-use asset shall be adjusted accordingly.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 18. Right-of-use assets *(continued)*

#### (3) Depreciation of right-of-use assets

From the start of the lease period, the Group depreciates the right-of-use assets. The right-of-use asset is generally depreciated from the month in which the lease term begins. The amount of depreciation accrued is included in the cost of the relevant asset or the current profit or loss based on the use of the right-of-use asset.

When determining the depreciation method of the right-of-use asset, the Group makes a decision based on the expected consumption of the economic benefits related to the right-of-use asset, and depreciates the right-of-use asset on a straight-line basis.

When determining the depreciation period of the right-of-use asset, the Group adheres to the following principles: If it can reasonably determine the ownership of the leased asset at the end of the lease period, depreciation will be accrued within the remaining useful life of the leased asset; it cannot be reasonably determined that the lease can be obtained when the lease period expires. For asset ownership, depreciation is accrued during the shortest period between the lease term and the remaining useful life of the leased asset.

If the right-of-use asset is impaired, the Group depreciates the book value of the right-of-use asset after deducting impairment losses.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 19. Intangible Assets

Intangible assets comprise the land-use rights, technical know-how, brand, customer relationships, franchise rights and software etc, it is recognized at cost. The state-owned intangible assets were recognized at the evaluation price during the system-changing of the state-owned enterprise.

#### (1) Categories of intangible assets

##### 1) *Land-use right*

Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the useful life of 30 to 50 years. If it is difficult to identify the purchase price of the land-use right to that of the building, the whole price is recognized as a fixed asset.

##### 2) *Technical know-how*

Technical know-how is shown at cost as all investors agreed. Amortization is calculated using the straight-line method to allocate the cost of technical know-how over its estimated useful life of 10 years. The Group acquired all of the technical know-how which is acquired by the subsidiaries and should be recognized at fair value at the acquisition date in 2011. And the estimated useful life is 6 to 10 years.

##### 3) *Brand and customer relationships*

Brand and customer relationships are recognized at fair value at the acquisition date in a business combination in 2010. Since the brand has an indefinite useful life, brand shall not be amortized during the useful life and should be tested annually for impairment. Customer relationships shall be amortized using the straight-line method over their estimated useful lives of 10 to 12 years.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 19. Intangible Assets *(continued)*

#### (1) Categories of intangible assets *(continued)*

##### 4) *Software*

Software licenses are capitalized by the purchase price and are amortized over their estimated useful lives of 2 to 10 years.

##### 5) *Franchise rights*

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The franchise rights are classified as intangible assets or accounts receivable from the granting authority.

According to the contract, in a certain period after the construction, the Group is entitled to receive a certain amount of monetary resources or other financial assets from the granting authority; or when the charge for the user is lower than a certain limitation, the granting authority will compensate for the difference, which is shown as financial assets while the Group recognize the revenue.

Also if the operator receives a right to charge user within a certain period, but the amount is uncertain and unable to claim a right for accounts receivable, it is stated as an intangible asset while recognizing the revenue.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 19. Intangible Assets *(continued)*

#### (1) Categories of intangible assets *(continued)*

##### 5) Franchise rights *(continued)*

If intangible assets model is applicable, the Group classifies the relevant non-current assets linked to the long-term investment in these franchise arrangements as “franchise rights” within under intangible assets classification on the consolidated balance sheet. Once the relevant infrastructure projects under the franchise arrangements have been completed, the franchise rights will be amortized over the term of the franchise period on the straight-line basis under the intangible assets model.

If financial assets model is applicable, the Group classifies the assets under these franchise arrangements as financial assets on the consolidated balance sheet. Once the relevant infrastructure projects under the franchise arrangements have been completed, the interest of financial assets will be calculated using effective interest rate method and related gain/(loss) will be charged to the profit or loss within the franchise period.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 19. Intangible Assets *(continued)*

#### (1) Categories of intangible assets *(continued)*

##### 6) *Research and development*

Internal research and development costs will be separated into research expenditure and development cost based on their nature and whether there is great uncertainty of the research and development will finally form an intangible asset.

Research expenditure is recognized as expenses as incurred. Costs incurred on development projects are recognized as intangible assets when all the following criteria are fulfilled:

- (a) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (b) Management intends to complete the intangible asset to use or sell it;
- (c) It can be demonstrated how the intangible asset will generate probable future economic benefits;
- (d) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (e) The expenditure attributable to the intangible asset during its development can be reliably measured.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 19. Intangible Assets *(continued)*

#### (1) Categories of intangible assets *(continued)*

##### 6) *Research and development (continued)*

If development costs don't meet the above criteria, they are recognized as an expense as incurred. Development costs previously recognized as an expense cannot be reclassified as an intangible asset in subsequent periods. Capitalized costs are recorded as development expenditures on balance sheet and are transferred into intangible assets only after technical and commercial feasibility of the asset for sale or use have been established.

#### (2) Impairment of intangible assets

When the recoverable amount is lower than its carrying amount, the carrying amount of the asset shall be written down to the recoverable amount.

#### (3) Regular review of the useful lives and the amortization method

As for intangible asset with a definite useful life, the useful lives and depreciation method shall be annually reviewed and adjusted properly.





# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **20. Impairment of long-term assets**

At the end of each reporting period, long-term equity investments, investment property carried at cost, property, plant and equipment, construction in progress, right-of-use asset, intangible assets with definite useful lives and operating lease assets are assessed for impairment by the Group when there is any indication that an asset may be impaired. Goodwill and intangible assets with indefinite useful lives shall be assessed for impairment at the end of each reporting period no matter there is any indication for impairment or not.

The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount should be determined for an individual asset. If it is not possible to determine the recoverable amount for an individual asset, the recoverable amount shall be determined for cash-generating units in which the asset included. The identification of an asset's cash-generating unit shall be based on whether the main cash inflows generated by the asset's cash-generating unit are independent of the cash inflows from other assets or cash-generating units. When the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount shall be written down to its recoverable amount. The reduction shall be recognised as the current profit or loss, and the corresponding provision for impairment of assets is also recognised.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 20. Impairment of long-term assets *(continued)*

When testing the impairment of relevant cash-generating units or groups of cash-generating units containing goodwill, if there are signs of impairment of cash-generating units or groups of cash-generating units related to goodwill, the impairment test of cash-generating units or cash-generating units without goodwill is carried out first, and the recoverable amount is calculated to confirm the corresponding impairment loss. Then the impairment test is carried out on the cash-generating units or groups of cash-generating units containing goodwill, and the carrying amount and the recoverable amount are compared. If the recoverable amount is lower than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating units or groups of cash-generating units; and then, reduce the carrying amounts of the other assets included in the cash-generating units or groups of cash-generating units pro rata on the basis.

Reversal of an impairment loss for the above assets is prohibited.

### 21. Long-term deferred expenses

Long-term deferred expenses include the improvement expenditures of property, plant and equipment under operating lease, and other expenses which incurred in the current period but are required to be amortized for more than one fiscal period. Long-term deferred expenses are amortized on the straight-line basis over the expected benefit period and are recorded as the actual expenses less the accumulated amortization.

As for the molds stated in the long-term deferred expenses, the service life average method is used to apportion them to the benefit period.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **22. Contract liabilities**

The Group lists the obligations it has received or receivable from customers to transfer goods to customers as contract liabilities, such as the amount the company has received before transferring the promised goods.

The Group will show the contract assets and contract liabilities under the same contract as each other in net amounts.

### **23 Employee Benefits**

Employee benefits of the Group refer to rewards or compensations paid for services provided by employees or employer layoffs benefits, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits include salaries, bonus, allowance and subsidies, staff benefits, medical insurance, employment injury insurance, maternity insurance, housing fund, union and educational appropriations, short-term paid absences, etc. Short-term benefits are recognized as liabilities during the accounting period when employees render service to the Group. Employee benefits are recognized as profit or loss in the current period or allocated to the cost of related assets. The non-monetary benefits are measured at fair value.

Post-employment benefit schemes are classified as defined contribution plan and defined benefit plan. Defined contribution plans of the Group are a kind of post-employment benefit scheme in which the Group pays fixed fees to an independent fund and is no longer obligated to make further payments. Defined benefit plans are post-employment benefit plans other than a defined contribution plans. The post-employment benefits of the Group mainly refer to basic pension and unemployment insurance during this reporting period, both of which belong to the defined contribution plan.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 23 Employee Benefits *(continued)*

Employees of the Group are all involved in employee's endowment insurance policy implemented by local labour and social security department. The Group makes the monthly payment to the local institution of employee's endowment insurance at a regulated base and proportion. After employees are retired, local labour and social security department has the obligation to pay their basic pension. The payment made according to the policy when employee render service to the Group is recognized as a liability and stated as profit or loss or allocated to the cost of related assets during the period.

Termination benefits are the compensations made to employees when the Group terminates the employment relationship with employees prior to the expire of the employment contracts or provides compensations as an offer to encourage employees to accept voluntary layoffs. When the Group provides termination benefits, the employment benefit liabilities generated from termination benefits are recognized to profit or loss in the current period on the early date of the followings: (a) when the Group can no longer withdraw the offer of those benefits or layoff plans unilaterally; and (b) when the Group recognizes costs for a restructuring related to termination benefits.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **23 Employee Benefits *(continued)***

The Group offers early retirement benefit for the employees who accept the internal retirement arrangement. Early retirement benefit refers to the wages and social insurance paid for the employees who do not attain the statutory retirement age and being approved by the Group's management team for retirement. The Group will pay such retirement benefit for the early retired employee from the date of early retirement to date where statutory retirement age is attained. The basis of accounting treatment for early retirement benefits shall be the same as the termination benefits. If the recognition conditions for termination benefits were satisfied, the employment benefit liabilities generated from wages and social insurance paid for the early retired employees shall be recognized to profit or loss in the current period all at once. Any difference arising from the changes of actuarial assumptions or adjustment of the welfare standard shall be included to the profit and loss in the current period.

The termination benefits expected to be paid within a year since balance sheet day are presented as current liabilities.

### **24. Lease liabilities**

#### **(1) Initial measurement**

The Group initially measures lease liabilities based on the present value of lease payments that have not been paid at the start of the lease period, except for short-term leases and leases of low-value assets.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 24. Lease liabilities *(continued)*

#### (1) Initial measurement *(continued)*

##### 1) *Lease payment*

Lease payments refer to payments made by the Group to the lessor related to the right to use leased assets during the lease period, including: (i) fixed payments and substantial fixed payments, where lease incentives exist, deductions related to lease incentives; (ii) A variable lease payment that depends on the index or ratio, which is determined at the initial measurement based on the index or ratio on the start date of the lease period; (iii) The Group reasonably determines the exercise option purchase price when the purchase option is exercised; (iv) The lease term reflects the amount to be paid when the Group will exercise the option to terminate the lease; (v) The amount expected to be paid based on the residual value of the guarantee provided by the Group.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 24. Lease liabilities *(continued)*

#### (1) Initial measurement *(continued)*

##### 2) Discount rate

In calculating the present value of lease payments, the Group uses the incremental borrowing rate as the discount rate because it cannot determine the interest rate inherent in the lease. The incremental borrowing interest rate refers to the interest rate payable by the Group to borrow funds with similar mortgage conditions in similar periods in order to obtain assets close to the value of the right-of-use asset in a similar economic environment. The interest rate is related to the following: (i) The Group's own situation, namely the group's solvency and credit status; (ii) The term of the "borrowing", that is, the lease term; (iii) The amount of "borrowed" funds, that is, the amount of the lease liability; (iv) "Mortgage conditions", that is, the nature and quality of the underlying assets; (v) Economic environment, including the jurisdiction in which the lessee is located, the currency of valuation, the time of signing the contract, etc. Based on the bank loan interest rate, the Group adjusted the above factors to obtain the incremental borrowing interest rate.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 24. Lease liabilities *(continued)*

#### (2) Subsequent measurement

After the start of the lease period, the Group conducts subsequent measurement of the lease liability according to the following principles: (i) When confirming the interest of the lease liability, increase the carrying amount of the lease liability; (ii) When paying the lease payment, reduce the carrying amount of the lease liability; (iii) When the lease payment changes due to revaluation or lease change, the book value of the lease liability is remeasured.

The interest expense of the lease liability in each period of the lease period is calculated at a fixed periodic interest rate and is included in the current profit and loss, except for those that should be capitalized. Recurring interest rate refers to the discount rate used by the Group in the initial measurement of lease liabilities, or when lease payments need to be remeasured at a revised discount rate due to changes in lease payments or lease changes, The revised discount rate adopted by the group.

#### (3) Remeasurement

After the start of the lease period, when the following circumstances occur, the Group remeasures the lease liability based on the changed lease payments and the present value calculated by the revised discount rate, and adjusts the book value of the right-of-use asset accordingly. If the carrying value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group will include the remaining amount in the current profit and loss. (i) Changes in the actual fixed payment amount; (ii) Changes in the expected payable amount of the residual value; (iii) Changes in the index or ratio used to determine the lease payment amount; (iv) The evaluation result of the purchase option changes; Changes in the evaluation results or actual exercise of lease options.





# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **25. Provision**

Present obligations arising as a result of a past event (such as warranty, onerous contract, etc.) are recognized as provision when the performance of such obligations is likely to result in the outflow of economic benefits and the amount can be estimated reliably.

The amount recognized as a provision is the best estimate of the expenditure required to perform the present obligation. Lots of factors, such as risks and uncertainties that surround the underlying events and the time value of money etc, are taken into account. Where the effect of time value of money is material, the best estimate shall be the present value of the future cash flow. Where discounting is used, the increase of a provision to reflect the passage of time shall be recognized as borrowing costs.

Provisions shall be reviewed as at balance sheet date and adjusted to reflect the current best estimates.

Provisions expected to be paid within a year since balance sheet day are presented as current liabilities.

### **26. Revenue Recognition and Measurement**

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

#### **(1) Revenue recognition**

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

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 26. Revenue Recognition and Measurement *(continued)*

#### (1) Revenue recognition *(continued)*

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

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



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 26. Revenue Recognition and Measurement *(continued)*

#### (1) Revenue recognition *(continued)*

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

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

For a performance obligation satisfied at a point in time, the Group shall recognize revenue when the customer obtains control of relevant goods or services. In judging whether customers obtain control of promised goods or services, the Group considers the following indications: ① the Group has a present right to the payment for the goods or services; ② the Group has transferred the legal title of the goods to customers; ③ the Group has transferred physical possession of the goods to customers; ④ the group has transferred the significant risks and rewards of the ownership to the customers; ⑤ customers have accepted the goods or services.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 26. Revenue Recognition and Measurement *(continued)*

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

##### *(a) Sales contracts*

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

##### *(b) Service contracts*

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



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 26. Revenue Recognition and Measurement *(continued)*

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

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

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

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 26. Revenue Recognition and Measurement *(continued)*

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

##### *(d) Warranty obligations*

In accordance with contractual arrangements and legal requirements, the Group provides warranty for goods that it sells and assets that it builds. For the guarantee-type warranties under which the Group warrants to the customers that the goods sold satisfy certain pre-set criteria, accounting treatments are as set out in Note IV.23. For the service-type warranties under which the Group provides a separate service in addition to the warranty to the customers that the goods sold satisfy certain pre-set criteria, it is treated as a standalone performance obligation and part of the transaction price is apportioned to the service-type warranty based on the proportion of the separate selling prices under the guarantee-type and service-type warranties, and revenue is recognized when the customer acquires control of the service. In assessing whether a separate service is provided to the customer in addition to the warranty that the goods sold satisfy certain pre-set criteria, the Group considers whether the warranty is a statutory requirement, the validity period of the warranty and the nature of the Group's commitment to perform.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 26. Revenue Recognition and Measurement *(continued)*

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

##### *(e) Principal/Agent*

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

##### *(f) Interest income*

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

##### *(g) Rental income*

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

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Government grants

The Group's government grants include tax return, financial subsidies etc.

The Group's government grants include government grants related to assets and government grants related to income. Government grants obtained by the Group which are relevant to purchase, construction or acquisition of long-term assets in other ways are classified as government grants related to assets; all other government grants are classified as government grants related to income. If the subsidies are not specified in the government documents, the Group judges them according to the above distinction principle. If it is difficult to distinguish, the whole is classified as government grants related to income.

If the government grants are monetary assets, it shall be measured according to the amount actually received. For the government grants allocated according to the fixed quota standard, or for the end of the year, when there is conclusive evidence that it meets the relevant conditions stipulated by the financial support policy and is expected to receive the financial support funds, it shall be measured according to the amount receivable. If the government grants are non-monetary assets, it shall be measured at fair value; if the fair value cannot be reliably obtained, it shall be measured at a nominal amount.

Government grants related to assets shall be recognized as deferred income and amortized to profits or losses of the current period using the straight-line method within the useful life of the relevant assets.

If the relevant assets are sold, transferred, scrapped or damaged before the end of their useful life, the balance of related deferred income that has not been allocated shall be transferred to the profits and losses of the current period of asset disposal.





# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Government grants *(continued)*

Government grants related to income, as compensation for costs and expenses in subsequent periods, are recognised as deferred income and shall be recorded in profit or loss over the period in which the relevant costs or losses are recognized. The government grants related to daily activities shall be recognized in other income or offset the relevant costs and expenses according to the essence of economic business. Those that are not related to daily activities shall be recognized in non-operating income and expenses.

If the Group obtains the policy-based preferential loan discount, it shall distinguish between the cases where the finance allocates the discount funds to the lending bank and that the finance allocates the discount funds directly to the Group. The accounting treatment shall be carried out according to the following principles:

- (1) If the finance allocates the discount funds to the lending bank and the lending bank provides loans to the Group at the policy-based preferential interest rate, the group shall use the amount actually received as the entry value of the loan, and then calculate the relevant borrowing costs according to the borrowing principal and the policy preferential interest rate (or use the fair value of the loan as the entry value of the loan and calculate the borrowing costs according to the effective interest method. The difference between the amount actually received and the fair value of the loan is recognized as deferred income. The deferred income is amortized by the effective interest method during the duration of the loan, and the related borrowing costs are reduced.)
- (2) The finance will directly allocate the discount funds to the Group, which will deduct the related borrowing costs from the corresponding discount.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 27. Government grants *(continued)*

If the government grants confirmed by the Group needs to be returned, the accounting treatment shall be conducted in accordance with the following provisions in the current period in which it needs to be returned:

- 1) Adjust the book value of assets if the book value of the relevant assets is written off at the time of initial confirmation.
- 2) If there are related deferred incomes, the carrying amount of related deferred income shall be deducted and the excess part shall be included in the current profits and losses.
- 3) If it belongs to other circumstances, it shall be directly included in the profits and losses of the current period.

### 28. Deferred tax assets and deferred tax liabilities

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

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



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **29. Lease**

On the contract start date, the Group evaluates whether the contract is a lease or includes a lease. If one party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract is a lease or contains lease. In order to determine whether the contract has given up the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to receive almost all of the economic benefits arising from the use of the identified assets during the period of use and have the right to This use period dominates the use of identified assets.

If the contract includes multiple separate leases, the Group will split the contract and account for each separate lease. If the following conditions are met at the same time, the right to use the identified assets constitutes a separate lease in the contract:

- The lessee can profit from using the asset alone or with other resources that are readily available;
- The asset is not highly dependent or highly related to other assets in the contract.

Where the contract contains both the leased and non-leased parts, the group, as lessor and lessee, shall conduct accounting treatment after splitting the leased and non-leased parts.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 29. Lease *(continued)*

#### (1) Lessee

The types of leased assets of the Group mainly include buildings, machinery and equipment and site use rights.

##### *(a) Initial measurement*

On the lease start date, the Group recognizes its right to use the leased asset during the lease term as a right-of-use asset, and recognizes the present value of outstanding lease payments as lease liabilities, except for short-term leases and leases of low-value assets. When calculating the present value of lease payments, the Group uses the embedded interest rate as the discount rate; if it cannot determine the leased interest rate, the lessee's incremental borrowing interest rate is used as the discount rate.

The lease term is the period during which the Group is entitled to use the leased asset and is irrevocable. If the Group has a renewal option, that is, it has the right to choose to renew the asset and it is reasonably determined that the option will be exercised, the lease period also includes the period covered by the renewal option. The Group has the option to terminate the lease, that is, has the right to choose to terminate the lease of the asset, but it is reasonably determined that the option will not be exercised. The lease period includes the period covered by the termination lease option. If a major event or change occurs within the Group's control and affects whether the Group is reasonably certain that the corresponding option will be exercised, the Group will reasonably determine whether it will exercise the lease renewal option, purchase option or not terminate the lease option Rights for reassessment.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 29. Lease *(continued)*

#### (1) Lessee *(continued)*

##### *(b) Subsequent measurement*

The Group uses the straight-line method to depreciate the right-of-use assets. If it is reasonably possible to determine the ownership of the leased asset at the expiry of the lease term, the Group depreciates it over the remaining useful life of the leased asset. If it is not possible to reasonably determine that the ownership of the leased asset can be obtained when the lease term expires, the Group depreciates it within the shortest period between the lease term and the remaining useful life of the leased asset.

The Group calculates the interest expense of the lease liability in each period of the lease period based on the cyclical interest rate of the fixed assets, and calculates it into the current profit and loss.

The variable lease payments not included in the measurement of lease liabilities are included in the current profit and loss when they actually occur.

After the start of the lease period, when the actual fixed payment amount changes, the estimated residual payable amount of the guarantee changes, the index or ratio used to determine the lease payment amount changes, the purchase option, the lease renewal option, or the termination option evaluation. When the result or the actual exercise situation changes, the Group remeasures the lease liability based on the present value of the changed lease payments and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group will include the remaining amount in the current profit and loss.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 29. Lease *(continued)*

#### (1) Lessee *(continued)*

##### *(c) Lease changes*

Lease changes are changes in the lease scope, lease consideration, and lease duration that are outside of the original contract terms, including adding or terminating the right to use one or more leased assets, extending or shortening the lease period stipulated in the contract.

When a lease is changed and the following conditions are also met, the Group accounts for the lease change as a separate lease:

- The lease change expands the scope of the lease by adding the right to use one or more lease assets;
- The increased consideration is equivalent to the individual price of the enlarged part of the lease scope adjusted for the contract.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Group re-determines the lease term and uses the revised discount rate to discount the changed lease payment to remeasure the lease liability. In calculating the present value of lease payments after the change, the Group uses the leased interest rate in the remaining lease period as the discount rate; if it is not possible to determine the leased interest rate in the remaining lease period, the Group's increment on the lease change effective date The borrowing rate is used as the discount rate.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **29. Lease *(continued)***

#### **(1) Lessee *(continued)***

##### *(c) Lease changes *(continued)**

Regarding the impact of the above adjustments on lease liabilities, the Group distinguishes the following situations for accounting treatment:

- If the lease change results in a reduction in the scope of the lease or a shortened lease term, the Group reduces the book value of the right-of-use asset to reflect the partial or complete termination of the lease. The Group counts the gains or losses related to the termination or partial termination of the lease in the current profit and loss.
- For other lease changes, the Group adjusts the book value of the right-of-use asset accordingly.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 29. Lease *(continued)*

#### (1) Lessee *(continued)*

##### *(d) Short-term leases and leases of low-value assets*

On the lease start date, the Group's lease term does not exceed 12 months, and leases that do not include purchase options are considered short-term leases; leases whose single leased assets are brand new assets that do not exceed RMB30,000 are considered low-value asset leases. Where the Group subleases or anticipates subleasing leased assets, the original lease is not recognized as a low value asset lease. The Group does not recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. In each period of the lease term, the relevant asset costs or the current profit and loss are calculated in accordance with the straight-line method, and the contingent rent is included in the current profit and loss when it actually occurs.

#### (2) Lessor

Leases that substantially transfer all of the risks and rewards associated with the ownership of leased assets on the commencement date of the lease are finance leases. All other leases are operating leases.





# Notes to the Consolidated Financial Statements *(Continued)*

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(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 29. Lease *(continued)*

#### (2) Lessor *(continued)*

##### (a) Finance lease

On the lease start date, the Group recognizes finance lease receivables for financial leases and ceases to recognize financial lease assets. When the Group performs the initial measurement of financial lease payments, the net lease investment is used as the recorded value of the financial lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease payments that have not been received at the start of the lease period, discounted at the interest rate included in the lease.

The Group calculates and recognizes interest income for each period of the lease term at a fixed periodic interest rate. The variable lease payments obtained by the Group that have not been included in the measurement of the net lease investment shall be included in the current profit and loss when they actually occur.

##### (b) Operating lease

Rental income from operating leases is recognized as profit or loss for the current period on a straight-line basis over each period of the lease term, and contingent rent is charged to profit or loss for the period when it actually occurs.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 29. Lease *(continued)*

#### (3) Sale and leaseback transactions

The Group evaluates whether the transfer of assets in the sale-and-leaseback transaction is a sale in accordance with Note IV.26.

##### *(a) Lessee*

Where the asset transfer in a sale-and-leaseback transaction is a sale, the Group, as a lessee, measures the right-of-use asset formed by the sale-and-leaseback based on the portion of the original asset's book value related to the use-right obtained from the leaseback, and only transfers the lease Confirm the relevant gains or losses of the rights of the person; if the asset transfer in the sale and leaseback transaction does not belong to the sale, the Group as the lessee continues to recognize the transferred asset and at the same time confirms a financial liability equal to the transfer income, in accordance with notes IV.9 Accounting treatment of this financial asset.

##### *(b) Lessor*

If the asset transfer in a sale-and-leaseback transaction belongs to sales, the Group act as lessors to account for asset purchases and account for asset leases in accordance with the foregoing provisions; asset transfers in a sale-and-leaseback transaction do not belong to sales the Group as the lessor do not recognize the transferred assets, but recognize a financial asset equal to the transferred income, and account for the financial asset in accordance with Note IV.9.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 30. Held-for-sale assets

- (1) Non-current assets or disposal groups meeting the following conditions are classified as held-for-sale assets: 1) the non-current assets or disposal groups can be immediately sold under current conditions pursuant to general terms for selling such assets or disposal groups; 2) its sale must be highly probable, that is, a decision has been made on a sales plan and a firm commitment has been obtained, and the sales are expected to be completed within one year. The relevant provisions require the approval of the relevant authorities or regulatory authorities before they can be sold. Before the Group classifies non-current assets or disposal groups as held-for-sale assets for the first time, the Group measures the book value of all assets and liabilities in non-current assets or disposal groups in accordance with relevant accounting standards. When the Group initially measurement or re-measurement is made on the balance sheet date, and the carrying amount of the non-current assets or disposal group holding for sale is higher than the fair value less cost to sell, the carrying amount shall be written down to the fair value less cost to sell. The amount written down is recognized as the loss of impairment of assets which is included in current profits and losses, and the corresponding provision for impairment of held-for-sale assets is also recognized.
- (2) If the non-current assets or disposal group acquired exclusively for resale by the Group meets the requirement that the sale is expected to be completed within one year on the acquisition date, and is likely to meet other conditions for the classification of held-for-sale assets within a short period (usually within three months), it shall be classified as held-for-sale assets on the acquisition date. In the initial measurement, the initial measurement amount and the fair value less costs to sell is compared and measured at a lower level under the condition that is not classified as held-for-sale assets. Except for the non-current assets or disposal groups acquired in the merger of enterprises, the difference resulting from the net amount of the non-current assets or disposal groups after deducting the costs to sell from the fair value shall be taken as the initial measurement amount, and shall be included in the current profit or loss.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 30. Held-for-sale assets *(continued)*

- (3) If the Group loses control of subsidiaries due to the sale of its investment in subsidiaries or other reasons, whether or not the Group retains part of its equity investment after the sale, when the investment in subsidiaries to be sold meets the requirements for the classification of held-for-sale assets, the investment of subsidiaries shall be divided into held-for-sale assets as a whole in the individual financial statements of the parent company, and all assets and liabilities of the subsidiaries shall be listed as held-for-sale in the consolidated financial statements.
- (4) If the net amount of the non-current assets classified as held for sale on the subsequent balance sheet date increases, the amount previously written down shall be restored and shall be reversed within the amount of the impairment loss of the assets recognized after being classified as hold-for-sale assets. The reversed amount shall be included in the current profits and loss. Losses of impairment of assets recognized before the classification of held-for-sale assets shall be not reversed.



# Notes to the Consolidated Financial Statements *(Continued)*

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(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 30. Held-for-sale assets *(continued)*

- (5) For the amount of loss of impairment of assets confirmed by the disposal group classified as held for sale, the carrying amount of goodwill in the disposal group shall be offset first, and then the carrying amount of non-current assets shall be offset pro rata on the basis.

If the net amount of the disposal group classified as held for sale on the subsequent balance sheet date increases, the amount previously written down shall be restored and shall be reversed within the amount of the impairment loss of the assets recognized by non-current assets applicable to relevant measurement provisions after being classified as hold-for-sale assets. The reversed amount shall be included in the current profits and loss. The carrying amount of the goodwill that has been written down and the losses of impairment of non-current assets recognized before they are classified as held-for-sale assets shall be not reversed.

The subsequent reversals of the impairment losses recognized by the disposal group classified as held for sale shall increase the carrying amount of non-current assets in the disposal group in proportion according to the proportion of the carrying amount of the non-current assets except goodwill in the disposal group.

- (6) The non-current assets classified as held for sale or non-current assets in the disposal group are not depreciated or amortized. Interest and other expenses attributable to the liabilities of a disposal group classifies as held for sale shall continue to recognize.

# Notes to the Consolidated Financial Statements *(Continued)*

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(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 30. Held-for-sale assets *(continued)*

- (7) When the non-current asset or the disposal group classified as held for sale ceases to meet the conditions for the classification of held for sale and ceases to be further classified as held for sale or ceases to be included in a disposal group classified as held for sale, it shall be measured at the lower of: a) its carrying amount before the non-current asset or disposal group was classified as held for sale, adjusted for any depreciation, amortization or impairment that would have been recognized had the non-current asset or disposal group not been classified as held for sale; b) its recoverable amount.
- (8) When derecognizing of non-current assets or disposal group classified as held for sale, the unrecognized gains or losses shall be included in the current profits and losses.

### 31. Discontinued operation

Discontinued operations referring to be clearly distinguished component which has been disposed of or is classified as held for sale, shall satisfy one of the following condition: (1) the component represents an independent main business or a separate main area of operation;(2) the component is part of a related plan for disposing an independent main business or a separate main operating area; (3) the component is a specially subsidiary obtained for resale.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **32. Segment Information**

The Group determines the operating segment based on internal organizational structure, management requirements and internal reporting system. The reportable segment and disclosing the information are determined based on the operating segment.

Operating segment refers to the components within the Group that satisfy all the following conditions: (1) the components can generate income and expenses in daily activities; (2) the operating results of the components are regularly reviewed by the management of the Group to make decisions about resources to be allocated to the segment and assess its performance; (3) Discrete financial information including the financial position, operating results and cash flow of the component is available. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

### **33. Financial Guarantee Contracts**

Financial guarantee contracts are contracts that require the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Such financial guarantees are given to banks, financial institutions and other entities to secure related party' loans, overdrafts and other bank facilities.

The financial guarantee contract is initially recognized at fair value on the date the guarantee was given, and shall be subsequently measured at the higher of amortized value and the best estimate of the reserves required for the performance of the group's guarantee obligations on balance sheet date. The increased liabilities associated with the contract and shall be recorded in current profit or loss. These estimates are based on similar business experience, past losses and management judgment.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 34. Critical Accounting Estimates and Judgments

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

#### (1) Taxation

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

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





# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 34. Critical Accounting Estimates and Judgments *(continued)*

#### (2) Method of ascertaining of performance progress for construction contracts **(Only applicable to situations where control is transferred within a period of time)**

The input method is adopted by the Group to ascertain the progress of performance of construction contracts. Specifically, the construction costs actually incurred on a cumulative basis as a percentage of estimated total costs is used to ascertain progress of performance. Costs actually incurred on a cumulative basis include direct and indirect costs incurred by the Group in the course of transfer of goods to customers. The Group considers that the consideration of construction contracts signed with customers is determined based on construction costs. The construction costs actually incurred on a cumulative basis as a percentage of estimated total costs can practically reflect the progress of performance of the construction service. The Group determines progress of performance by referring to the construction costs actually incurred on a cumulative basis as a percentage of estimated total costs, and recognizes revenue accordingly. As the period of validity of construction contracts is relatively long and may span over a number of accounting periods, the Group shall review and revise budget as the duration of the construction contracts continues, and adjust the amount of recognized revenue accordingly.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 34. Critical Accounting Estimates and Judgments *(continued)*

#### (3) Impairment of financial assets

The Group uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the anticipated credit loss model requires significant judgments and estimates. All reasonable and evidence-based information, including forward-looking information, should be taken into account. In making such judgments and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors.

The difference between the actual results and the original estimates will affect the carrying amount of financial assets and the provision or reversal for bad debts of financial assets during the estimated period of change.

#### (4) Impairment of non-financial assets

##### *(a) Provision of impairment on goodwill*

The Group conducts an annual impairment test on goodwill. The recoverable amount of cash-generating units or groups of cash-generating units to which goodwill has been allocated is the present value of its future cash flows estimated on the basis of (Notes IV (20)).

If the management modified the gross profit rate used in the calculation of the future cash flow of cash-generating units or groups of cash-generating units, the Group shall recognize the provision of impairment on goodwill when the modified gross profit rate is lower than the current gross profit rate.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 34. Critical Accounting Estimates and Judgments *(continued)*

#### (4) Impairment of non-financial assets *(continued)*

##### *(a) Provision of impairment on goodwill (continued)*

If the management modified the pre-tax discount rate used for cash flow discounting, the Group shall recognize the provision of impairment on goodwill when the modified pre-tax discount rate is higher than the current discount rate.

The provision of impairment on goodwill cannot be reversed if the actual gross profit rate or pre-tax discount rate is higher or lower than the estimates of the management.

##### *(b) Impairment of long-term assets*

Long-term assets are reviewed for impairment annually according to the accounting policy of the Group. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and the present value of the expected future cash flow. The calculation of value in use requires the company to estimate the future cash flows expected to be derived from the cash-generating unit and the appropriate discount rate based on the assumptions and estimates of the management. After sensitivity analysis, the management believes that the carrying amount of the asset will be fully recovered.

If the management modified the gross profit rate used in the calculation of the future cash flow of cash-generating units or groups of cash-generating units, the Group shall recognize the provision of impairment on long-term assets when the modified gross profit rate is lower than the current gross profit rate.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

### 34. Critical Accounting Estimates and Judgments *(continued)*

#### (5) Valuation of inventory

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (6) Estimated useful lives of fixed assets and intangible assets

The Group reviews the estimated useful lives of fixed assets and intangible assets at least once at the end of the year. Estimated useful lives are determined by the management based on historical experience of similar assets and expected technological advancement. Corresponding adjustment to depreciation expenses for future periods will be made in case of substantial changes in previous estimates.

#### (7) Quality warranty

For groups of contracts with similar characteristics, the Group reasonably estimates maintenance fee charge based on historical data on and current situation of maintenance, and taking into account all relevant data including product upgrade and market changes. The Group re-assesses maintenance fee charge at least on every balance sheet date and determines accruals and provisions based on the re-assessed maintenance fee charge.



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)***

### **34. Critical Accounting Estimates and Judgments *(continued)***

#### **(8) Defined benefit plan**

The management of the Group determines the net liabilities of the defined benefit plan based on the present value of the defined benefit obligation minus the fair value of the planned assets calculated by the model. The calculation of the present value of the defined benefit obligation includes a number of assumptions, including the benefit period and the discount rate. If future events are inconsistent with these assumptions, they may lead to significant adjustments to the net liabilities of the defined benefit plan set on the balance sheet date.

### **35. Changes in critical accounting policies and estimates**

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

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## V. TAXATION

### 1. Main categories of tax and corresponding tax rate

Category of tax	Tax base	Tax rate
<b>Chinese enterprise</b>		
Enterprise income tax	Taxable income	15%, 25% and 0%
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	13%, 9%, 6%
VAT (easy to collect)	Taxable value-added amount multiplied by VAT collection rate	5%, 3%
City maintenance and construction tax	Taxable amounts of VAT	5% and 7%
Educational surcharge	Taxable amounts of VAT	2% and 3%
Property tax	70% of the original value of the property or rental income	1.2%, 12%
Land use tax	Land occupation area	RMB10/square metre/year, RMB20/square metre/year, RMB16/square metre/year, RMB14/square metre/year, RMB8/square metre/year
<b>Profit tax in Hong Kong</b>	–	16.5%
<b>Profit tax for other regions/countries</b>	–	15.2%, 20%, 34%, 39%

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## V. TAXATION (CONTINUED)

### 1. Main categories of tax and corresponding tax rate (continued)

Explanation of taxpayers of different enterprise income tax rates:

Taxpayers	Income tax rate	Income tax preference
Chongqing Machinery & Electric Co., Ltd.	25%	–
Chongqing Water Turbine Works Co., Ltd.	15%	Income tax preference (1)
Chongqing CAFF Automotive Braking & Steering System Co., Ltd.	15%	Income tax preference (1)
Chongqing Pigeon Electric Wires & Cables Co., Ltd.	15%	Income tax preference (1)
Chongqing Pigeon Electric Porcelain Co., Ltd.	25%	Income tax preference (2)
Chongqing Pigeon Electric Materials Co., Ltd.	15%	Income tax preference (1)
Chongqing General Industry (Group) Co., Ltd.	15%	Income tax preference (2)
Chongqing Chongtong Wide Wisdom Air Conditioning Equipment Co., Ltd.	15%	Income tax preference (2)
Chongqing Chongtong Turbine Technology Co., Ltd.	25%	–
Jilin ChongTong Chengfei New Material Co., Ltd.	15%	Income tax preference (2)
Chongqing ChongTong Chengfei New Material Co., Ltd.	15%	Income tax preference (1)
Gansu Chong Tong Chengfei New Material Co., Ltd.	15%	Income tax preference (1)
Chong Tong Chengfei Wind Power Equipment Jiangsu Co., Ltd.	15%	Income tax preference (2)
Xilin Hot Chenfei Wind Power Equipment Co., Ltd.	15%	Income tax preference (1)
Chongqing Shunchang General Electric Equipment Co., Ltd.	15%	Income tax preference (1)
Chongqing Pump Industry Co., Ltd.	15%	Income tax preference (1)
Chongqing Gas Compressor Factory Co., Ltd.	15%	Income tax preference (1)
Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	15%	Income tax preference (2)

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020  
(All amounts are presented in RMB except otherwise stated)

## V. TAXATION *(CONTINUED)*

### 1. Main categories of tax and corresponding tax rate *(continued)*

Explanation of taxpayers of different enterprise income tax rates: *(continued)*

Taxpayers	Income tax rate	Income tax preference
Chongqing Mengxun Electronic & Technology Co., Ltd.	15%	Income tax preference (1)
Chongqing Mechanical and Electrical Additive Manufacturing Co., Ltd.	25%	–
Chongqing Machine Tool (Group) Co., Ltd.	15%	Income tax preference (1)
Chongqing Sino-Germany Smart Factory Solutions Co., Ltd.	15%	Income tax preference (1)
Fu Baotian Cotton picking services Co., Ltd.	Exemption	Income tax preference (4)
Chongqing Tool Factory Co., Ltd.	15%	Income tax preference (2)
Chongqing No. 2 Machine Tools Factory Co., Ltd.	15%	Income tax preference (1)
Chongqing Yinhe Forging & Founding Co., Ltd.	25%	–
Chongqing Shengong Machinery Manufacturing Co., Ltd.	15%	Income tax preference (1)
Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd.	15%	Income tax preference (1)
Chongqing Industrial Enabling Innovation Center Co., Ltd.	15%	Income tax preference (2)
Chongqing Shengpu Material Co., Ltd.	25%	–
Chongqing Machinery & Electric Holding Group Finance Co., Ltd.	15%	Income tax preference (1)
Precision Technologies Group (PTG) Limited.	20%	–
Precision Technologies Group (US) Limited (PTG US)	34%	–
Holroyd Precision Screw and Rotors Company	39%	–
PTG Heavy Industries Ltd.	20%	–
Milnrow Investments Ltd.	20%	–
Precision Components Ltd.	20%	–
PTG Deutschland GmbH	15.20%	–
PTG Investment Development Company Ltd.	16.50%	–



# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## V. TAXATION *(CONTINUED)*

### 2. Corporate income tax preferences

- (1) According to announcement of in-depth implementing the western development strategy on the problem of enterprise income tax which was issued by the State Taxation Administration on April 6, 2012 (The State Taxation Administration announcement No.12, 2012), management of the Group believes that its subsidiaries which were approved by Chongqing State Taxation Administration to enjoy 15% preferential enterprise income tax rate from 2001 to 2011, is still eligible to enjoy 15% preferential enterprise income tax rate from 2012 to 2020.
- (2) According to the relevant tax preferential policies of the state for high-tech enterprises, certified high-tech enterprises can enjoy preferential policies of enterprise income tax and pay enterprise income tax at a reduced rate of 15%.

The following companies in this Group enjoy a preferential tax rate of 15% in this period because they have obtained the Certificate of High-tech Enterprises, including Chongqing General Industry (Group) Co.,Ltd (certificate of high-tech enterprises No. GR201751100440), Jilin Chongtong Chengfei New Material Co., Ltd. (certificate of high-tech enterprises No. GF201522000016), Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd. (certificate of high-tech enterprises No. GR201751100272), Chongqing Industrial Enabling Innovation Center Co., Ltd. (certificate of high-tech enterprises No. GR201851100040), Chong Tong Chengfei Wind Power Equipment Jiangsu Co., Ltd. (certificate of high-tech enterprises No. GR201832003842). Chongqing Pigeon Electric Porcelain Co., Ltd. (certificate of high-tech enterprises No. GR201651100225), Chongqing Tool Factory Co., Ltd. (certificate of high-tech enterprises No. GR201651100175).

- (3) The Group's subsidiary, Xinjiang Fubaotian Cotton-picking Service Co., Ltd. ("Fubaotian") is engaged in agricultural machinery operations and its income is exempted from enterprise income tax.

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 1. Cash and Cash Equivalents

Items	30 June 2020	31 Dec 2019
Cash in hand	654,715.09	589,731.55
Cash at bank	1,363,183,561.32	1,536,977,363.04
Other cash equivalents	761,033,233.71	557,052,553.97
Accrued interest	4,297,466.67	—
<b>Total</b>	<b>2,129,168,976.79</b>	<b>2,094,619,648.56</b>
Including: cash deposited abroad	16,688,842.87	64,767,665.24

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

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1. Cash and Cash Equivalents (continued)

#### Restricted cash at the end of the year

Items	30 June 2020
Deposits for bank acceptance bills	63,468,130.41
Deposits for letters of credit	4,390,000.00
Guarantee deposit	124,384,800.95
Restricted term deposits	437,470,250.87
Statutory reserve	126,320,051.48
<b>Total</b>	<b>756,033,233.71</b>

### 2. Financial Assets held for sale

Items	30 June 2020	31 Dec 2019
Financial assets held for sales	4,249,637.16	269,494.13
including: Equity instrument investment	244,179.41	269,494.13
Money market fund	4,005,457.75	–
<b>Total</b>	<b>4,249,637.16</b>	<b>269,494.13</b>

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 3. Notes receivable

#### (1) Classification of notes receivable

Items	30 June 2020	31 Dec 2019
Bank acceptance bills	<b>201,613,908.13</b>	184,217,929.12
Commercial acceptance bills	<b>42,556,236.06</b>	117,905,218.88
Less: provision for bad debts	<b>5,226,530.22</b>	6,051,761.14
<b>Total</b>	<b><u>238,943,613.97</u></b>	<u>296,071,386.86</u>

Notes: The aging of ending balances of notes receivable are all within one year.

#### (2) Notes receivable not pledged by the Group at the end of the year.

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 3. Notes receivable *(continued)*

- (3) At the end of the year, the Group had no bills receivable that had been endorsed or discounted and had not matured at the balance sheet date.
- (4) Notes receivable that is transferred to an account receivable because the drawer has failed to perform his contract.

Items	The amount to account receivable
Commercial acceptance bills	<b>78,500,000.00</b>
<b>Total</b>	<b><u>78,500,000.00</u></b>

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Notes receivable (continued)

#### (5) Classified by bad debt provision method

Items	30 June 2020				
	Book Balance		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of bad debt provision (%)	
Provision for bad debts by portfolio	244,170,144.19	100.00	5,226,530.22	2.14	238,943,613.97
Including: bank acceptance bill	201,613,908.13	82.57	4,987,139.05	2.47	196,626,769.08
General customer commercial acceptance bill	42,556,236.06	17.43	239,391.17	0.56	42,316,844.89
<b>Total</b>	<b>244,170,144.19</b>	<b>100.00</b>	<b>5,226,530.22</b>	<b>2.14</b>	<b>238,943,613.97</b>

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Notes receivable (continued)

#### (5) Classified by bad debt provision method (continued)

(continued)

Items	31 Dec 2019				
	Book Balance		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of bad debt provision (%)	
Provision for bad debts by portfolio	302,123,148.00	100.00	6,051,761.14	2.00	296,071,386.86
Including: bank acceptance bill	184,217,929.12	60.97	1,866,746.44	1.01	182,351,182.68
General customer commercial acceptance bill	117,905,218.88	39.03	4,185,014.70	3.55	113,720,204.18
<b>Total</b>	<b>302,123,148.00</b>	<b>100.00</b>	<b>6,051,761.14</b>	<b>2.00</b>	<b>296,071,386.86</b>

Note: The bad debt provision for bank acceptance bill at the end of this period refers to the expected credit loss accrued by the financial company of Chongqing mechanical and electrical holding group, a subsidiary of the group, for its bill discount assets according to the credit risk characteristics and referring to the guiding principles of loan risk classification of the people's Bank of China.

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Notes receivable (continued)

- (6) Provision for bad debts of notes receivable that are accrued, collected or transferred back in this period:

Items	31 Dec 2019	Change amount for the current period		30 June 2020
		Loans issued and advances reclassified to notes receivable	Reclassification to bad debt provision of accounts receivable	
Provision for bad debts of notes receivable	6,051,761.14	3,359,783.78	4,185,014.70	5,226,530.22
<b>Total</b>	<b>6,051,761.14</b>	<b>3,359,783.78</b>	<b>4,185,014.70</b>	<b>5,226,530.22</b>

- (7) The Group has no notes receivable actually written off during the year.



# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable

Items	30 June 2020	31 Dec 2019
Accounts receivable	<b>3,294,362,305.79</b>	3,111,334,932.31
Less: provision for bad debts	<b>438,182,591.06</b>	423,220,675.82
<b>Carrying amount</b>	<b><u>2,856,179,714.73</u></b>	<b><u>2,688,114,256.49</u></b>

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

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (continued)

#### (1) The accounts receivable recognized provision for bad debts according to group of expected credit risk characters

Classification	30 June 2020			
	Book balance	percentage (%)	Provision for bad debts	Carrying amount
Provision for bad debts is recognized separately	166,468,395.20	87.91	146,344,978.85	20,123,416.35
Provision for bad debts is recognized by group	3,127,893,910.59	9.33	291,837,612.21	2,836,056,298.38
Including: Related parties	190,108,816.59	-	-	190,108,816.59
Retention money of warranty	68,525,069.26	-	-	68,525,069.26
Customers with good credit	306,046,677.20	-	-	306,046,677.20
General customers	2,563,213,347.54	11.39	291,837,612.21	2,271,375,735.33
Including: Within 1 year	1,309,697,591.52	1.00	13,160,787.00	1,296,536,804.52
1-2 years	415,566,951.33	4.57	19,005,297.87	396,561,653.46
2-3 years	532,287,902.70	10.16	54,066,855.27	478,221,047.43
3-4 years	147,898,700.50	37.98	56,175,176.91	91,723,523.59
4-5 years	30,125,065.40	72.34	21,792,359.07	8,332,706.33
Over 5 years	127,637,136.09	100.00	127,637,136.09	-
<b>Total</b>	<b>3,294,362,305.79</b>	<b>13.30</b>	<b>438,182,591.06</b>	<b>2,856,179,714.73</b>

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (continued)

#### (1) The accounts receivable recognized provision for bad debts according to group of expected credit risk characters (continued)

(continued)

Classification	31 Dec 2019			
	Book balance	percentage (%)	Provision for bad debts	Carrying amount
Provision for bad debts is recognized separately	177,314,797.25	80.76	143,195,407.33	34,119,389.92
Provision for bad debts is recognized by group	2,934,020,135.06	9.54	280,025,268.49	2,653,994,866.57
Including: Related parties	174,078,131.41	-	-	174,078,131.41
Retention money of warranty	66,975,926.83	-	-	66,975,926.83
Customers with good credit	560,103,251.65	-	-	560,103,251.65
General customers	2,132,862,825.17	13.13	280,025,268.49	1,852,837,556.68
Including: Within 1 year	1,088,012,124.73	1.81	19,663,684.25	1,068,348,440.48
1-2 years	499,701,625.42	5.97	29,810,453.79	469,891,171.63
2-3 years	243,112,015.14	18.81	45,740,336.68	197,371,678.46
3-4 years	146,692,368.31	26.77	39,266,942.54	107,425,425.77
4-5 years	40,212,510.71	75.63	30,411,670.37	9,800,840.34
Over 5 years	115,132,180.86	100.00	115,132,180.86	-
<b>Total</b>	<b>3,111,334,932.31</b>	<b>13.60</b>	<b>423,220,675.82</b>	<b>2,688,114,256.49</b>

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 4. Accounts receivable *(continued)*

#### (1) The accounts receivable recognized provision for bad debts according to group of expected credit risk characters *(continued)*

Note: The Group always measures the impairment allowance of accounts receivable at an amount equivalent to the expected credit loss over the entire duration, and calculates its expected credit loss based on the number of overdue days and the default loss rate. The LGD is calculated based on the actual credit loss experience in the past 3-5 years, and is based on the differences between the economic conditions during the historical data collection period, the current economic conditions, and the economic conditions estimated by the Group during the expected duration. Make adjustments.



# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (continued)

#### (2) The accounts receivable recognized provision for bad debts separately:

Name	30 June 2020			
	Book Balance	Provision for bad debts	Excepted credit loss rate (%)	Reason
Credit Transfer of Chongqing Jiangbei Machinery Co., Ltd.	22,840,155.15	22,840,155.15	100	Not expected to be recoverable
Chongqing Pigeon Brand Wire and Cable Co., Ltd. Chengdu Department	11,150,019.24	11,150,019.24	100	Not expected to be recoverable
Chongqing Huahao Smelting Co., Ltd.—Debt Transfer	9,413,799.49	9,413,799.49	100	Not expected to be recoverable
Italy QUART Hydroelectric Station	6,775,437.93	6,775,437.93	100	Not expected to be recoverable
Shanghai Zhongtong Air Conditioning Refrigeration Equipment Company	4,652,004.71	4,652,004.71	100	Not expected to be recoverable
Morgan Technologies	3,635,346.55	3,635,346.55	100	Not expected to be recoverable
Chongqing Quanhai Machinery Co., Ltd.	2,941,756.50	2,941,756.50	100	Not expected to be recoverable
Shanxi Tianfu Gas Co., Ltd.	2,820,000.00	2,820,000.00	100	Not expected to be recoverable
Shanxi Compressed Natural Gas Group Jinzhong Co., Ltd.	2,738,600.00	2,738,600.00	100	Not expected to be recoverable
Chongqing Bishan Shunshan Machinery Co., Ltd.	3,722,954.37	3,722,954.37	100	Not expected to be recoverable
Jiangsu Xinzhong Environmental Protection Co., Ltd.	1,729,838.10	1,729,838.10	100	Not expected to be recoverable
Novall (Tianjin) Energy Equipment Co., Ltd.	1,680,320.00	1,680,320.00	100	Not expected to be recoverable
Zhongtian (Jiangsu) Defense Equipment Co., Ltd.	1,478,664.00	1,478,664.00	100	Not expected to be recoverable
Tianjin Binhai Dragon Gas Co., Ltd.	1,478,000.00	1,478,000.00	100	Not expected to be recoverable

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (continued)

#### (2) The accounts receivable recognized provision for bad debts separately: (continued)

Name	30 June 2020			Reason
	Book Balance	Provision for bad debts	Excepted credit loss rate (%)	
Xinjiang Tianfu Tianyuan Gas Co., Ltd.	1,214,327.20	1,214,327.20	100	Not expected to be recoverable
Chongqing Weihao Gear Co., Ltd.	1,187,686.75	1,187,686.75	100	Not expected to be recoverable
Chongqing Caeri Power Technology Co., Ltd.	1,083,506.76	1,083,506.76	100	Not expected to be recoverable
Kangda Environmental Protection (Shangqiu) Water Service Co., Ltd.	1,117,800.00	1,117,800.00	100	Not expected to be recoverable
Shandong Ruituo Qiutuan Engineering Technology Co., Ltd.	1,058,000.00	1,058,000.00	100	Not expected to be recoverable
Shandong Fengxin Petroleum Equipment Co., Ltd.	1,016,000.00	1,016,000.00	100	Not expected to be recoverable
Shandong Quanlin Straw Comprehensive Utilization Co., Ltd.	1,000,928.00	1,000,928.00	100	Not expected to be recoverable
Other customers	81,733,250.45	61,609,834.10	75.38	Not expected to be fully recoverable
<b>Total</b>	<b>166,468,395.20</b>	<b>146,344,978.85</b>	<b>87.91</b>	

Note: The Group's receivables based on single item provision for bad debts in this period are mainly due to financial difficulties of the debtor or a longer ageing of the account or a lower probability of full recovery.

# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (continued)

(3) According to the date of invoice, the age of accounts receivable is analyzed as follows:

Aging	30 June 2020		
	Book Balance	Provision for bad debts	Percentage (%)
Within 1 year	1,603,901,090.52	16,557,822.74	1.03
1-2 years	586,518,517.18	20,038,121.56	3.42
2-3 years	621,723,583.23	56,397,391.94	9.07
3-4 years	182,848,125.41	71,893,022.13	39.32
4-5 years	47,634,893.86	28,967,803.98	60.81
Over 5 years	251,736,095.59	244,328,428.71	97.06
<b>Total</b>	<b>3,294,362,305.79</b>	<b>438,182,591.06</b>	<b>13.30</b>

(continued)

Aging	31 Dec 2019		
	Book Balance	Provision for bad debts	percentage (%)
Within 1 year	1,664,374,985.96	22,925,677.43	1.38
1-2 years	719,522,822.77	33,877,477.99	4.71
2-3 years	273,614,987.60	59,732,520.37	21.83
3-4 years	176,666,099.28	41,602,334.14	23.55
4-5 years	74,699,506.04	66,628,774.28	89.20
Over 5 years	202,456,530.66	198,453,891.61	98.02
<b>Total</b>	<b>3,111,334,932.31</b>	<b>423,220,675.82</b>	<b>13.60</b>

# Notes to the Consolidated Financial Statements *(Continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 4. Accounts receivable *(continued)*

#### (4) Provision for bad debts that are accrued, transferred back or collected during this period:

Items	31-Dec-19	Accrued	Change amount for the current period		30 June 2020
			Plus: Amount of reclassification of bad debt provision for bills receivable	Collected or transferred back	
Provision for bad debts of account receivable	423,220,675.82	13,828,131.97	4,185,014.70	3,051,231.43	<b>438,182,591.06</b>
<b>Total</b>	<b>423,220,675.82</b>	<b>13,828,131.97</b>	<b>4,185,014.70</b>	<b>3,051,231.43</b>	<b>438,182,591.06</b>

(5) No account receivable that is actually written off during this period.

(6) No account receivable that is derecognized due to the transfer of financial assets during this period.

(7) No assets and liabilities have been formed due to the transfer and continuing involvement of account receivable.



# Notes to the Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable (continued)

#### (8) Top five debtors of account receivable:

Name of debtors	30 June 2020	Aging	Proportion in total accounts receivable (%)	Provision for bad debts	No settlement reason
Beijing Wanyuan Industry Co., Ltd.	166,605,800.00	2-3 years 3-4 years	5.06	36,177,498.66	Affected by the market, customer project progress is delayed
Huayi wind energy Co., Ltd	126,092,586.18	Within one year, 1-2 years, 2-3 years 3-4 years	3.83	16,733,011.97	Affected by the market, customer project progress is delayed
Laos Nanye 2B Power Station EPC Project (Longhai Group Ltd. NONGHAI GROUP LTD)	124,183,486.46	Within one year, 1-2 years	3.77	3,519,469.18	According to the performance contract, it has not been settled
China shipbuilding industry group Haizhuang Wind Power Co., Ltd	98,139,313.83	Within one year	2.98	986,154.50	Payments of Quality deposit, and blade has not expired.
State Grid E-Commerce Technology Co., Ltd	86,110,859.48	Within one year, 1-2 years	2.61	1,818,229.99	Monthly Settlement Applied
<b>Total</b>	<b>601,132,045.95</b>		<b>18.25</b>	<b>59,234,364.30</b>	

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 5. Receivable financing

#### (1) Classification of receivables financing

Items	30 June 2020	31 Dec 2019
Bank acceptance bill	<u>554,330,108.35</u>	<u>470,685,913.42</u>
<b>Total</b>	<b><u>554,330,108.35</u></b>	<b><u>470,685,913.42</u></b>

Note: According to the needs of daily fund management, the Group classifies bank acceptance bills into financial assets measured at fair value and the changes of which are included in other comprehensive income. Since the change of fair value at the end of the period has little impact on the statements, the group presents receivables financing according to book value.

The Group does not have a single bank acceptance bill for impairment provision. At the end of the year, the Group measures bad debt provisions based on the expected credit losses throughout its lifetime. The Group believes that the bank acceptance bills held do not have significant credit risk and will not cause significant losses due to bank defaults.

#### (2) Notes receivable that have been used for pledge on 30 June 2020:

Items	Amount pledged
Bank acceptance bill	<u>78,078,644.62</u>
<b>Total</b>	<b><u>78,078,644.62</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 5. Receivable financing *(continued)*

#### (3) Notes receivable that have been endorsed or discounted by the Group at the end this period and have not expired at the 30 June 2020:

Items	Termination confirmation amount	The confirmed amount is not terminated
Bank acceptance bill	925,270,122.34	-
Commerce acceptance bill	-	-
including: return to account receivables	-	-
<b>Total</b>	<b>925,270,122.34</b>	<b>-</b>

Note: On June 30, 2020, the group endorsed the bills receivable of RMB925,270,122.34 to the supplier to pay for the material purchase payment. The management of the group considered that the risk and return of ownership of the unexpired bills had been substantially transferred, so the group completely terminated the recognition of the notes receivable and the amount due to the supplier. The group's continued involvement in the unexpired bills receivable whose recognition has been completely terminated is limited to the extent that the issuing bank is unable to settle accounts with the bill holder. The maximum possible loss of the group's continued involvement is the unexpired notes receivable endorsed by the group to the supplier, which is RMB925,270,122.34 at the end of the period.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 6. Prepayments

#### (1) Aging analysis

Items	30 June 2020	31 Dec 2019
Within 1 year	<b>251,174,335.93</b>	205,716,446.84
1-2 years	<b>40,307,455.28</b>	34,446,116.81
2-3 years	<b>22,958,986.22</b>	10,516,169.32
More than 3 years	<b>22,891,456.68</b>	16,335,602.70
<b>Total</b>	<b>337,332,234.11</b>	267,014,335.67
Less: provision for diminution in value	<b>833,724.00</b>	833,724.00
<b>Net value</b>	<b>336,498,510.11</b>	266,180,611.67

Note: On 30 June 2020, the Group's prepaid accounts with an age of more than one year were RMB86,157,898.18 (The beginning of the year: RMB61,297,888.83), which were mainly prepayments for materials, because the delivery cycle was long and the materials had not arrived.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 6. Prepayments *(continued)*

#### (2) The major prepayments aged over 1 year

Name of debtors	30 June 2020	Aging	No settlement reason	Percentage (%)
Chongqing Construction Engineering Group Corporation Limited	6,027,750.88	2-3 years over 3 years	Bills not received	1.79
Anshan Zhengfa Surface Technology Engineering Co., Ltd.	5,575,896.62	1-2 years, 2-3 years	Contract not fully performed	1.65
Chengdu Feiyi Trading Company	4,725,717.50	1-2 years, 2-3 years	Commodity not received	1.40
MCC Sadie Electric Technology Co., Ltd.	2,067,800.02	1-2 years, 2-3 years	Commodity not received	0.61
Qingdao MESNAC Heavy Industry Co., Ltd.	1,657,600.00	1-2 years, 2-3 years	Commodity not received	0.49
<b>Total</b>	<b>20,054,765.02</b>			<b>5.95</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 6. Prepayments *(continued)*

#### (3) The top five prepayments by year-end balance collected by prepayment target

Name of debtors	30 June 2020	Aging	No settlement reason	Percentage (%)
China Copper International Trade Group Co., Ltd.	22,736,730.28	Within 1 year	Commodity not received	6.74
SAERTEX Reinforced Materials (Dongying) Co., Ltd	17,095,330.58	Within 1 year	Advance payment for material purchase as agreed in the performance contract	5.07
Jinchuan Group wire and cable Co., Ltd	14,499,999.99	Within 1 year	Advance payment for material purchase as agreed in the performance contract	4.30
Beijing Kolas Technology Co., Ltd. Xicheng Branch	12,186,405.82	Within 1 year	Advance payment for material purchase as agreed in the performance contract	3.61
Zhejiang Lianyang New Material Co., Ltd	10,720,000.00	Within 1 year	Advance payment for material purchase as agreed in the performance contract	3.18
<b>Total</b>	<b>77,238,466.67</b>			<b>22.90</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 6. Prepayments *(continued)*

#### (4) Provision for bad debts that are accrued, transferred back or collected during this period:

Items	31 Dec 2019	Change amount for the year			30 June 2020
		accrued	collected or transferred back	Resale of write off	
Provision for bad debts of prepayment	833,724.00	-	-	-	833,724.00
<b>Total</b>	<b>833,724.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>833,724.00</b>

### 7. Other receivables

Items	30 June 2020	31 Dec 2019
Dividend receivable	342,791,694.00	436,478,069.56
Other receivables	956,366,086.79	950,732,242.50
<b>Total</b>	<b>1,299,157,780.79</b>	1,387,210,312.06
Less: provision for bad debts	174,404,163.70	183,654,530.40
<b>Net value</b>	<b>1,124,753,617.09</b>	1,203,555,781.66

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 7. Other receivables *(continued)*

#### 7.1 Dividend receivable

(1) *The classification of dividend receivable*

Investees	30 June 2020	31 Dec 2019
Chongqing Cummins Engine Co., Ltd	<b>340,854,237.62</b>	434,540,613.18
Chongqing Hongyan Fangda Automotive Suspension Co., Ltd.	<b>1,937,456.38</b>	1,937,456.38
<b>Total</b>	<b><u>342,791,694.00</u></b>	<b><u>436,478,069.56</u></b>



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 7. Other receivables *(continued)*

#### 7.1 Dividend receivable *(continued)*

(2) *The major dividend receivable aged over 1 year*

Items (or investee)	Book Balance	Aging	The reason for not receiving	Whether the impairment occurs and its judgment basis
Chongqing Hongyan Fangda Automotive Suspension Co., Ltd.	1,937,456.38	2-3 years	No payment	No impairment occurred and the enterprise operate normally
Chongqing Cummins Engine Co., Ltd.	73,039,982.68	2-3 years	The payment shall be made according to the resolution of the board of directors	No impairment occurred and the enterprise operate normally
<b>Total</b>	<b>74,977,439.06</b>			

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 7. Other receivables *(continued)*

#### 7.2 Other receivables

(1) *Other receivables are classified by the nature of the amount listed below:*

Nature	30 June 2020	31 Dec 2019
Land disposal receivable	<b>238,066,312.48</b>	214,687,758.58
Collection and payment on agency basis	<b>227,214,386.60</b>	246,203,177.03
The related companies of other receivable	<b>142,900,763.95</b>	149,020,042.26
Borrowing and interest	<b>88,531,658.42</b>	88,531,658.42
Deposit Receivable	<b>48,076,779.28</b>	34,554,133.81
Imprest fund	<b>30,469,161.72</b>	41,879,073.45
Large group receivable	<b>30,524,539.64</b>	29,861,801.68
Housing repair fund	<b>28,571,228.24</b>	23,836,239.61
Advance payments to third party companies	<b>17,506,994.37</b>	19,574,222.28
Prepayment for house purchase	<b>12,622,437.20</b>	12,622,437.20
Others	<b>91,881,824.89</b>	89,961,698.18
<b>Total</b>	<b>956,366,086.79</b>	950,732,242.50
Less: provision for bad debts	<b>174,404,163.70</b>	183,654,530.40
<b>Net value</b>	<b>781,961,923.09</b>	767,077,712.10

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 7. Other receivables *(continued)*

#### 7.2 Other receivables *(continued)*

##### (2) Aging analysis

Aging	30 June 2020	31 Dec 2019
Within 1 year	<b>197,565,765.17</b>	654,368,274.70
1-2 years	<b>499,798,737.34</b>	100,887,533.18
2-3 years	<b>75,337,288.07</b>	92,163,305.28
3-4 years	<b>82,597,837.12</b>	40,316,178.69
4-5 years	<b>38,466,822.91</b>	6,768,657.75
Over 5 years	<b>62,599,636.18</b>	56,228,292.90
<b>Total</b>	<b>956,366,086.79</b>	950,732,242.50
Less: provision for bad debts	<b>174,404,163.70</b>	183,654,530.40
<b>Net value</b>	<b>781,961,923.09</b>	767,077,712.10

Note: The ageing of other receivables of the Group is calculated from the date when other receivables are recognized.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 7. Other receivables *(continued)*

#### 7.2 Other receivables *(continued)*

(3) *The other receivables recognized provision for bad debts according to group of expected credit risk characters.*

Classification	30 June 2020			Carrying amount
	Book balance	Percentage (%)	Provision for bad debts	
Provision for bad debts is recognized separately	358,429,911.41	43.51	155,957,572.66	202,472,338.75
Provision for bad debts is recognized by group	597,936,175.38	3.09	18,446,591.04	579,489,584.34
Including: Receivable from government	247,404,852.99	-	-	247,404,852.99
Related parties	108,701,266.56	9.47	10,293,923.37	98,407,343.19
Deposits, security deposit and reserve fund receivable	63,822,160.45	5.90	3,763,935.30	60,058,225.15
General receivables and others	178,007,895.38	2.47	4,388,732.37	173,619,163.01
Including: Within 1 year	31,815,289.59	0.08	25,988.52	31,789,301.07
1-2 years	57,672,857.26	0.10	55,274.93	57,617,582.33
2-3 years	29,799,929.47	0.14	40,540.88	29,759,388.59
3-4 years	17,367,631.30	1.81	314,567.28	17,053,064.02
4-5 years	2,887,200.82	2.53	73,109.04	2,814,091.78
Over 5 years	38,464,986.94	10.09	3,879,251.72	34,585,735.22
<b>Total</b>	<b>956,366,086.79</b>	<b>18.24</b>	<b>174,404,163.70</b>	<b>781,961,923.09</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 7. Other receivables *(continued)*

#### 7.2 Other receivables *(continued)*

(3) *The other receivables recognized provision for bad debts according to group of expected credit risk characters. (continued)*

(continued)

Classification	31 Dec 2019			
	Book balance	Percentage (%)	Provision for bad debts	Carrying amount
Provision for bad debts is recognized separately	378,871,450.89	44.57	168,872,744.43	209,998,706.46
Provision for bad debts is recognized by group	571,860,791.61	2.58	14,781,785.97	557,079,005.64
Including: Receivable from government	222,820,123.34	-	-	222,820,123.34
Related parties	128,025,979.74	8.04	10,293,923.37	117,732,056.37
Deposits, security deposit and reserve fund receivable	56,037,834.36	0.31	173,043.60	55,864,790.76
General receivables and others	164,976,854.17	2.62	4,314,819.00	160,662,035.17
Including: Within 1 year	71,831,157.34	0.05	36,890.96	71,794,266.38
1-2 years	33,323,716.39	0.03	11,000.00	33,312,716.39
2-3 years	17,912,918.93	1.86	332,985.46	17,579,933.47
3-4 years	3,318,641.69	2.20	73,109.04	3,245,532.65
4-5 years	5,057,175.52	-	-	5,057,175.52
Over 5 years	33,533,244.30	11.51	3,860,833.54	29,672,410.76
<b>Total</b>	<b>950,732,242.50</b>	<b>19.32</b>	<b>183,654,530.40</b>	<b>767,077,712.10</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 7. Other receivables *(continued)*

#### 7.2 Other receivables *(continued)*

(3) *The other receivables recognized provision for bad debts according to group of expected credit risk characters. (continued)*

1) The other receivables recognized provision for bad debts separately:

Name of debtors	30 June 2020			Reason
	Book balance	Provision for bad debts	Percentage (%)	
Chongqing Shangshe Chemical Co., Ltd.	287,003,801.03	86,101,140.31	30.00	not expected to be fully recoverable
Chongqing Jiangbei Machinery Co., Ltd.	31,213,147.59	31,213,147.59	100.00	not expected to be recoverable
Chen Yulan	14,279,940.00	14,279,940.00	100.00	not expected to be recoverable
Chongqing Gangtian Property Co., Ltd.	9,680,000.00	9,680,000.00	100.00	not expected to be recoverable
Chongqing Huahao Smelting Co., Ltd.	3,264,844.35	3,264,844.35	100.00	not expected to be recoverable
Chongqing Major Gaoke Property Development Co., Ltd.	2,942,437.20	2,942,437.20	100.00	not expected to be recoverable
Chongqing Qichi Auto Parts Co., Ltd	1,341,455.00	1,341,455.00	100.00	not expected to be recoverable
Xiao Qinglu	845,000.00	845,000.00	100.00	not expected to be recoverable
Chongqing Yichen photoelectric Co., Ltd	518,211.36	417,742.68	80.61	not expected to be fully recoverable
Others	7,341,074.88	5,871,865.53	79.99	not expected to be fully recoverable
<b>Total</b>	<b>358,429,911.41</b>	<b>155,957,572.66</b>	<b>43.51</b>	

Note: The provision for bad debts of the other receivable made individually during this period were mainly due to financial difficulties or long-aging accounts of the debtor. The management of the Group is expected to be unable to recover them or to recover them in full.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 7. Other receivables *(continued)*

#### 7.2 Other receivables *(continued)*

(4) *Provision for bad debts that are accrued, collected or transferred back during this period:*

Items	31 Dec 2019	Change amount for the current period			30 June 2020
		accrued	collected or transferred back	write off	
Provision for bad debts of other receivable	<u>183,654,530.40</u>	<u>(4,029,234.76)</u>	<u>3,666,738.62</u>	<u>1,554,393.32</u>	<u>174,404,163.70</u>
<b>Total</b>	<u>183,654,530.40</u>	<u>(4,029,234.76)</u>	<u>3,666,738.62</u>	<u>1,554,393.32</u>	<u>174,404,163.70</u>

(5) *No other receivable actually written off during this period.*

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 7. Other receivables *(continued)*

#### 7.2 Other receivables *(continued)*

##### (6) Top five debtors of other receivables

Name of debtors	Nature	Book balance	Aging	Percentage (%)	Provision for bad debts amount
Chongqing Shangshe Chemical Co., Ltd.	Advances, borrowings and interest arising from trading operations	287,003,801.03	Within 1 year, 1-2 years	30.01	86,101,140.31
Chongqing Mindray Urban Construction Investment Co., Ltd.	Land disposal fund	147,281,090.17	Within 1 year, 1-4 years	15.40	-
Chongqing Jiangbei Machinery Co., Ltd.	Affiliate payments	61,213,147.59	1-2 years, 3-5 years	6.40	31,213,147.59
Chongqing Jintang Industrial Construction Investment Co., Ltd.	Land disposal fund	61,034,072.01	Within 1 year	6.38	-
Chongqing Shenjian Automotive Transmission Co., Ltd.	Affiliate payments	44,493,400.32	Within 1 year, 1-3 years	4.65	10,293,923.37
<b>Total</b>		<b>601,025,511.12</b>		<b>62.84</b>	<b>127,608,211.27</b>

(7) No other receivables derecognised during the year due to transfer of financial assets.

(8) The Group has no assets or liabilities arising from the transfer of other receivables and continued involvement during this period.



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 8. Inventory

#### (1) Classification of inventory

Items	30 June 2020		
	Book balance	Provision for impairment	Carrying amount
Raw materials	425,543,610.29	53,036,907.22	372,506,703.07
Work in progress	617,672,120.19	34,549,337.67	583,122,782.52
Finished goods	1,059,442,697.34	67,158,360.51	992,284,336.83
Consigned processing materials	71,475,946.55	—	71,475,946.55
Low value consumables	9,289,720.84	—	9,289,720.84
release products	48,396,180.77	—	48,396,180.77
<b>Total</b>	<b>2,231,820,275.98</b>	<b>154,744,605.40</b>	<b>2,077,075,670.58</b>

(Continued)

Items	31 Dec 2019		
	Book balance	Provision for impairment	Carrying amount
Raw materials	297,365,982.08	42,147,840.40	255,218,141.68
Work in progress	684,454,694.68	65,766,138.86	618,688,555.82
Finished goods	1,072,174,013.15	48,350,108.00	1,023,823,905.15
Consigned processing materials	7,684,210.71	—	7,684,210.71
Low value consumables	70,607,300.33	—	70,607,300.33
release products	5,462,492.65	—	5,462,492.65
<b>Total</b>	<b>2,137,748,693.60</b>	<b>156,264,087.26</b>	<b>1,981,484,606.34</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 8. Inventory *(continued)*

#### (2) Provision of impairment that are accrued, collected or transferred back during this period:

Items	31 Dec 2019	Increase		Decrease		30 June 2020
		Accrued	Other	Collected or Transferred Back	Other transfer	
Raw materials	42,147,840.40	11,146,990.32	-	-	257,923.50	<b>53,036,907.22</b>
Work in progress	65,766,138.86	(25,360,084.39)	-	-	5,856,716.80	<b>34,549,337.67</b>
Finished goods	48,350,108.00	29,342,756.36	-	-	10,534,503.85	<b>67,158,360.51</b>
<b>Total</b>	<b>156,264,087.26</b>	<b>15,129,662.29</b>	<b>-</b>	<b>-</b>	<b>16,649,144.15</b>	<b>154,744,605.40</b>

#### (3) Provision of impairment of inventory

Items	The determine basic of net realizable value	The reasons of collected and transferred back
Raw materials	The balance between the net realize value and the book value of raw materials	The price of the final product rose, provision for impairment is transferred back
Work in progress	The balance between the net realize value and the book value of raw materials	The price of the final product rose, provision for impairment is transferred back
Finished goods	The balance between the net realize value and the book value of finished good	The net realizable value of finished good with provision impairment for inventory in previous year is increased

#### (4) Capitalization of borrowing costs is not included in the Group's inventory on 30 June 2020.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 9. Contractual assets

#### (1) The situation of contractual assets

Items	Book balance	30 June 2020	
		Provision for impairment	Carrying amount
Contract assets related to construction contracts	49,289,500.41	–	49,289,500.41
Contract assets formed by general business	319,520,470.27	41,843,893.42	277,676,576.85
<b>Total</b>	<b>368,809,970.68</b>	<b>41,843,893.42</b>	<b>326,966,077.26</b>

Note: The management of the Group expects that the contract assets mentioned above will be fulfilled within one year on 30 June 2020.

(Continued)

Items	Book balance	31 Dec 2019	
		Provision for impairment	Carrying amount
Contract assets related to construction contracts	66,943,824.37	–	66,943,824.37
Contract assets formed by general business	344,922,953.38	43,412,265.60	301,510,687.78
<b>Total</b>	<b>411,866,777.75</b>	<b>43,412,265.60</b>	<b>368,454,512.15</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 9. Contractual assets *(continued)*

(2) Except for transferring into account receivable due to the fulfillment of obligation or settlement procedure, the carrying amount of contractual assets has not changed significantly during this period.

### (3) Provision for impairment of contract assets this year

Items	31 Dec 2019	Accrued	30 June 2020
Provision for impairment of contract assets	43,412,265.60	(1,568,372.18)	<b>41,843,893.42</b>
<b>Total</b>	<b>43,412,265.60</b>	<b>(1,568,372.18)</b>	<b>41,843,893.42</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 10. Non-current assets due within one year

Item	30 June 2020	31 Dec 2019	Nature
Loans due within one year	<b>17,400,000.00</b>	17,500,000.00	Borrowings from joint ventures
<b>Total</b>	<b><u>17,400,000.00</u></b>	<b><u>17,500,000.00</u></b>	

### 11. Other current assets

Items	30 June 2020	31 Dec 2019
Guaranteed Fixed-income products	<b>152,870,000.00</b>	–
Unused deductible VAT	<b>38,790,216.87</b>	33,207,795.03
Prepaid tax	<b>1,972,356.12</b>	8,707,824.35
<b>Total</b>	<b><u>193,632,572.99</u></b>	<b><u>41,915,619.38</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 12. Loans and advances to customers

#### 12.1 Loans and advances to customers aged within one year

Items	30 June 2020	31 Dec 2019
Loans and advances to corporations		
– Loans	<b>733,440,430.00</b>	881,028,430.00
– Discount	<b>62,466,357.73</b>	62,491,603.50
– Accrued interest	<b>1,049,293.17</b>	1,975,138.84
<b>Total</b>	<b>796,956,080.90</b>	945,495,172.34
Less: Provision for impairment	<b>19,907,507.46</b>	23,646,491.18
<b>Carrying amount</b>	<b>777,048,573.44</b>	921,848,681.16

#### (1) Industrial-based classification of loans and advances to customer

Industry	30 June 2020	Percentage (%)	31 Dec 2019	Percentage (%)
Manufacturing	<b>796,956,080.90</b>	100.00	945,495,172.34	100.00
<b>Total</b>	<b>796,956,080.90</b>	100.00	945,495,172.34	100.00

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 12. Loans and advances to customers *(continued)*

#### 12.1 Loans and advances to customers aged within one year *(continued)*

(2) *Location-based classification of loans and advances to customer*

Area	30 June 2020	Percentage (%)	31 Dec 2019	Percentage (%)
Southwest	796,956,080.90	100.00	945,495,172.34	100.00
<b>Total</b>	<b>796,956,080.90</b>	<b>100.00</b>	<b>945,495,172.34</b>	<b>100.00</b>

(3) *Guarantee type based Classification of loans and advances to customers*

Items	30 June 2020	31 Dec 2019
Unsecured loan	30,031,950.00	181,975,138.84
Guaranteed loan	368,279,168.46	427,998,000.00
Collateral loan	398,644,962.44	335,522,033.50
Including: Mortgaged loan	336,178,604.71	273,030,430.00
Pledged loan	62,466,357.73	62,491,603.50
<b>Total</b>	<b>796,956,080.90</b>	<b>945,495,172.34</b>

(4) *The beginning balance and ending balance of the group are no overdue loans.*

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 12. Loans and advances to customers *(continued)*

#### 12.1 Loans and advances to customers aged within one year *(continued)*

(5) *Provision of impairment that are accrued, collected or transferred back during this period:*

Items	Current period		Last year	
	Single item	Expected credit loss	Single item	Expected credit loss
31 Dec 2019	-	23,646,491.18	-	33,652,837.43
Accrued in current year	-	(3,738,983.72)	-	(10,006,346.25)
30 June 2020	-	19,907,507.46	-	23,646,491.18

#### 12.2 Loans and advances to customers aged over one year:

Items	30 June 2020	31 Dec 2019
Loans and advances to corporations		
– Loans	82,000,000.00	120,000,000.00
<b>Total</b>	<b>82,000,000.00</b>	120,000,000.00
Less: Provision for impairment	2,050,000.00	3,000,000.00
<b>Carrying amount</b>	<b>79,950,000.00</b>	117,000,000.00



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 12. Loans and advances to customers *(continued)*

#### 12.2 Loans and advances to customers aged over one year: *(continued)*

(1) *Industrial-based classification of loans and advances to customer*

Industry	30 June 2020	Proportion (%)	31 Dec 2019	Proportion (%)
Manufacturing	82,000,000.00	100.00	120,000,000.00	100.00
<b>Total</b>	<b>82,000,000.00</b>	<b>100.00</b>	<b>120,000,000.00</b>	<b>100.00</b>

(2) *Location-based classification of loans and advances to customer*

Area	30 June 2020	Proportion (%)	31 Dec 2019	Proportion (%)
Southwest	82,000,000.00	100.00	120,000,000.00	100.00
<b>Total</b>	<b>82,000,000.00</b>	<b>100.00</b>	<b>120,000,000.00</b>	<b>100.00</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 12. Loans and advances to customers *(continued)*

#### 12.2 Loans and advances to customers aged over one year: *(continued)*

(3) *Guarantee type based Classification of loans and advances to customers*

Items	30 June 2020	31 Dec 2019
Guaranteed loan	82,000,000.00	120,000,000.00
<b>Total</b>	<b>82,000,000.00</b>	<b>120,000,000.00</b>

(4) *The beginning balance and ending balance of the group are no overdue loans.*

(5) *Provision of impairment that are accrued, collected or transferred back during this period:*

Items	Current period		Last year	
	Single item	Expected credit loss	Single item	Portfolio item
<b>31 Dec 2019</b>	-	3,000,000.00	-	1,120,000.00
Accrued in current year	-	(950,000.00)	-	1,880,000.00
<b>30 June 2020</b>	<b>-</b>	<b>2,050,000.00</b>	<b>-</b>	<b>3,000,000.00</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 13. Long-term receivable

#### (1) Situation of Long-term Receivable

Items	Book balance	30 June 2020 Provision for Impairment	Carrying amount	Book balance	31 Dec 2019 Provision for impairment	Carrying amount
Long-term receivables from related parties (refer to Note)	104,400,000.00	-	104,400,000.00	113,200,000.00	-	113,200,000.00
Less: long-term receivables due within one year	17,400,000.00	-	17,400,000.00	17,500,000.00	-	17,500,000.00
<b>Total</b>	<b>87,000,000.00</b>	<b>-</b>	<b>87,000,000.00</b>	<b>95,700,000.00</b>	<b>-</b>	<b>95,700,000.00</b>

Note: In order to construct the R&D center of high-powered engine technology and production line project of high-powered engine, National Development Fund Co., Ltd entrusted China Development bank Co., Ltd to issue the entrusted loan to the Group for project capital investment. The total amount of this loan is RMB122,000,000 yuan which is restricted to the construction of the R&D center of high-powered engine technology and production line project of high-powered engine. The term of the loan is from 14 March 2016 to 14 March 2026. The loan interest shall be calculated at the fixed annual rate of 1.2% and paid quarterly. Chongqing Cummins borrowed from the Group through shareholder loan.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 13. Long-term receivable *(continued)*

#### (2) Provision of bad debts

The Group's long-term receivables are loans to related parties. According to the Group's financial asset accounting policies, no provision for bad debts is made.

**(3) There were no long-term receivables derecognized by the Group during the reporting period due to financial asset transfers.**

**(4) The Group did not transfer long-term receivables and continue to participate in the formation of assets and liabilities during the reporting period.**

# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Long-term equity investment

Name of investee	Accounting method	Percentage of shareholdings	Voting rights	Cost of investment	Beginning balance	Increase or Decrease in investment	Investment gain or loss recognized under equity method	Increase or decrease of other comprehensive income	Adjustment of other comprehensive income	Cash dividend declared	Decrease	Ending balance
<b>Joint ventures</b>												
CQ Cummins	Equity method	50	50	370,189,551.00	372,285,425.76	-	140,588,370.29	-	-	-	-	512,883,796.05
<b>Subtotal</b>												
				370,189,551.00	372,285,425.76	-	140,588,370.29	-	-	-	-	512,883,796.05
<b>Associates</b>												
Chongqing ABB Power Transformer Co., Ltd. ("Chongqing ABB")	Equity method	37.8	37.8	236,651,166.00	224,207,687.31	-	8,062,385.21	-	-	349,003.40	-	231,511,069.12
Chongqing Yongtong Gas Co., Ltd.	Equity method	20	20	4,000,000.00	-	-	-	-	-	-	-	-
Hongyan (Note 1)	Equity method	44	42.86	51,306,166.00	114,612,764.69	-	7,950,378.08	-	-	-	-	122,563,142.77
Erecty (Note 1)	Equity method	27	33.33	16,880,157.00	80,084,205.09	-	(1,363,875.56)	-	-	706,103.68	-	78,014,225.83

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Long-term equity investment (continued)

Name of investee	Accounting method	Percentage of shareholdings	Voting rights	Cost of investment	Beginning balance	Increase or Decrease in investment	Increase or decrease		Ending balance
							Investment gain or loss recognized under equity method	Adjustment of other comprehensive income	
Knorr Chongqing Jiangbei	Equity method	34	34	44,231,369.00	65,389,333.02	-	14,203,913.34	-	79,593,246.36
Machinery (Note 1)	Equity method	41	20	57,933,968.00	58,122,171.60	-	(2,425,621.61)	-	55,696,549.79
Italy WPG (Note 2)	Equity method	49	49	6,058,193.00	-	-	-	-	-
Chongqing Shenjian Automotive Drive Part Co., Ltd	Equity method	35	35	85,809,049.00	81,680,377.94	-	92,650.94	-	81,773,028.88
<b>Subtotal</b>				502,869,068.00	624,096,539.65	-	26,519,830.18	1,055,107.08	649,551,262.75
<b>Total</b>				873,058,619.00	936,391,965.41	-	167,086,200.47	1,055,107.08	1,162,435,058.80

Note 1: Difference between the percentage of shareholding and voting rights is derived from the difference between numbers of shareholders in the board of directors and the percentage of shareholding.

Note 2: The Group has fully recognized the investment loss of Italian WGP equity investment in 2018. Due to WGP's operating difficulties, the company has submitted a voluntary bankruptcy liquidation application to the relevant Italian court on August 6, 2019. The company has not completed liquidation by the end of this period.

## Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 15. Other equity instruments investment

#### (1) Investment in other equity instruments

Items	30 June 2020	31 Dec 2019
Equity investment of Youyan Powder New Materials Co., Ltd.	<b>52,314,020.88</b>	52,314,020.88
<b>Total</b>	<b>52,314,020.88</b>	52,314,020.88

#### (2) Investment in non-trading equity instruments during this period

Items	Dividend income recognized during this period	Cumulative gain	Cumulative loss	Amount of other comprehensive income transferred to retained earnings	Designated as	Reasons for transferring other comprehensive income to retained earnings
					a reason for measuring at fair value and its changes included in other comprehensive income	
Equity investment of Youyan Powder New Materials Co., Ltd.	1,470,150.00	-	-	-	Held for non-transactional purposes	Not applicable

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 16. Investment property

#### (1) Investment property at cost measurement model

Items	Buildings and land-use rights	Total
<b>I. Book balance</b>		
<b>Balance on 31 Dec 2019</b>	121,799,656.10	121,799,656.10
Increase this year	—	—
Including: Purchase	—	—
Transfer of fixed assets	—	—
Reduced amount for the year	—	—
Including: Dispose	—	—
<b>Balance on 30 June 2020</b>	<u>121,799,656.10</u>	<u>121,799,656.10</u>
<b>II. Accumulated depreciation</b>		
<b>Balance on 31 Dec 2019</b>	43,752,018.43	43,752,018.43
Increase this year	—	—
Including: Accrued or amortized	1,138,933.31	1,138,933.31
Transfer of fixed assets	—	—
Reduced amount for the year	—	—
Including: Dispose	—	—
<b>Balance on 30 June 2020</b>	<u>44,890,951.74</u>	<u>44,890,951.74</u>
<b>III. Carrying Amount</b>		
<b>1. on 30 June 2020</b>	76,908,704.36	76,908,704.36
<b>2. on 31 Dec 2019</b>	<u>78,047,637.67</u>	<u>78,047,637.67</u>

(2) The Group had no investment real estate without a property right certificate on 30 June 2020.

(3) There is no significant impairment in the group's investment property and no accrued is made for related impairment on 30 June 2020.



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 17. Property, Plant and Equipment

Items	30 June 2020	31 Dec 2019
PP&E	<b>2,764,716,193.93</b>	2,837,275,150.38
Disposal of PP&E	<b>1,727,245.84</b>	1,694,639.83
<b>Total</b>	<b><u>2,766,443,439.77</u></b>	<b><u>2,838,969,790.21</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 17. Property, Plant and Equipment *(continued)*

#### (1) The Property, plant and equipment

Items	Buildings	Machinery Equipment	Transportation	Office Equipment	Total
<b>I. Book balance</b>					
<b>1. Balance at 31 Dec 2019</b>	2,544,251,383.08	1,390,090,306.27	59,414,502.82	70,304,672.04	4,064,060,864.21
<b>2. Increase</b>	11,536,965.08	47,347,992.48	1,374,244.26	858,116.71	61,117,318.53
(1) Purchase	6,801,018.49	24,394,747.68	1,075,705.68	729,706.34	33,001,178.19
(2) Transfer from CIP	4,735,946.59	22,953,244.80	298,538.58	128,410.37	28,116,140.34
(3) Transfer from Stock goods	-	-	-	-	-
(4) Others	-	-	-	-	-
<b>3. Decreases</b>	152,387,896.31	(83,361,796.42)	2,603,435.90	(5,371,902.62)	66,257,633.17
(1) Disposal or scrap	8,260,578.05	11,636,680.12	2,603,435.90	233,061.02	22,733,755.09
(2) Transfer to investment real estate	-	-	-	-	-
(3) Transfer to CIP	-	10,486,388.21	-	1,077,185.99	11,563,574.20
(4) Others (Note)	144,127,318.26	(105,484,864.75)	-	(6,682,149.63)	31,960,303.88
<b>4. Balance at 30 June 2020</b>	<u>2,403,400,451.85</u>	<u>1,520,800,095.17</u>	<u>58,185,311.18</u>	<u>76,534,691.37</u>	<u>4,058,920,549.57</u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 17. Property, Plant and Equipment *(continued)*

#### (1) The Property, plant and equipment *(continued)*

Items	Buildings	Machinery Equipment	Transportation	Office Equipment	Total
<b>II. Accumulated depreciation and amortization</b>					
<b>1. Balance at 31 Dec 2019</b>	354,141,387.29	781,551,761.86	44,309,508.91	42,743,943.49	1,222,746,601.55
<b>2. Increase</b>	25,030,004.31	60,214,630.01	1,770,923.36	3,132,347.78	90,147,905.46
(1) Accrue	25,030,004.31	60,214,630.01	1,770,923.36	3,132,347.78	90,147,905.46
(2) others	-	-	-	-	-
<b>3. Decreases</b>	68,507,453.71	(43,168,719.22)	2,397,233.65	(5,006,704.49)	22,729,263.65
(1) Disposal or scrap	5,514,736.19	4,621,299.14	2,397,233.65	371,745.91	12,905,014.89
(2) Transfer to investment real estate	-	-	-	-	-
(3) Transfer to CIP	-	1,707,793.15	-	4,573.92	1,712,367.07
(4) Others (Note)	62,992,717.52	(49,497,811.51)	-	(5,383,024.32)	8,111,881.69
<b>4. Balance at 30 June 2020</b>	<u>310,663,937.89</u>	<u>884,935,111.09</u>	<u>43,683,198.62</u>	<u>50,882,995.76</u>	<u>1,290,165,243.36</u>
<b>III. Provision for impairment</b>					
<b>1. Balance at 31 Dec 2019</b>	5,529.98	4,033,582.30	-	-	4,039,112.28
<b>2. Increase</b>	-	-	-	-	-
(1) Accrue	-	-	-	-	-
<b>3. Decreases</b>	-	-	-	-	-
(1) Disposal or scrap	-	-	-	-	-
<b>4. Balance at 30 June 2020</b>	<u>5,529.98</u>	<u>4,033,582.30</u>	<u>-</u>	<u>-</u>	<u>4,039,112.28</u>
<b>IV. Net carrying amount</b>					
<b>1. Balance on 31 Dec 2019</b>	2,190,104,465.81	604,504,962.11	15,104,993.91	27,560,728.55	2,837,275,150.38
<b>2. Balance on 30 June 2020</b>	<u>2,092,730,983.98</u>	<u>631,831,401.78</u>	<u>14,502,112.56</u>	<u>25,651,695.61</u>	<u>2,764,716,193.93</u>

Note: Others' changes of PP&E during this period arose from the reclassification of assets and the changes of exchange rates.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 17. Property, Plant and Equipment *(continued)*

(2) At the end of this period, the original value of fixed assets that had been fully depreciated and continued to be used was RMB343,007,039.76 yuan.

### (3) Temporarily idle property, plant and equipment

Items	Book balance	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery equipment	21,914,657.70	5,062,165.08	3,580,136.46	13,272,356.16
Transportation	65,000.00	11,149.32	–	53,850.68
Office Equipments	381,316.28	274,626.48	–	106,689.80
<b>Total</b>	<b>22,360,973.98</b>	<b>5,347,940.88</b>	<b>3,580,136.46</b>	<b>13,432,896.64</b>

### (4) The property, plant and equipment without certificate of title

Items	Carrying amount	Reason
Building	576,463,682.76	In process

### (5) Restriction on property, plant and equipment

Please refer to VI.64 for details.

### (6) Provision for impairment

At the end of this period, the production conditions of the subsidiaries of the Group were good, and the production capacity of each subsidiary was fully utilized. As judged and tested by the management of the Group, the Group's fixed assets showed no signs of impairment and no provision for impairment was made in this period.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 18. Construction In Progress

#### (1) The situation of construction in progress:

Items	30 June 2020			31 Dec 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Blower laboratory, compressor laboratory, etc.	11,707,362.22	-	11,707,362.22	11,590,179.76	-	11,590,179.76
Production Capacity Building Project	29,207,361.94	-	29,207,361.94	16,735,753.20	-	16,735,753.20
Air pressure relocation and land related projects	1,230,064.66	-	1,230,064.66	846,479.75	-	846,479.75
Kingdee electronic trading platform	-	-	-	4,480,970.09	-	4,480,970.09
Casting Project	2,557,627.00	2,557,627.00	-	2,557,627.00	2,557,627.00	-
Galaxy Casting and Forging Relocation Project	454,215.78	-	454,215.78	1,532,982.57	-	1,532,982.57
Xinjiang Cotton Picking Machine Project	78,761,665.85	-	78,761,665.85	84,975,566.82	-	84,975,566.82
Water wheel production equipment and supporting projects	12,721,722.36	-	12,721,722.36	9,379,791.39	-	9,379,791.39
Zhongtong Touping laboratory Project	29,549,501.47	-	29,549,501.47	29,549,501.47	-	29,549,501.47
Others	53,121,893.89	-	53,121,893.89	48,357,353.53	-	48,357,353.53
<b>Total</b>	<b>219,311,415.17</b>	<b>2,557,627.00</b>	<b>216,753,788.17</b>	<b>210,006,205.58</b>	<b>2,557,627.00</b>	<b>207,448,578.58</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 18. Construction In Progress *(continued)*

#### (2) The changes of significant construction in progress during this period:

Project Name	Budgeted amount	31 Dec 2019	Increase	Decrease		30 June 2020
				Transfer into PP&E	Other Decrease	
Blower laboratory, compressor laboratory, etc.	-	11,590,179.76	117,182.46	-	-	11,707,362.22
Production Capacity Building Project	42,090,000.00	16,735,753.20	12,471,608.74	-	-	29,207,361.94
Water wheel production equipment and supporting projects	-	9,379,791.39	5,265,196.59	-	-	14,644,987.98
Xinjiang Cotton Picking Machine Project	-	84,975,566.82	-	-	6,213,900.97	78,761,665.85
Zhongtong Touping laboratory Project	50,000,000.00	29,549,501.47	-	-	-	29,549,501.47
<b>Total</b>		<u>152,230,792.64</u>	<u>17,853,987.79</u>	<u>-</u>	<u>6,213,900.97</u>	<u>163,870,879.46</u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 18. Construction In Progress *(continued)*

#### (2) The changes of significant construction in progress during this period: *(continued)*

(Continued)

Project Name	The ratio of input to budget (%)	Project Progress (%)	Capitalized aggregate amount of borrowing costs	Capitalized amount of borrowing costs in this period	Capital Source
Blower laboratory, compressor laboratory, etc.	-	-	-	-	Self-collected fund
Production Capacity Building Project	69.39	69.39	1,622,976.00	214,649.93	Self-collected fund and bank's borrowing
Water wheel production equipment and supporting projects	-	-	-	-	Bank's borrowing
Xinjiang Cotton Picking Machine Project	-	-	-	-	Self-collected fund
Zhongtong Touping laboratory Project	59.10	59.10	-	-	Self-collected fund

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 19. Right-of-use Assets

Items	Buildings	Machinery equipment	Field	Total
<b>I Book balance</b>				
<b>Book balance of 31 Dec 2019</b>	52,739,673.05	352,193,481.30	63,446,105.87	468,379,260.22
1. Increase	15,454,977.58	-	307,411.68	15,762,389.26
Including: leased	15,454,977.58	-	307,411.68	15,762,389.26
2. Decrease	18,519,677.85	6,991,246.33	63,446,105.87	88,957,030.05
Including: termination of contract	18,519,677.85	6,991,246.33	63,446,105.87	87,891,105.67
Including: other decrease	-	1,065,924.38	-	1,065,924.38
<b>Book balance of 30 June 2020</b>	<u>49,674,972.78</u>	<u>345,202,234.97</u>	<u>307,411.68</u>	<u>395,184,619.43</u>
<b>II Accumulated depreciation</b>				
<b>Book balance of 31 Dec 2019</b>	26,330,270.69	53,040,097.74	30,427,661.33	109,798,029.76
1. Increase	10,052,924.41	15,104,453.82	4,670,399.12	29,827,777.35
Including: Accrued	10,052,924.41	15,104,453.82	4,670,399.12	29,827,777.35
2. Decrease	15,361,948.05	5,925,321.95	34,992,002.48	56,279,272.48
Including: termination of contract	15,361,948.05	5,925,321.95	34,992,002.48	56,279,272.48
<b>Balance of 30 June 2020</b>	<u>21,021,247.05</u>	<u>62,219,229.61</u>	<u>106,057.97</u>	<u>83,346,534.63</u>
<b>III. Carrying amount</b>				
<b>1. Carrying amount on 30 June 2020</b>	28,653,725.73	282,983,005.36	201,353.71	311,838,084.80
<b>2. Carrying amount on 31 Dec 2019</b>	<u>26,409,402.36</u>	<u>299,153,383.56</u>	<u>33,018,444.54</u>	<u>358,581,230.46</u>



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Intangible Assets

#### (1) The situation of intangible assets

Items	Land-use rights	Software	Technical know-how	Brand	Customer relationships	Franchise rights	Others	Total
<b>I Gross carrying amount</b>								
1. Balance on 31 Dec 2019	527,336,303.11	25,706,508.94	216,740,378.80	12,750,850.03	55,806,564.00	261,826.00	8,771,898.24	847,374,329.12
2. Increase	-	1,375,767.14	-	-	-	-	169,256.56	1,545,023.70
(1) Purchase	-	-	-	-	-	-	169,256.56	169,256.56
(2) Transfer from CIP	-	1,375,767.14	-	-	-	-	-	1,375,767.14
3. Decrease	2,093,718.51	-	12,102,907.98	1,903,425.87	8,666,932.56	-	902,373.93	25,669,358.85
(1) Disposal	2,093,718.51	-	-	-	-	-	-	2,093,718.51
(2) Others	-	-	12,102,907.98	1,903,425.87	8,666,932.56	-	902,373.93	23,575,640.34
4. Balance on 30 June 2020	525,242,584.60	27,082,276.08	204,637,470.82	10,847,424.16	47,139,631.44	261,826.00	8,038,780.87	823,249,993.97
<b>II Accumulated amortization</b>								
1. Balance on 31 Dec 2019	82,138,504.47	16,779,693.20	42,072,522.95	494,650.03	43,139,797.58	-	6,494,335.69	191,119,503.92
2. Increase	6,287,808.74	1,428,099.77	15,221,238.56	-	1,916,413.51	-	105,452.20	24,959,012.78
(1) Amortization	6,287,808.74	1,428,099.77	15,221,238.56	-	1,916,413.51	-	105,452.20	24,959,012.78
(2) others	-	-	-	-	-	-	-	-
3. Decrease	692,482.12	-	(412,287.85)	-	6,408,538.58	-	-	6,689,732.85
(1) Disposal	692,482.12	-	-	-	-	-	-	692,482.12
(2) Others	-	-	(412,287.85)	-	6,408,538.58	-	-	5,996,250.73
4. Balance on 30 June 2020	87,733,831.09	18,207,792.97	57,706,049.36	494,650.03	38,647,672.51	-	6,599,787.89	209,389,783.85

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Intangible Assets (continued)

#### (1) The situation of intangible assets (continued)

Items	Land-use rights	Software	Technical know-how	Brand	Customer relationships	Franchise rights	Others	Total
<b>III Provision for impairment</b>								
1. Beginning balance	-	-	-	-	-	-	-	-
2. Increase	-	-	-	-	-	-	-	-
(1) Increase	-	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-	-	-
4. Ending balance	-	-	-	-	-	-	-	-
<b>IV Net carrying amount</b>								
1. Balance on 31 Dec 2019	437,508,753.51	8,874,483.11	146,931,421.46	10,352,774.13	8,491,958.93	261,826.00	1,438,992.98	613,860,210.12
2. Balance on 30 June 2020	445,197,798.64	8,926,815.74	174,667,855.85	12,256,200.00	12,666,766.42	261,826.00	2,277,562.55	656,254,825.20

Note 1: Other changes in intangible assets in the current period are caused by asset classification and exchange rate changes.

Note 2: The restriction on intangible assets is detailed in VI.64.

(2) The Group has no land-use rights without a property right certificate at the end of this period.

## Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 21. Development expenditure

Items	31 Dec 2019	Increase		Decrease		30 June 2020
		Internal development expenditure	Other	Transfer into intangible assets	Recognized in profit or loss	
Wind blade technology of General Intelligent manufacturing technology platform introduces innovative projects	67,924.53	-	-	-	-	67,924.53
Big data operation and maintenance R & D project	14,800,667.23	65,575.22	-	-	-	14,866,242.45
Other sporadic development expenditures	1,579,432.42	-	-	-	-	1,579,432.42
	162,218.42	-	-	-	-	162,218.42
<b>Total</b>	<b>16,610,242.60</b>	<b>65,575.22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,675,817.82</b>

### 22. Goodwill

#### (1) Original value of goodwill

Name of investee	31 Dec 2019	Increase	Decrease	30 June 2020
PTG six entities	127,650,489.00	-	-	127,650,489.00
CAFF	15,368,000.00	-	-	15,368,000.00
Power Transformer	293,946.00	-	-	293,946.00
Less: provision of impairment	-	-	-	-
<b>Net value of goodwill</b>	<b>143,312,435.00</b>	<b>-</b>	<b>-</b>	<b>143,312,435.00</b>

Note: PTG six entities comprise Holroyd Precision Limited, PTG Heavy Industries Limited, Milnrow Investments Limited, Precision Components Limited, PTG Advanced Developments Limited, and PTG Deutschland GmbH. PTG six entities belong to CNC machine tools business section, while Chongqing CAFF Automotive Braking & Steering System Co. Ltd. ("CAFF") belongs to other segment.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 22. Goodwill *(continued)*

#### (2) Impairment

Goodwill allocated to the Group's cash-generating units or groups of cash-generating units

Cash-generating units/Groups of cash-generating units	30 June 2020	31 Dec 2019
PTG six entities	127,650,489.00	127,650,489.00
CAFF	15,368,000.00	15,368,000.00
Power Transformer	293,946.00	293,946.00
<b>Total</b>	<b>143,312,435.00</b>	<b>143,312,435.00</b>

When conducting a goodwill impairment test, the Group compares the book value of the relevant assets or asset group portfolio (including goodwill) with its recoverable amount. If the recoverable amount is lower than the book value, the relevant difference is included in the current profit and loss. The Group's allocation of goodwill has not changed at the end of this period.

The recoverable amount of cash-generating units or groups of cash-generating units is determined base on the five-year budget approved by the management and calculated using cash flow forecasting method. As for the cash flow over five years, the below estimated growth rate is applied for calculation.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 22. Goodwill *(continued)*

#### (2) Impairment *(continued)*

Major assumptions for discounted cash flow method:

<b>Items</b>	<b>PTG six entities</b>
Growth rate	0%
Gross profit rate	39.09%-53.64%
Discount rate	<u>9.80%</u>

The Group determines the growth rate and gross profit margin based on historical experience and forecasts of market development, and uses a pre-tax interest rate that reflects the specific risks of the relevant asset group and asset group combination as the discount rate. The growth rate for the forecast period is determined using the average five-year budget growth rate of 2%-9% of the approved sales revenue of the relevant asset group and asset group portfolio. The weighted average growth rate of 0% is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each product.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 23. Long-term deferred expenses

Items	31 Dec 2019	Increase	Amortization	Other decrease	30 June 2020
Improvement of leased PP&E	277,582.03	–	31,235.17	–	<b>246,346.86</b>
Mold	236,461,354.87	31,131,296.06	29,987,723.00	71,054.00	<b>237,533,873.93</b>
Others	2,693,015.88	5,630,199.43	2,205,678.25	–	<b>6,117,537.06</b>
Total	239,431,952.78	36,761,495.49	32,224,636.42	71,054.00	<b>243,897,757.85</b>
Decrease: Provision for impairment	6,555,902.54	–	–	–	<b>6,555,902.54</b>
Net Carrying Amount	<u>232,876,050.24</u>	<u>36,761,495.49</u>	<u>32,224,636.42</u>	<u>71,054.00</u>	<b><u>237,341,855.31</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 24. Deferred tax assets and deferred tax liabilities

#### (1) Deferred income tax assets and liabilities without set-off:

Items	30 June 2020	
	Deferred tax assets (Deferred tax liabilities)	Deductible temporary differences (Deductible tax losses)
<b>I. Deferred tax assets</b>	<b><u>117,433,467.29</u></b>	<b><u>769,347,148.10</u></b>
Provision for impairment	70,346,357.61	468,629,350.43
Deductible tax loss	36,316,108.60	229,041,573.72
Deferred revenue	5,928,427.06	39,522,847.05
Retirement and termination benefit	730,136.99	4,867,579.95
Accrued expenses	4,074,088.88	27,160,592.53
Others	38,348.15	125,204.42
<b>II. Deferred tax liabilities</b>	<b><u>104,879,224.41</u></b>	<b><u>526,402,115.71</u></b>
Temporary tax free income	29,106,305.50	194,042,036.69
Appreciation of assets valuation	16,231,576.09	71,325,488.18
One-time deduction of land use right before tax	57,717,852.19	248,877,986.61
One-off deduction of book value of machinery and equipment before tax	1,823,490.63	12,156,604.23

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 24. Deferred tax assets and deferred tax liabilities *(continued)*

#### (1) Deferred income tax assets and liabilities without set-off: *(continued)*

(Continued)

Items	31 Dec 2019	
	Deferred tax assets (Deferred tax liabilities)	Deductible temporary differences (Deductible tax losses)
<b>I. Deferred tax assets</b>	<b><u>121,906,877.97</u></b>	<b><u>767,784,390.13</u></b>
Provision for impairment	73,779,792.89	465,564,079.14
Deductible tax loss	34,764,564.16	218,697,944.12
Deferred revenue	6,391,241.51	42,608,276.66
Retirement and termination benefit	733,376.99	5,937,979.95
Accrued expenses	4,065,792.45	27,105,282.98
Others	2,172,109.97	7,870,827.28
<b>II. Deferred tax liabilities</b>	<b><u>109,458,767.32</u></b>	<b><u>544,050,557.19</u></b>
Temporary tax free income	29,106,305.50	194,042,036.69
Appreciation of assets valuation	20,444,856.36	86,532,180.10
One-time deduction of land use right before tax	58,053,013.67	251,112,395.13
One-off deduction of book value of machinery and equipment before tax	1,854,591.79	12,363,945.27



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 24. Deferred tax assets and deferred tax liabilities *(continued)*

#### (2) Unrecognized deferred tax assets

Items	30 June 2020	31 Dec 2019
Deductible temporary differences	<b>394,328,173.41</b>	218,916,741.07
Deductible tax losses	<b>2,201,033,105.44</b>	1,865,218,620.57
<b>Total</b>	<b><u>2,595,361,278.85</u></b>	<b><u>2,084,135,361.64</u></b>

#### (3) Deductible tax losses unrecognized in deferred tax assets will be expired in the following years

Year	30 June 2020	31 Dec 2019
2019	—	—
2020	<b>3,829,085.11</b>	—
2021	<b>1,797,138.70</b>	3,380,277.08
2022	<b>89,481,827.36</b>	84,360,062.64
2023	<b>439,109,018.07</b>	444,071,212.54
2024	<b>170,009,127.48</b>	90,463,947.00
2025	<b>150,247,750.87</b>	58,597,939.91
2026	<b>86,638,807.10</b>	64,068,103.30
2027	<b>347,523,758.17</b>	327,724,033.08
2028	<b>283,766,150.68</b>	270,437,495.13
2029	<b>488,070,440.26</b>	522,115,549.89
2030	<b>140,560,001.64</b>	—
<b>Total</b>	<b><u>2,201,033,105.44</u></b>	<b><u>1,865,218,620.57</u></b>

Note: The accumulated loss of PTG Group has no expiry date, so the above data does not include the accumulated loss of PTG Group's unrecognized deferred income tax assets at the end this period of RMB147,471,275.12 yuan (the accumulated loss at the beginning of the year was RMB148,706,410.01 yuan).

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 25. Other non-current assets

Items	30 June 2020	31 Dec 2019
Prepaid equipment and engineering	<b>13,724,551.31</b>	9,165,379.91
Prepaid mold	<b>6,163,096.60</b>	2,654,315.18
Prepaid land payment	—	642,616.00
Debt housing	<b>20,251,469.47</b>	22,266,269.47
Contract assets formed by construction contracts	<b>222,068,580.20</b>	219,849,271.18
<b>Total other non-current assets</b>	<b>262,207,697.58</b>	254,577,851.74
Less: provision for impairment	<b>2,997,925.84</b>	2,876,712.91
<b>Carrying amount of other non-current assets</b>	<b>259,209,771.74</b>	251,701,138.83

Note: The Group accrues impairment provision of RMB2,997,925.84 yuan for Contract assets formed by construction contracts with collection rights of more than one year according to the expected credit loss model.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 26. Short-term loans

#### (1) The category of short-term loans

Category	30 June 2020	31 Dec 2019
Mortgage loans	—	49,000,000.00
Guaranteed loans	<b>30,000,000.00</b>	30,000,000.00
Unsecured loans	<b>1,176,508,020.00</b>	1,077,660,800.00
Accrued interest	—	225,825.41
<b>Total</b>	<b><u>1,206,508,020.00</u></b>	<b><u>1,156,886,625.41</u></b>

Note: On 30 June 2020, the annual interest rate of the above borrowings of the Group was 2.05%-4.568%(31 Dec 2019: 3.82%-4.785%).

#### (2) At the end of period, there is no overdue short-term loan.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 27. Due to customers, banks and other financial institutions

Category	30 June 2020	31 Dec 2019
Current deposit	<b>569,266,427.19</b>	935,128,766.52
Time deposit (including notification deposit)	<b>201,000,000.00</b>	179,000,000.00
Margin deposit	<b>7,050.74</b>	4,176.25
Accrued interest	<b>3,921,280.10</b>	3,775,173.97
<b>Total</b>	<b><u>774,194,758.03</u></b>	<b><u>1,117,908,116.74</u></b>

### 28. Notes payable

Items	30 June 2020	31 Dec 2019
Bank acceptance bill	<b>843,778,772.63</b>	1,179,791,670.55
Commercial acceptance bill	<b>65,078,437.62</b>	22,845,451.00
<b>Total</b>	<b><u>908,857,210.25</u></b>	<b><u>1,202,637,121.55</u></b>

Note 1: The age of notes payable of the Group at the end of this period is within one year.

Note 2: The Group has no bills payable due and unpaid at the end of this period.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 29. Accounts payable

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

Items	30 June 2020	31 Dec 2019
Material payable	<b>1,657,611,853.76</b>	1,639,910,599.59
Freight payable	<b>24,524,752.37</b>	15,345,833.23
Equipment payable	<b>8,407,520.16</b>	3,934,920.00
Others	<b>26,343,239.64</b>	27,145,094.00
<b>Total</b>	<b><u>1,716,887,365.93</u></b>	<b><u>1,686,336,446.82</u></b>

Note: The Group's accounts payable are non-interest bearing.

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

Aging	30 June 2020	31 Dec 2019
Within 1 year	<b>913,006,450.72</b>	1,176,710,351.08
1-2 years	<b>387,648,622.83</b>	275,740,715.71
2-3 years	<b>205,734,843.45</b>	128,349,991.86
More than 3 years	<b>210,497,448.93</b>	105,535,388.17
<b>Total</b>	<b><u>1,716,887,365.93</u></b>	<b><u>1,686,336,446.82</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 29. Accounts payable *(continued)*

#### (3) Important accounts payable with an age of over 1 year at the end of this period:

Company name	30 June 2020	Unpayment and untransferred reasons
RM Investment Company Pvt. Ltd	<b>60,338,653.98</b>	Civil engineering payment for EPC project has not been paid
Drala Holdings AG	<b>22,317,625.83</b>	Civil engineering payment for EPC project has not been paid
Bazhou Huahaote Electric Power Equipment Co., Ltd.	<b>19,734,560.99</b>	Settlement point not yet reached
Chongqing Zhonghuan Construction Co., Ltd.	<b>17,612,643.87</b>	Settlement point not yet reached
Sap (China) Co., Ltd	<b>13,552,502.87</b>	Settlement point not yet reached
<b>Total</b>	<b><u>133,555,987.54</u></b>	

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 30. Contract liabilities

#### (1) The situation of contract liabilities

Items	30 June 2020	31 Dec 2019
Contract liabilities	<u>985,703,110.93</u>	<u>807,469,495.64</u>
<b>Total</b>	<b><u>985,703,110.93</u></b>	<b><u>807,469,495.64</u></b>

Note: Contract liabilities mainly represent advances received by the Group from sales contracts with customers. The advance payment is collected according to the contract with the customer. The relevant revenue of the contract will be recognized after the Group fulfills its performance obligations. The management of the Group expects that most of the estimated liabilities formed by the end of this period will be transferred to income within one year.

#### (2) The significant changes of the carrying amount of contract liabilities

Items	Amount of change
Contract liabilities included in 31 Dec 2019 that recognized revenue during current period	291,044,488.20
Increased amount due to cash receipt (excluding recognized revenue for the current year)	<u>513,524,713.91</u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 31. Repurchase agreements

Items	30 June 2020	31 Dec 2019
Bank acceptance bill	—	49,949,000.00
<b>Total</b>	<b>—</b>	<b>49,949,000.00</b>

### 32. Employee benefits Payables

#### (1) Classification of employee benefits payables

Items	31 Dec 2019	Increase	Decrease	30 June 2020
Short-term employee benefits payable	59,965,104.17	416,769,968.75	412,404,744.09	<b>64,330,328.83</b>
Dismissal benefits – set up a defined contribution plan	1,885,222.51	13,633,118.40	12,758,351.49	<b>2,759,989.42</b>
Demission welfare	3,965,306.55	17,384,240.74	21,186,161.46	<b>163,385.83</b>
Others	(49,055.81)	—	—	<b>(49,055.81)</b>
<b>Total</b>	<b>65,766,577.42</b>	<b>447,787,327.89</b>	<b>446,349,257.04</b>	<b>67,204,648.27</b>



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 32. Employee benefits Payables *(continued)*

#### (2) Short-term employee benefits

Items	31 Dec 2019	Increase	Decrease	30 June 2020
Salaries, bonuses, allowances and subsidies	25,586,698.02	342,184,611.37	346,618,205.97	<b>21,153,103.42</b>
Staff welfare	2,275,428.24	25,930,227.97	25,840,878.08	<b>2,364,778.13</b>
Social insurance	1,729,487.59	21,351,749.28	18,658,183.58	<b>4,423,053.29</b>
Including: Medical insurance	1,702,933.32	21,043,306.22	18,337,126.55	<b>4,409,112.99</b>
Maternity insurance	26,554.27	308,443.06	321,057.03	<b>13,940.30</b>
Housing fund	737,593.53	21,807,094.90	16,138,232.16	<b>6,406,456.27</b>
Labor union fee and employee education fee	28,946,206.37	5,126,262.61	5,032,571.68	<b>29,039,897.30</b>
Other short-term benefits	689,690.42	370,022.62	116,672.62	<b>943,040.42</b>
<b>Total</b>	<b>59,965,104.17</b>	<b>416,769,968.75</b>	<b>412,404,744.09</b>	<b>64,330,328.83</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 32. Employee benefits Payables *(continued)*

#### (3) Defined contribution plan

The group participates in the social insurance program established by government. Under the program, the group will deposit the relevant expense to the scheme in accordance with the relevant provisions for the local government. In addition to the above deposit fees, the group shall not undertake any further payment obligation. The corresponding expenditure is recorded into the current profit and loss or the cost of related assets when it is incurred.

Items	31 Dec 2019	Increase	Decrease	30 June 2020
Basic endowment insurance	1,125,197.65	13,077,782.79	12,231,623.99	<b>1,971,356.45</b>
Unemployment insurance	<u>760,024.86</u>	<u>555,335.61</u>	<u>526,727.50</u>	<b>788,632.97</b>
<b>Total</b>	<b><u>1,885,222.51</u></b>	<b><u>13,633,118.40</u></b>	<b><u>12,758,351.49</u></b>	<b><u>2,759,989.42</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 33. Taxes and levies payables

Items	30 June 2020	31 Dec 2019
Enterprise income tax	<b>97,622,230.46</b>	102,114,150.67
Value-added tax	<b>65,683,757.50</b>	72,578,036.62
City maintenance and construction tax	<b>1,786,699.27</b>	2,267,407.56
City land use tax	<b>2,364,796.89</b>	1,433,618.67
Real estate tax	<b>4,643,757.11</b>	3,284,492.85
Individual Income Tax	<b>664,209.20</b>	687,252.11
Others	<b>2,282,083.12</b>	3,879,908.49
<b>Total</b>	<b><u>175,047,533.55</u></b>	<u>186,244,866.97</u>

Note: The tax payable by the Group at the end of the year includes Hong Kong income tax payable of RMB0 yuan.

### 34. Other payables

Items	30 June 2020	31 Dec 2019
Dividends payable	<b>60,670,292.72</b>	28,451,140.35
Other payables	<b>442,386,882.13</b>	428,345,391.07
<b>Total</b>	<b><u>503,057,174.85</u></b>	<u>456,796,531.42</u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 34. Other payables *(continued)*

#### 34.1 Dividends payable

Item	30 June 2020	31 Dec 2019
Common stock dividends	<b>60,670,292.72</b>	28,451,140.35
<b>Total</b>	<b>60,670,292.72</b>	28,451,140.35

#### 34.2 Other payables

(1) *Classification of other payables by the nature*

Nature of Payables	30 June 2020	31 Dec 2019
Purchase of Engineering equipment	<b>109,216,227.29</b>	124,844,506.39
Payable to related parties	<b>89,127,834.93</b>	72,042,607.31
Payable on behalf of others	<b>53,933,838.72</b>	76,910,732.52
Margin Payable	<b>38,039,244.03</b>	39,815,842.93
Risk funds and Staff payable	<b>26,911,075.18</b>	32,102,069.48
Land disposal payable	<b>25,146,000.00</b>	—
Demolition payable	<b>14,765,000.00</b>	—
Maintenance of housing and equipment	<b>2,760,626.94</b>	10,101,448.00
Staff housing fund payable	<b>7,840,758.40</b>	11,446,164.24
Payable to the third parties	<b>3,314,829.85</b>	3,314,829.85
Transportation fee	<b>2,815,560.32</b>	3,104,927.91
Others	<b>68,515,886.47</b>	54,662,262.44
<b>Total</b>	<b>442,386,882.13</b>	428,345,391.07

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 34. Other payables *(continued)*

#### 34.2 Other payables *(continued)*

(2) *Top five other payables with an age of over 1 year*

Company name	30 June 2020	Reason for unpaid or carried forward
CME Asset Management Co., Ltd	29,230,834.23	Unsettled
CME holding (group) Co., Ltd	25,116,973.15	Unsettled
Chongqing Chang Jiang Bearing Co., Ltd	7,787,588.35	Unsettled
Tianjin Dewei Coating Chemical Co., Ltd	6,100,000.00	Warranty not returned for material quality problem
Chongqing HengGuan Technology Co., Ltd	5,310,000.00	Unsettled
<b>Total</b>	<b>73,545,395.73</b>	

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 35. Non-current liabilities due within one year

Items	30 June 2020	31 Dec 2019
Long-term Loans due within one year	<b>548,677,025.00</b>	206,004,150.00
Long-term payables due within one year	<b>424,740.96</b>	–
Lease liabilities due within one year	<b>72,961,398.18</b>	74,160,644.08
Other long-term liabilities due within one year	–	1,346,625.00
<b>Total</b>	<b><u>622,063,164.14</u></b>	<b><u>281,511,419.08</u></b>

### 36. Other current liabilities

Item	30 June 2020	31 Dec 2019
Warranty and guarantees for repair, replacement and compensation	<b>2,541,665.79</b>	3,259,736.35
<b>Total</b>	<b><u>2,541,665.79</u></b>	<b><u>3,259,736.35</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 37. Long-term loans

Items	30 June 2020	31 Dec 2019
Guaranteed loans	<b>218,000,000.00</b>	229,000,000.00
Mortgage loans	<b>249,000,000.00</b>	295,000,000.00
Unsecured loans	<b>1,482,000,000.00</b>	1,126,800,000.00
<b>Total principal</b>	<b>1,949,000,000.00</b>	1,650,800,000.00
Plus: Unrecognized financing costs	<b>(7,823,600.81)</b>	(8,193,775.98)
<b>Total</b>	<b>1,941,176,399.19</b>	1,642,606,224.02

Above loans need be repaid in following period:

Items	30 June 2020	31 Dec 2019
Within 1 year	<b>548,677,025.00</b>	206,004,150.00
1 year after balance sheet date, but no more than 2 years	<b>1,132,000,000.00</b>	1,386,200,000.00
2 years after balance sheet date, but no more than 5 years	<b>705,000,000.00</b>	155,000,000.00
5 years after balance sheet date	<b>112,000,000.00</b>	109,600,000.00
Less: Current liabilities due within one year	<b>548,677,025.00</b>	206,004,150.00
Total amount under non-current liabilities	<b>1,949,000,000.00</b>	1,650,800,000.00

Note 1: On 30 June 2020, long-term loan interest rate of the Company is from 1.2% to 4.896% (31 December 2019: 1.20% to 4.998%).

Note 2: For details of the Group's mortgage and pledge loans at the end of this period, please refer to Note VI.64.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 38. Lease liabilities

Items	30 June 2020	31 Dec 2019
Buildings	<b>4,704,291.55</b>	13,223,330.60
Mechanical equipment	<b>66,818,181.85</b>	99,553,960.75
Field	—	14,926,151.88
<b>Total</b>	<b><u>71,522,473.40</u></b>	<b><u>127,703,443.23</u></b>

Note: The Group's cash flow from other lease payments other than short-term and low-value leases for the year totaled RMB55,847,721.54 yuan.

Above lease liabilities need be paid in following period:

Items	30 June 2020
Within 1 year	<b>72,961,398.18</b>
1 year after balance sheet date, but no more than 2 years	<b>71,146,758.51</b>
2 years after balance sheet date, but no more than 5 years	<b>375,714.89</b>
5 years after balance sheet date	—
<b>Total</b>	<b><u>144,483,871.58</u></b>
Less: Current liabilities due within one year	<b><u>72,961,398.18</u></b>
<b>Total amount presented in non-current liabilities</b>	<b><u>71,522,473.40</u></b>



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 39. Long-term payables

Items	30 June 2020	31 Dec 2019
Long-term payables	<b>3,070,402.88</b>	3,495,143.84
Special payables	<b>1,010,000.00</b>	1,010,000.00
<b>Total</b>	<b><u>4,080,402.88</u></b>	<b><u>4,505,143.84</u></b>

#### 39.1 Long-term payables

(1) *Nature based classification of long-term payable*

Items	30 June 2020	31 Dec 2019
Others	<b>3,070,402.88</b>	3,495,143.84
<b>Total</b>	<b><u>3,070,402.88</u></b>	<b><u>3,495,143.84</u></b>

(2) *Repaid period based classification of long-term payable*

Items	30 June 2020	31 Dec 2019
2 years after balance sheet date, but no more than 5 years	<b>3,070,402.88</b>	3,495,143.84

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 39. Long-term payables *(continued)*

#### 39.2 Special payables

Items	31 Dec 2019	Increases	Decreases	30 June 2020	Reason
Special payables on national project	1,010,000.00	-	-	1,010,000.00	note
<b>Total</b>	<b>1,010,000.00</b>	<b>-</b>	<b>-</b>	<b>1,010,000.00</b>	

Note: According to the 'Notice on the National Budget Investment Plan for the Localization of Major Equipment' issued by the National Development and Reform Commission (Fakai Investment [2005] 1201), at the end of this period, the Group's national project funding RMB1,010,000.00 yuan will be used for localization of major equipment approved by the state.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 40. Long-term employee benefits payables

#### Classification of long-term employee benefits payable

Items	30 June 2020	31 Dec 2019
Benefits payable to retirees and new through trains	<b>7,562,648.16</b>	7,573,000.00
Less: Amounts paid within 1 year	<b>808,824.08</b>	814,000.00
<b>Total</b>	<b><u>6,753,824.08</u></b>	<b><u>6,759,000.00</u></b>

Note: Post-employment benefits and termination benefits that will be paid within one year is listed in Employee Benefits Payable.

### 41. Provisions

Items	30 June 2020	31 Dec 2019
Product quality assurance	<b>1,229,111.47</b>	1,229,111.47
Loss on repair, replacement and compensation	<b>18,321,529.10</b>	20,525,416.26
<b>Total</b>	<b><u>19,550,640.57</u></b>	<b><u>21,754,527.73</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 42. Deferred revenue

#### (1) Classification of deferred revenue

Items	31 Dec 2019	Increase this period		Decrease this period		30 June 2020
		Government grant received	Other increase	Amortization during this period	Other decrease	
Government Subsidies	291,641,117.73	1,736,617.00	-	16,813,701.75	214,996.00	<b>276,349,036.98</b>
Proceeds of land disposal	8,522,423.36	-	-	-	-	<b>8,522,423.36</b>
Unrealized income of sale and lease back	1,008,547.51	-	-	-	1,008,547.51	-
<b>Total</b>	<b>301,172,088.60</b>	<b>1,736,617.00</b>	<b>-</b>	<b>16,813,701.75</b>	<b>1,223,543.51</b>	<b>284,871,460.34</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 42. Deferred revenue *(continued)*

#### (2) Government grants projects

Government subsidies projects	31 Dec 2019	Increase this period	Amount recorded in other income during this period	Other decrease	30 June 2020
General relocation compensation	115,369,285.77	-	7,788,387.59	-	107,580,898.18
Plant construction subsidy	40,477,487.92	-	738,899.52	-	39,738,588.40
Smart Manufacturing Project	14,601,947.44	-	1,497,549.12	-	13,104,398.32
Chongqing Municipal Finance Bureau (high-efficiency hydropower equipment technology development and research center and demonstration base construction project)	12,430,000.00	-	-	-	12,430,000.00
Project grant funds	6,296,000.00	-	-	100,000.00	6,196,000.00
Subsidies for National Defense Military Production Capacity Building Projects	22,090,000.00	-	-	-	22,090,000.00
Government Supported Testing Center Project	4,830,000.00	-	-	-	4,830,000.00
Innovation Technology Award	9,334,047.24	-	14,300.00	-	9,319,747.24
Subsidies for technological transformation projects	7,175,277.43	-	503,201.84	-	6,672,075.59
2018 turbo chiller test bench	3,638,215.00	-	-	-	3,638,215.00
Industrialization of key technologies and equipment for CNC precision and efficient shaving machines	3,761,309.62	-	285,700.00	-	3,475,609.62
Other government Subsidies	51,637,547.31	1,736,617.00	5,985,663.68	114,996.00	47,273,504.63
<b>Total</b>	<b>291,641,117.73</b>	<b>1,736,617.00</b>	<b>16,813,701.75</b>	<b>214,996.00</b>	<b>276,349,036.98</b>

# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43. Share capital

Items	31 Dec 2019	Issue new shares	Share donation	Changes in current year (+ or -)		Others	Subtotal	30 June 2020
				Reserved funds converted into shares	Others			
<b>Restricted shares- state-owned legal person shareholdings</b>	-	-	-	-	-	-	-	-
Including: CQMEHG	1,924,225,189.00	-	-	-	-	-	-	1,924,225,189.00
China Huarong Asset Management Co., Ltd.	195,962,467.00	-	-	-	-	-	-	195,962,467.00
Chongqing Yufu Assets Management Co., Ltd.	232,132,514.00	-	-	-	-	-	-	232,132,514.00
Chongqing Construction Engineering Group Co., Ltd.	232,132,514.00	-	-	-	-	-	-	232,132,514.00
<b>Total restricted shares</b>	<b>2,584,452,684.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,584,452,684.00</b>
<b>Non-restricted shares</b>	-	-	-	-	-	-	-	-
Including: Overseas listing H shares	1,100,187,470.00	-	-	-	-	-	-	1,100,187,470.00
Total non-restricted shares	1,100,187,470.00	-	-	-	-	-	-	1,100,187,470.00
Total	3,684,640,154.00	-	-	-	-	-	-	3,684,640,154.00

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 44. Capital Reserve

Items	31 Dec 2019	Increase this year	Decrease this year	30 June 2020
Capital reserve transferred under original standard	(15,166,711.00)	-	-	<b>(15,166,711.00)</b>
Others	<u>65,478,679.20</u>	-	-	<u><b>65,478,679.20</b></u>
<b>Total</b>	<u><u>50,311,968.20</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u><b>50,311,968.20</b></u></u>

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 45. Other Comprehensive Income

# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

Items	31 Dec 2019	Pre-tax amount	Less: Reclassifications of previous OCI to profit or loss	Amount of this Period		30 June 2020
				Less: Income tax expenses	After-tax amount attributable to shareholders of the Company	
<b>1. Other comprehensive income that cannot be reclassified into profit or loss</b>						
Including: Changes in net assets or net liabilities from recalculation of defined benefit plan	5,946,104.00	-	-	-	-	5,946,104.00
Changes in fair value of other equity instrument investments	325,144.12	-	-	-	-	325,144.12
	5,620,959.88	-	-	-	-	5,620,959.88
<b>2. Other comprehensive income that can be reclassified into profit or loss</b>						
Including: Other comprehensive income of the investee that can be reclassified into profit or loss under equity method	15,588,536.55	5,109,381.72	(3,220,037.26)	-	-	23,897,955.53
Effective portion of hedging gain or loss on net investment	616,639.00	-	-	-	-	616,639.00
Translation differences of financial statements in foreign currencies	(3,220,037.26)	-	(3,220,037.26)	-	-	-
	18,171,934.81	5,109,381.72	-	-	-	23,281,316.53
<b>Total other comprehensive income</b>	<u>21,514,640.55</u>	<u>5,109,381.72</u>	<u>(3,220,037.26)</u>	<u>-</u>	<u>-</u>	<u>29,844,059.53</u>



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 46. Surplus Reserves

Items	31 Dec 2019	Increase during this period	Decrease during this period	Ending balance
Statutory surplus reserves	<u>364,663,370.96</u>	—	—	<u>364,663,370.96</u>
<b>Total</b>	<u>364,663,370.96</u>	<u>—</u>	<u>—</u>	<u>364,663,370.96</u>

### 47. Retained Earnings

Items	Jan to June 2020	Year 2019
<b>Ending balance of last year</b>	<b>2,723,290,866.87</b>	2,708,521,621.81
Add: Adjustment of beginning balance	—	(4,927,467.14)
<b>Beginning balance of current year</b>	<b>2,723,290,866.87</b>	2,703,594,154.67
Add: Net profit attributable to shareholders of the Company	<b>108,398,388.95</b>	184,834,923.25
Change in defined benefit plan carried forward to retained earnings	—	12,988,336.88
Business combination under the same control reduces undistributed profits	—	(273.57)
Less: Appropriation to statutory reserve	—	30,289,897.84
Appropriation to staff bonus and welfare	—	450,770.36
Declared ordinary share dividends	<b>36,846,401.54</b>	147,385,606.16
<b>Ending Balance</b>	<b><u>2,794,842,854.28</u></b>	<u>2,723,290,866.87</u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 47. Retained Earnings *(continued)*

Note 1: According to the Group's 2019 Annual General Meeting held on June 18, 2020, the Group reviewed and approved the Group's 2019 profit distribution plan, namely the distribution of RMB0.01 (including tax) per share, based on 3,684,640,154 shares issued. A dividend of RMB36,846,401.54 yuan was paid. The Group has distributed the above dividends to shareholders in July 2020.

Note 2: According to the "Administrative Measures for the Provision of Provisions for Financial Enterprise Reserves" (Caijin [2012] No. 20) by the Ministry of Finance, Chongqing Mechanical and Electrical Holdings Group Finance Co., Ltd., a subsidiary of the Group, established a general risk reserve on the basis of withdrawing asset impairment provisions. Make up for potential losses related to risky assets that it has not identified. This general risk reserve is treated as profit distribution and is a component of owner's equity. In principle, it should not be less than 1.5% of the year-end balance of risk assets. At the same time, the method stipulates that: the proportion of the general reserve balance of financial enterprises to the closing balance of risky assets, which is difficult to reach 1.5% at one time, can be divided into years, and in principle should not exceed 5 years. Chongqing Mechanical & Electrical Holdings Group Finance Co., Ltd.'s general risk reserve withdrawal ratio for 30 June 2020 is 1.5% (2019: 1.5%).

On 30 June 2020, the Group's undistributed profit included the amount of RMB47,419,154.64 yuan withdrawn by the subsidiary Chongqing Mechanical and Electrical Holdings Group Finance Co., Ltd. (the beginning of the year was RMB47,419,154.64 yuan).



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 48. Operating Revenue & Operating Cost *(continued)*

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

Items	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main operations	<b>2,708,623,111.82</b>	<b>2,185,191,643.89</b>	2,348,732,016.32	1,920,196,374.57
Other operations	<b>26,109,334.54</b>	<b>15,974,737.19</b>	54,230,343.77	23,938,579.81
Interest	<b>23,392,737.48</b>	<b>3,857,195.46</b>	34,387,621.46	6,186,612.31
Transaction fees and commission income	<b>160,082.91</b>	<b>92,678.40</b>	25,541.12	61,983.93
<b>Total</b>	<b><u>2,758,285,266.75</u></b>	<b><u>2,205,116,254.94</u></b>	<b><u>2,437,375,522.67</u></b>	<b><u>1,950,383,550.62</u></b>

Note: Interest income, transaction fees and commission income are derived from the Finance Company. Interest expense, transaction fees and commission expense are related to costs of Finance Company.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 48. Operating Revenue & Operating Cost *(continued)*

#### (2) Income from contracts

Classification of contract	High-end intelligent equipment business	Clean energy equipment business	Industrial service business	Total
<b>Classified by region</b>	<b>739,432,886.10</b>	<b>1,981,049,536.19</b>	<b>37,802,844.46</b>	<b>2,758,285,266.75</b>
Including: Mainland of				
China	654,736,903.67	1,969,041,825.38	37,168,168.77	<b>2,660,946,897.82</b>
Others	84,695,982.43	12,007,710.81	634,675.69	<b>97,338,368.93</b>
<b>Types of contracts</b>	<b>739,432,886.10</b>	<b>1,981,049,536.19</b>	<b>37,802,844.46</b>	<b>2,758,285,266.75</b>
Including: Equipment sales				
contract	599,931,676.42	1,402,684,130.04	9,288,483.13	<b>2,011,904,289.59</b>
Service contract	137,070,157.19	17,203,331.33	28,514,361.33	<b>182,787,849.85</b>
Materials sales				
contract	2,431,052.49	561,162,074.82	–	<b>563,593,127.31</b>
<b>Classified by time of revenue recognition</b>	<b>739,432,886.10</b>	<b>1,981,049,536.19</b>	<b>37,802,844.46</b>	<b>2,758,285,266.75</b>
Including: Recognizes				
revenue at a point in time	597,568,234.28	1,970,007,238.93	9,288,483.13	<b>2,576,863,956.34</b>
Recognizes revenue over time	141,864,651.82	11,042,297.26	28,514,361.33	<b>181,421,310.41</b>
<b>Classified by sales channel</b>	<b>739,432,886.10</b>	<b>1,981,049,806.19</b>	<b>37,802,844.46</b>	<b>2,758,285,536.75</b>
Including: Direct sales	739,432,886.10	1,980,538,063.57	37,802,844.46	<b>2,757,773,794.13</b>
Distribution	–	511,742.62	–	<b>511,742.62</b>
Internet sales	–	–	–	<b>–</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 48. Operating Revenue & Operating Cost *(continued)*

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

The Group's transaction types involving performance obligations are sales of goods, provision of services and sales of materials. The Group fulfills its performance obligations under the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized.

The Group recognizes the revenue from the performance obligations of the project for the performance contract related to the provision of the hydropower station's EPC project construction contract and some machine tool business contracts in accordance with the guidelines, which is determined to be performed within a certain period of time. The contract costs actually incurred plus the contract gross profit are recognized as project business contract revenue.

The usual time of performance is about 3-4 days to 2 years. According to the type of customer and the relevant terms of performance, the Group required to collect part of contract price for inputting production materials. When the goods are completed, the Group collect part of the contract price for shipping the goods. Usually, the control over the goods are transferred once the goods have been delivered to the carrier.

The hydropower station EPC project has a long contractual performance period. The contract stipulates the term of payment by stages. The two parties of the contract will confirm the settlement according to the progress of completion of the contract. The warranty period is usually 2 years after the completion of the project.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 48. Operating Revenue & Operating Cost *(continued)*

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

The amount of revenue corresponding to the performance obligations of the Group that have signed the contract at the end of this period but have not been fulfilled or not yet fulfilled is RMB3,087,995,624.01 (of which the revenue corresponding to the performance obligations that have been signed but not yet fulfilled is RMB2,208,804,889.81, and the signed but not yet The amount of income corresponding to the performance of performance obligations is RMB879,190,734.20).

### 49. Selling and Distribution Expenses

Items	Current period	Last period
Transportation expense	<b>31,243,467.50</b>	37,331,968.22
Employee benefits	<b>36,106,989.87</b>	36,735,210.23
Traveling expenses	<b>22,281,652.18</b>	25,804,322.63
“3-Aspect-Warranty” fee	<b>6,878,396.81</b>	11,476,280.97
After-sale service fee	<b>9,011,244.18</b>	14,247,830.59
Advertising expense	<b>4,038,081.58</b>	4,911,463.30
Business entertainment fee	<b>2,001,661.98</b>	2,627,064.98
General office expenses	<b>1,909,552.41</b>	1,535,772.32
Depreciation expenses	<b>440,648.98</b>	717,960.00
Service fee	<b>1,621,858.58</b>	1,194,762.07
Others	<b>14,104,408.12</b>	18,876,195.29
<b>Total</b>	<b><u>129,637,962.19</u></b>	<u>155,458,830.60</u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 50. Administrative expenses

Items	Current period	Last period
Employee benefits	<b>137,364,282.15</b>	119,566,502.14
Depreciation expenses	<b>34,810,629.91</b>	25,491,430.40
Staff placement fee	<b>12,299,234.34</b>	–
Amortization of intangible assets	<b>18,417,802.24</b>	5,625,366.62
Service fee	<b>5,458,611.36</b>	6,804,247.92
Repair charges	<b>5,403,138.18</b>	3,670,446.51
General office expenses	<b>5,068,294.22</b>	2,027,133.56
Rental fee	<b>5,040,539.76</b>	6,504,914.03
Insurance expenses	<b>4,746,086.34</b>	7,420,032.62
Property management fees	<b>4,611,997.58</b>	4,706,917.00
Others	<b>36,699,253.39</b>	55,416,289.31
<b>Total</b>	<b><u>269,919,869.47</u></b>	<b><u>237,233,280.11</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 51. Research and Development Expenses

Items	Current period	Last period
Employee benefits	<b>53,009,254.12</b>	57,910,119.31
Material fee	<b>46,613,999.55</b>	49,548,601.01
Amortization of intangible assets	<b>2,538,962.98</b>	3,765,068.06
Depreciation expenses	<b>4,085,704.71</b>	5,697,395.99
Consulting fee	<b>3,446,219.59</b>	1,432,010.09
Trial fee	<b>2,482,275.93</b>	–
Traveling expenses	<b>885,708.52</b>	1,374,054.73
General office expenses	<b>342,968.10</b>	433,401.48
Design fee	<b>331,734.50</b>	762,383.21
Business entertainment fee	–	191,361.86
Others	<b>24,425,711.50</b>	25,950,840.48
<b>Total</b>	<b><u>138,162,539.50</u></b>	<b><u>147,065,236.22</u></b>



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 52. Financial Expenses

Items	Current period	Last period
Interest expenditure	<b>68,532,652.99</b>	79,918,608.69
Less: interest income	<b>18,716,139.28</b>	10,061,435.33
Add: Exchange loss	<b>(2,706,346.25)</b>	420,791.74
Other expenditure	<b>6,703,831.43</b>	8,273,685.95
<b>Total</b>	<b><u>53,813,998.89</u></b>	<b><u>78,551,651.05</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 53. Other Income

Items	Current period	Last period
Innovative development project grants	<b>262,500.00</b>	29,300,070.00
Relocation grants	<b>7,788,387.59</b>	7,699,204.18
Industry and informationization Funds	<b>3,420,000.00</b>	4,190,000.00
Intelligent manufacturing system solution suppliers grants	—	2,000,000.00
Employment grants	<b>16,688,542.60</b>	1,755,195.12
Intelligent manufacturing projects grants	<b>1,497,549.12</b>	1,497,549.12
Other projects grants	<b>8,195,987.36</b>	2,470,667.62
Tax returns	<b>124,462.35</b>	7,327,158.72
Innovation Incentive Support in Jiangjin District	<b>500,000.00</b>	1,220,100.00
Others	<b>205,431.29</b>	146,979.03
<b>Total</b>	<b><u>38,682,860.31</u></b>	<b><u>57,606,923.79</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 54. Investment Income

Items	Current period	Last period
Investment income from long-term equity investments under equity method	<b>167,098,200.47</b>	155,987,807.84
Investment income from disposals of long-term equity investments	—	280,782.54
Investment income from holding capital preservation financial products	<b>2,870,000.00</b>	2,983,068.49
Others	<b>(1,749,887.26)</b>	(277,105.25)
<b>Total</b>	<b><u>168,218,313.21</u></b>	<b><u>158,974,553.62</u></b>

### 55. Gain and loss arising from the changes in fair value

Item	Current period	Last period
Financial assets at fair value through profit or loss	<b>(19,856.97)</b>	4,808,649.57
<b>Total</b>	<b><u>(19,856.97)</u></b>	<b><u>4,808,649.57</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 56. Impairment loss on credit

Items	Current period	Last period
Bad debt provision for note receivable	<b>(3,359,783.78)</b>	–
Bad debt provision for accounts receivable	<b>(10,776,900.54)</b>	17,726,267.33
Bad debt provision for prepayments	–	655,710.00
Bad debt provision for other receivables	<b>7,695,973.38</b>	35,250.00
Bad debt provision for loans and advances to customers	<b>4,688,983.72</b>	3,928,932.19
Bad debt provision for contract assets	<b>1,568,372.18</b>	–
Bad debt provision for other non-current assets	<b>(121,212.93)</b>	–
<b>Total</b>	<b><u>(304,567.97)</u></b>	<b><u>22,346,159.52</u></b>

### 57. Loss on impairment of assets

Items	Current period	Last period
Impairment loss on inventory	<b>(15,129,662.29)</b>	5,412,239.96
<b>Total</b>	<b><u>(15,129,662.29)</u></b>	<b><u>5,412,239.96</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

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## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 58. Gains on disposals of assets

Items	Current period	Last period	Amount recorded in extraordinary profit and loss
Gains on disposals of non-current assets which are not classified as held for sale	<b>10,496,278.63</b>	129,750,870.38	10,496,278.63
Including: Gains on disposals of PP&E	<b>10,496,278.63</b>	77,703,336.53	10,496,278.63
Gains on disposals of intangible assets	–	52,047,533.85	–
Gain on disposal of non-current assets classified as held for sale	–	4,672,160.97	–
Including: Gains on disposals of property, plant and equipment	–	3,947,342.13	–
Gains on disposals of intangible assets	–	724,818.84	–
<b>Total</b>	<b><u>10,496,278.63</u></b>	<u>134,423,031.35</u>	<u>10,496,278.63</u>

### 59. Non-operating income

Items	Current period	Last period	Amount recorded in extraordinary profit and loss
Penalty incomes, default fine and compensation	<b>1,617,032.72</b>	445,013.86	1,617,032.72
Government grants	–	347,750.02	–
Unpayable payables	<b>2,980,862.12</b>	–	2,980,862.12
Others	<b>1,475,274.97</b>	2,425,281.67	1,475,274.97
<b>Total</b>	<b><u>6,073,169.81</u></b>	<u>3,218,045.55</u>	<u>6,073,169.81</u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 60. Non-operating expenses

Items	Current period	Last period	Amount recorded in extraordinary profit and loss
Debt Restructuring	-	1,654,741.08	-
Donation for Public welfare	1,340,400.00	-	1,340,400.00
Loss from damage and Scrapping of non-current assets	936,293.91	4,734.16	936,293.91
Penalty and overdue surcharge	413,838.00	240,711.77	413,838.00
Others	1,981,090.44	1,044,688.03	1,981,090.44
<b>Total</b>	<b>4,671,622.35</b>	<b>2,944,875.04</b>	<b>4,671,622.35</b>

### 61. Income tax expense

Items	Current period	Last period
Current income tax calculated according to tax law and provision	19,503,996.61	34,022,372.95
Deferred income tax	106,132.23	13,433,664.11
<b>Total</b>	<b>19,610,128.84</b>	<b>47,456,037.06</b>

### 62. Other comprehensive income

Please refer to VI. 45 Other comprehensive income for details.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 63. Cash flow statement

#### (1) Supplementary information to the consolidated cash flows statement

Items	Current period	Last period
<b>1. Reconciliation of net profit to cash flows from operating activities</b>		
Net profit	123,094,378.75	176,249,562.92
Add: Provisions for asset impairment	15,129,662.29	(5,412,239.96)
Add: Impairment loss on credit	304,567.97	(22,346,159.52)
Depreciation of PP&E, depletion of oil and gas assets, depreciation of productive biological assets	90,147,905.46	86,112,439.41
Amortization of investment property	1,138,933.31	2,225,476.60
Amortization of right-of-use asset	29,827,777.35	34,045,323.24
Amortization of intangible assets	24,959,012.78	12,310,767.55
Amortization of long-term deferred expenses	32,224,636.42	15,134,943.03
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets (gain listed as "-")	(10,496,278.63)	(134,423,031.35)
Losses on retirement of property, plant and equipment (gain listed as "-")	936,293.91	4,734.16
Gains or losses on changes in fair value (gain listed as "-")	19,856.97	(4,808,649.57)
Financing expenses (gain listed as "-")	61,427,515.92	79,918,608.69
Investment losses (gain listed as "-")	(168,218,313.21)	(158,974,553.62)
Decrease in deferred tax assets (increase listed as "-")	4,473,410.68	(3,646,277.37)
Increase in deferred tax liabilities (decrease listed as "-")	(4,579,542.91)	16,978,341.47
Decrease in inventories (increase listed as "-")	(94,071,582.38)	(303,601,115.36)
Decrease in contractual assets (increase listed as "-")	43,056,807.07	24,285,070.65
Increase in Contractual liabilities (decrease listed as "-")	178,233,615.29	(178,500,745.33)
Decrease in operating receivables (increase listed as "-")	(269,478,259.65)	253,856,190.03
Increase in operating payables (decrease listed as "-")	(212,497,944.33)	(20,564,391.59)
Others	-	-
Net cash flows from operating activities	(154,367,546.94)	(131,155,705.92)
<b>2. Significant non-cash investing and financing activities:</b>		
PP&E acquired under bill receivable endorsement	-	-
<b>3. Changes in cash and cash equivalents:</b>		
Ending balance of cash	1,368,838,276.41	1,599,800,089.67
Less: Beginning balance of cash	1,537,567,094.59	1,570,343,395.06
Add: Ending balance of cash equivalents	-	-
Less: Beginning balance of cash equivalents	-	-
Net increase in cash and cash equivalents	(168,728,818.18)	29,456,694.61

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 63. Cash flow statement *(continued)*

#### (2) Cash and cash equivalents

Items	Current period	Last period
Cash	<b>1,368,838,276.41</b>	1,599,800,089.67
Including: Cash in hand	<b>654,715.09</b>	589,731.55
Bank deposits available for use on demand	<b>1,368,183,561.32</b>	1,599,210,358.12
Cash equivalents	-	-
Including: Bond investment due within three months	-	-
Ending balance of cash and cash equivalents	<b>1,368,838,276.41</b>	1,599,800,089.67
Including: Restricted cash and cash equivalent in parent company or subsidiaries of the Company	-	-



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

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## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 64. Assets with restricted ownership or use rights on 30 June 2020

Items	Carrying amount	Limited reason
Cash and cash equivalents	756,033,233.71	Deposits for bank acceptance bills, Deposits for letters of credit, Guarantee deposit, Statutory reserve, Restricted term deposits
Receivable financing	78,078,644.62	Bill pledge bank opens acceptance bill
Buildings	514,263,443.25	Note
Land-use rights	129,299,412.69	Note

Note: The subsidiary of the Company Machine Tools Group raises a loan of RMB295,000,000.00 yuan in Agricultural Bank of China Yubei Branch (Term of loan: 30 Mar 2015 to 15 Feb 2023, 2% increase in benchmark interest rate). Machine Tools Group mortgages the Buildings located in Nan'an district Nanpingzutun Chayuan-Lujiao C section No. C15/1-03 to Agricultural Bank of China Yubei Branch. The original value of the mortgaged buildings was RMB592,455,785.05 yuan (carrying amount: RMB514,263,443.25 yuan), and the original value of the mortgaged land was RMB155,532,192.20 yuan (carrying amount: RMB129,299,412.69 yuan).

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 65. Foreign currency monetary items

Items	30 June 2020		
	Foreign currency balance	Exchange rate	CNY balance
<b>Cash in hand</b>			
GBP	2,560.00	8.7144	22,308.86
<b>Cash at bank</b>			
GBP	1,915,088.00	8.7144	16,688,842.87
USD	30,763,682.37	7.0795	217,791,489.35
HKD	87,515.90	0.91344	79,940.52
EUR	0.01	7.9610	0.08
CHF	0.37	7.4434	2.75
<b>Accounts receivable</b>			
GBP	3,336,467.09	8.7144	29,075,308.79
<b>Prepayments</b>			
GBP	2,208,844.00	8.7144	19,248,750.15
EUR	234,555.96	7.0795	1,660,538.91
<b>Contract assets</b>			
GBP	5,656,098.00	8.7144	49,289,500.41
<b>Short-term loans</b>			
GBP	7,300,000.00	8.7144	63,615,120.00
USD	6,200,000.00	7.0795	43,892,900.00
<b>Accounts payable</b>			
GBP	3,490,451.00	8.7144	30,417,186.19
<b>Other payables</b>			
GBP	251,999.45	8.7144	2,196,024.00
<b>Contract liabilities</b>			
GBP	2,164,062.00	8.7144	18,858,501.89
<b>Non-current liabilities due within one year</b>			
GBP	<u>16,000,000.00</u>	<u>8.7144</u>	<u>139,430,400.00</u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### 66. Government grants

#### (1) Basic situation of government grants

Items	Amount received this period	Presentation item	Amount included in the current profit and loss
Project-related government grants	426,345.00	Deferred revenue	–
Others	1,310,272.00	Deferred revenue	655,136.00
Employment Grants	16,688,542.60	Other income	16,688,542.60
R & D grants	3,039,239.80	Other income	3,039,239.80
Various rewards related to business operations	2,218,735.00	Other income	2,218,735.00
Subsidy funds for innovative development projects	262,500.00	Other income	262,500.00
Tax return	124,462.35	Other income	124,462.35
Others	8900.00	Other income	8900.00
<b>Total</b>	<b>24,078,996.75</b>		<b>22,997,515.75</b>

#### (2) No return of government grants happened during this period.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VII. CHANGES IN CONSOLIDATION SCOPE

### 1. Business Combination not under Common Control

None.

### 2. Business Combination under Common Control

None.

### 3. Merger and absorption of the group in the current period

Merged party	Major assets absorbed		Major liabilities absorbed	
	Items	Amount	Items	Amount
Chongqing general industry group Tongkang Water Service Co., Ltd	Cash and cash equivalents	5,371,995.44	Taxes and levies payables	(2,450,676.82)
	Other receivables	61,034,071.92	Other payables	47,742,451.57
	Property, plant and equipment	1,011,083.76	Dividends payable	12,125,376.37
Total		<u>67,417,151.12</u>		<u>57,417,151.12</u>

Note: According to the resolution of the first meeting of the 5th board of directors of the group in 2019, Chongqing general industry (Group) Co., Ltd., a secondary subsidiary, was agreed to merge its subsidiary Chongqing general industrial group Tongkang Water Service Co., Ltd.. This absorption has completed in May 2020 and Tongkang Water Service Co., Ltd. of Chongqing Tongyong industrial group has completed the industrial and commercial cancellation on May 20, 2020.

### 4. There were no change of consolidation scope due to other reasons During this period.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in Subsidiaries

#### (1) Group structure

No.	Name of subsidiaries	Business category	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)		Shareholding (%)		Acquisition method
						Direct	Indirect	Direct	Indirect	
1	Chongqing CAFF Automotive Braking & Steering System Co., Ltd. ("CAFF")	Limited liability company (sole legal person)	Yubei district, Chongqing	Yubei district, Chongqing	Manufacturing sale and R&D of vehicle parts and components	100.00	-	100.00	-	Invest
2	Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	Limited liability company (wholly owned by a legal person) (investment by a foreign-invested enterprise)	Nanan district, Chongqing	Nanan district, Chongqing	Design, manufacture and sale of industrial robots, intelligent equipment, etc.	10,161.04	-	100.00	-	Business combinations under common control
2.1	Chongqing Mengxun Electronic Technology Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Nanan district, Chongqing	Nanan district, Chongqing	Processing Electronic Products	5,431.24	-	-	66.26	Business combinations under common control

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(continued)*

#### (1) Group structure *(continued)*

No.	Name of subsidiaries	Business category	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)		Shareholding (%)		Acquisition method
						Direct	Indirect	Direct	Indirect	
2.2	Chongqing Mechanical and Electrical Additive Manufacturing Co., Ltd.	Limited liability company	Nanan district, Chongqing	Nan'an district, Chongqing	Development, production, and leasing of additive manufacturing equipment, complete sets of laser equipment, machinery and testing equipment	5,000.00	-	-	76.00	Invest
3	Chongqing Machine Tools (Group) Co., Ltd.	Limited liability company (sole legal person)	Nanan district, Chongqing	Nan'an district, Chongqing	R&D, Manufacturing and Sales of Gear Processing Machine Tools and Lathes	59,424.13	100.00	-	-	Invest
3.1	Chongqing Sino-Germany Smart Factory Solutions Co., Ltd. (note 1)	Limited liability company (Sino-foreign joint venture)	Nanan district, Chongqing	Nan'an district, Chongqing	Automation, intelligent equipment and accessories production and sales	10,000.00	-	-	40.00	Invest

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(continued)*

#### (1) Group structure *(continued)*

No.	Name of subsidiaries	Business category	Major business		Place of registration	Nature of business	Registered capital (RMB'0000)		Shareholding (%)		Acquisition method
			location	location			Direct	Indirect	Direct	Indirect	
3.2	Fu Baotian Cotton picking services Co., Ltd.	Other limited liability companies	Tacheng district, Xinjiang	Tacheng district, Xinjiang		Mechanized picking services for cotton; Cotton machinery and spare parts sales, maintenance	500.00	-	-	51.00	Invest
3.3	Chongqing Tool Factory Co., Ltd.	Limited Liability Company (Wholly State-owned)	Jiangjin district, Chongqing	Jiangjin district, Chongqing		Cutting tool	6,000.00	-	-	100.00	Invest
3.4	Chongqing No. 2 Machine Tools Factory Co., Ltd.	Limited liability company (sole legal person)	Nanan district, Chongqing	Nanan district, Chongqing		Manufacturing, marketing machine tools and machine parts, auto parts, etc	8,000.00	-	-	100.00	Invest
3.5	Chongqing Yinhe Forging & Founding Co., Ltd.	Limited liability company (sole legal person)	Jiangjin district, Chongqing	Jiangjin district, Chongqing		Casting, forging non-ferrous metal smelting, special metal smelting	1,870.41	-	-	100.00	Invest
3.6	Chongqing Shengong Machinery Manufacture Co., Ltd.	Limited liability company (sole legal person)	Nanan district, Chongqing	Nanan district, Chongqing		Agricultural machinery and accessories, special machine tools, spare parts, special tooling production and sales	110.28	-	-	100.00	Invest

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Subsidiaries (continued)

#### (1) Group structure (continued)

No.	Name of subsidiaries	Business category	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)		Shareholding (%)		Acquisition method
						Direct	Indirect	Direct	Indirect	
3.7	Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Nanan district, Chongqing	Nanan district, Chongqing	Precision screw design, manufacturing, marketing	4,000.00	-	100.00	-	Invest
4	Precision Technologies Group (PTG) Limited.	Limited liability company	United Kingdom	United Kingdom	Shell company	GBP 20 million	100.00	-	-	Business combination not under common control
4.1	Precision Components Ltd.	Limited liability company	United Kingdom	United Kingdom	Screw and various complex parts	GBP 1	-	100.00	-	Business combination not under common control
4.2	PTG Heavy Industries Ltd.	Limited liability company	United Kingdom	United Kingdom	Large multi-purpose CNC machine tools, roll grinders, deep hole boring machines	GBP 2	-	100.00	-	Business combination not under common control
4.3	Milnrow Investments Ltd.	Limited liability company	United Kingdom	United Kingdom	Leasing of properties	GBP 198	-	100.00	-	Business combination not under common control

## Notes to the Consolidated Financial Statements (continued)

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# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(continued)*

#### (1) Group structure *(continued)*

No.	Name of subsidiaries	Business category	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)		Shareholding (%)		Acquisition method
						Direct	Indirect	Direct	Indirect	
4.4	PTG Deutschland GmbH	Limited liability company	Germany	Germany	Machine Tool Production and Sales	EUR 2,5000	-	100.00	-	Business combination not under common control
4.5	PTG Investment Development Company Ltd.	Limited liability company	Hong Kong	Hong Kong	Trade in machinery and raw materials	HKD600,000	-	100.00	-	Invest
4.6	Holroyd Precision Limited.	Limited liability company	United Kingdom	United Kingdom	Manufacturing of machine tools	GBP 100	-	100.00	-	Business combination not under common control
4.7	Precision Technologies Group (US) Limited (US Holding)	Limited liability company	United Kingdom	United Kingdom	First class SPV built for American plant	GBP 1	-	100.00	-	Invest
4.7.1	Precision Technologies Group (US) Limited (PTG US)	Limited liability company	The United States	The United States	Second class SPV built for American plant	USD1,000	-	100.00	-	Invest
4.7.1.1	Holroyd Precision Screw and Rotors Company (US HPR)	Limited liability company	The United States	The United States	Manufacturing of screws	USD1	-	100.00	-	Invest

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Subsidiaries (continued)

#### (1) Group structure (continued)

No.	Name of subsidiaries	Business category	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)		Shareholding (%)		Acquisition method
						Direct	Indirect	Direct	Indirect	
5	Chongqing Water Turbine Works Co., Ltd.	Limited liability company (sole legal person)	Jiangjin district, Chongqing	Jiangjin district, Chongqing	Design, Development and Manufacture of Turbines, Governors and Auxiliary Devices	14,709.71	-	100.00	-	Invest
6	Chongqing Pigeon Electric Wire And Cable Co., Ltd.	Limited liability company	Yubei district, Chongqing	Yubei district, Chongqing	Manufacture electric wires and cables	10,010.00	-	74.00	-	Invest
6.1	Chongqing Gepai Electric Porcelain Co., Ltd.	Limited liability company (sole legal person)	Changshou district, Chongqing	Changshou district, Chongqing	Manufacture electrical porcelain	5,300.00	-	-	100.00	Invest
6.2	Chongqing Pigeon Electric Materials Co., Ltd. (note 2)	Limited liability company	Changshou district, Chongqing	Changshou district, Chongqing	PPR/PPC tubular product	680.00	-	-	50.00	Invest
7	Chongqing General Industry (Group) Co., Ltd.	Limited liability company (sole legal person)	Nanan district, Chongqing	Nanan district, Chongqing	Production of fan coolers, etc.	51,509.01	-	100.00	-	Invest
7.1	Chongqing Chongtong Wide Wisdom Air Conditioning Equipment Co., Ltd. (note 1)	Limited liability company	Nanan district, Chongqing	Nanan district, Chongqing	Design and manufacture of evaporative cooling, water-cooled and air-cooled chillers	6,000.00	-	-	42.00	Invest

## Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

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## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(continued)*

#### (1) Group structure *(continued)*

No.	Name of subsidiaries	Business category	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)		Shareholding (%)		Acquisition method
						Direct	Indirect	Direct	Indirect	
7.2	Chongqing Chongtong Turbine Technology Co., Ltd	Company limited by shares	Nanan district, Chongqing	Nanan district, Chongqing	Turbo mechanical product testing, equipment and system maintenance and transformation	3,000.00	-	66.67	Invest	
7.3	Jilin Chongtong Chengfei New Material Co., Ltd. (note 5)	Other corporations (unlisted)	Jilin province	Baicheng district, Jilin	Manufacturing of wind-power equipment	35,500.78	-	96.03	Business Combination not under Common Control	
7.3.1	Chongqing Chongtong Chengfei New Material Co., Ltd	Limited liability company (sole legal person)	Jiangjin district, Chongqing	Jiangjin district, Chongqing	Manufacturing of wind-power equipment	5,000.00	-	100.00	Invest	

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Subsidiaries (continued)

#### (1) Group structure (continued)

No.	Name of subsidiaries	Business category	Major business location	Place of registration	Nature of business	Registered capital (RMB '0000)	Shareholding (%)		Acquisition method
							Direct	Indirect	
7.3.2	Gansu Chongtong Chengfei New Material Co., Ltd.	Limited Liability Company (Wholly-owned legal person invested or controlled by a non-natural person)	Gansu province	Gansu province	Manufacturing of wind-power equipment	5,000.00	-	100.00	Invest
7.3.3	Chongtong Chengfei Wind Power Equipment Jiangsu Co., Ltd.	Limited Liability Company (Wholly-owned legal person invested or controlled by a non-natural person)	Rudong district, Jiangsu	Rudong district, Jiangsu	Manufacturing of wind-power equipment	10,000.00	-	100.00	Invest
7.3.4	Xilinhaote Chentei WindPower Equipment Co., Ltd.	Limited Liability Company (Wholly-owned legal person invested or controlled by a non-natural person)	Xilin, Neimeng	Xilin, Neimeng	Network products, environmental products and gas products sales	5,000.00	-	100.00	Business Combination not under Common Control
7.4	Chongqing Shunchang General Electrical Equipment Co., Ltd.	Limited liability company (sole legal person)	Nanan district, Chongqing	Nanan district, Chongqing	Network products, environmental products and gas products sales	100.00	-	100.00	Invest

## Notes to the Consolidated Financial Statements (continued)

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(All amounts are presented in RMB except otherwise stated)

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(continued)*

#### (1) Group structure *(continued)*

No.	Name of subsidiaries	Business category	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)		Shareholding (%)		Acquisition method
						Direct	Indirect	Direct	Indirect	
7.5	Chongqing General Industry (Group) Tong Kang Water Affairs Co., Ltd	Limited liability company	Tongnan district, Chongqing	Tongnan district, Chongqing	Sewage collection, treatment, operation management, BOT business	1,000.00	-	100.00	-	Invest
8	Chongqing Pump Industry Co., Ltd.	Limited liability company (sole legal person)	Shapingba district, Chongqing	Shapingba district, Chongqing	Design and Manufacture of Industrial Pumps and Parts and Pressure Vessels	19,641.15	100.00	-	-	Invest
9	Chongqing Gas Compressor Factory Co., Ltd.	Limited liability company	Shapingba district, Chongqing	Shapingba district, Chongqing	Manufacturing of Gas Compressors and Components	18,721.39	100.00	-	-	Invest
10	Chongqing Industrial Enabling Innovation Center Co., Ltd.	Limited liability company (wholly owned by a legal person) (investment by a foreign-invested enterprise)	Northern new district, Chongqing	Northern new district, Chongqing	Consultation on Research and Development of Mechanical and Electrical Equipment Technology	3,000.00	100.00	-	-	Business combinations under common control

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Subsidiaries (continued)

#### (1) Group structure (continued)

No.	Name of subsidiaries	Business category	Major business location	Place of registration	Nature of business	Registered capital (RMB'0000)		Shareholding (%)		Acquisition method
						Direct	Indirect	Direct	Indirect	
11	Chongqing Shengpu Materials Co., Ltd.	Limited liability company (wholly owned by a legal person) (investment by a foreign-invested enterprise)	Northern new district, Chongqing	Northern new district, Chongqing	Sales of steel and other trade business	100.00	-	100.00	-	Invest
12	Chongqing Machinery and Electronics Holding Group Finance Company Limited ("CMEFC")	Limited liability company	Northern new district, Chongqing	Northern new district, Chongqing	Providing financial and financing services to member units	60,000.00	-	70.00	-	Invest

Note 1: The Group holds less than 50% shares of these companies. These companies are regarded as subsidiaries of the Group because the Group has the majority of voting rights in their board of directors in accordance with the Articles of Association. The Group is controlling their strategy, operations, investment and financing activities.

Note 2: The Group holds 74% shares of the Pigeon Electric Wire and Cable which holds 50% shares of Chongqing Pigeon Electric Materials Co., Ltd (hereinafter referred to as "Pigeon Electric"). Pigeon Electric is regarded as a subsidiary of the Group because the Group has majority voting rights in its board of directors to control its strategy, operations, investment and financing activities.

# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(continued)*

#### (2) Significant partly-owned subsidiaries

Name of subsidiary	Shareholding of minority shareholders (%)	31 Dec 2019 of non-controlling interest	Profit or loss attributable to minority shareholders	Change in defined income plan belongs to non-controlling interest	Dividends distributed to minority shareholders	30 June 2020 of non-controlling interest
Pigeon Electric Wire and Cable Co., Ltd.	26.00	86,412,454.64	9,002,222.55	-	-	95,414,677.19
Jilin Chongtong Chengfei New Material Co., Ltd	96.03	24,198,077.31	(3,021,229.42)	-	-	21,548,547.89
CMEFC	30.00	249,151,270.65	10,948,050.69	-	-	260,099,321.34

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(continued)*

#### (3) Key financial information of significant partly-owned subsidiaries

Name of subsidiaries	30 June 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pigeon Electric Wire and Cable Co., Ltd.	846,091,907.70	222,043,271.51	1,068,135,179.21	661,269,678.21	12,472,307.10	673,741,985.31
Jilin Chongtong Chengfei New Material Co., Ltd	1,818,367,990.14	825,388,338.87	2,643,756,329.01	2,467,565,404.97	11,515,740.35	2,479,081,145.32
CMEFC	2,678,438,146.18	13,225,808.00	2,691,663,954.18	1,823,643,681.53	1,022,534.97	1,824,666,216.50

*(Continued)*

Name of subsidiaries	31 Dec 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pigeon Electric Wire and Cable Co., Ltd.	707,108,300.44	227,172,244.52	934,280,544.96	561,486,503.29	12,482,160.68	573,968,663.97
Jilin Chongtong Chengfei New Material Co., Ltd	1,749,309,590.01	870,569,143.35	2,619,878,733.36	2,402,819,313.69	33,382,359.35	2,436,201,673.04
CMEFC	3,668,118,514.14	18,961,885.37	3,687,080,399.51	2,854,361,973.44	2,214,190.69	2,856,576,164.13



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(continued)*

#### (3) Key financial information of significant partly-owned subsidiaries *(continued)*

Name of subsidiaries	Operating revenue	Current period		
		Net profit	Total comprehensive income	Cash flows from operating activities
Pigeon Electric Wire and Cable Co., Ltd.	550,344,558.11	34,081,312.91	34,081,312.91	(89,527,531.80)
Jilin Chongtong Chengfei New Material Co., Ltd	743,627,166.12	(19,001,876.63)	(19,001,876.63)	206,595,315.50
CMEFC	50,279,759.36	36,493,502.30	36,493,502.30	(633,320,112.36)

*(Continued)*

Name of subsidiaries	Operating revenue	Last period		
		Net profit	Total comprehensive income	Cash flows from operating activities
Pigeon Electric Wire and Cable Co., Ltd.	719,149,327.14	65,776,874.26	65,776,874.26	(2,560,088.89)
Jilin Chongtong Chengfei New Material Co., Ltd	102,040,656.71	(104,760,983.07)	(104,760,983.07)	(59,191,054.77)
CMEFC	56,090,530.22	27,874,759.98	27,874,759.98	(631,215,715.25)

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 1. Interests in Subsidiaries *(continued)*

- (4) The Group has no significant restrictions on the use of corporate group assets and settlement of corporate group debts.
- (5) The Group has no financial or other support to structured entities included in the scope of consolidated financial statements.
- (6) The Group has no structured entities included in the scope of consolidated financial statements.
- (7) The Group and its subsidiaries have not issued equity or debt securities.

### 2. The situation in which the owner's equity share of a subsidiary company changes and the subsidiary company is still under control

No.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 3. Interests in Joint Ventures or Associates

#### (1) Significant joint ventures or associates

Name of associates or joint venture	Business category	Principal place of business	Place of registration	Nature of business	Proportion of shareholding (%)		Accounting method
					Directly	Indirectly	
<b>Associates -</b>							
Chongqing cummins engine company limited ("CG Cummins")	Limited liability company (Sino-foreign joint venture)	Shapingba District, Chongqing	Shapingba District, Chongqing	Largest professional manufacturer of heavy-duty and high-horse power engines in China	50.00	-	Equity method
<b>Joint ventures -</b>							
ABB chongqing transformer company limited ("ABB chongqing")	Limited liability company (Sino-foreign joint venture)	Huayan, Jijiangpo District, Chongqing	Huayan, Jijiangpo District, Chongqing	Power transformer, reactor, HVDC converter transformer, UHV AC transformer, sets of insulator	37.80	-	Equity method
Chongqing jiangbei machinery Co., Ltd. ("Chongqing Jiangbei Machinery")	Limited liability company	Yutu, Jiangbei District, Chongqing	Yutu, Jiangbei District, Chongqing	Manufacturing and sale of large separation machinery and its systems	41.00	-	Equity method
Exedy chongqing company limited ("EXEDY chongqing")	Limited liability company (Sino-foreign joint venture)	Nanan District, Chongqing	Nanan District, Chongqing	Manufacturing and sale of clutch and clutch pump	27.00	-	Equity method
Chongqing hongyan fangda automobile suspension Co., Ltd. (Hongyan fangda)	Limited liability company	Yubei District, Chongqing	Yubei District, Chongqing	Development, manufacturing and sales of car leaf spring, auto air suspension, guide arm and other auto parts	44.00	-	Equity method
Chongqing Shenjian Auto Transmission Pieces Co., Ltd. ("Shenjian")	Limited liability company	Nanan District, Chongqing	Nanan District, Chongqing	Automobile transmission	-	35.00	Equity method
Knorr-Brem se Systems for Commercial Vehicles (Chongqing) Ltd.	Limited liability company (Taiwan, Hong Kong, Macao and domestic joint venture)	Yubei District, Chongqing	Yubei District, Chongqing	Manufacturing and sale of commercial vehicle valves	34.00	-	Equity method

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 3. Interests in Joint Ventures or Associates *(continued)*

#### (2) Unimportant associate

Name of associates	Business category	Principal place of business	Place of registration	Nature of business	Proportion of shareholding (%)		Accounting method
					Directly	Indirectly	
Water Gen Power S.r.l	Limited liability company	Italy	Italy	Power transformer, reactor, HVDC converter transformer, UHVAC transformer, complete set of insulation	49.00	-	Equity method



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 3. Interests in Joint Ventures or Associates *(continued)*

#### (3) Key financial information of significant joint ventures

Items	CQ Cummins	
	30 June 2020/ Current period	31 Dec 2019/ Last period
Current assets	<b>1,946,941,191.54</b>	1,844,455,485.77
Including: cash and cash equivalents	<b>779,208,348.18</b>	607,989,686.56
Non-current assets	<b>1,083,772,227.32</b>	941,771,608.90
Total assets	<b>3,030,713,418.86</b>	2,786,227,094.67
Current liabilities	<b>1,827,751,742.45</b>	1,866,254,886.27
Non-current liabilities	<b>168,747,991.32</b>	175,381,356.88
Total liabilities	<b>1,996,499,733.77</b>	2,041,636,243.15
Non-controlling interest	—	—
Total equity attributable to shareholders of the Company	<b>1,034,213,685.08</b>	744,590,851.52
Net assets calculated based on shareholding ratio	<b>512,883,796.05</b>	372,295,425.76
Carrying amount of equity investment in joint ventures	<b>512,883,796.05</b>	372,295,425.76
Fair value of investment in joint ventures with public offer	—	—
Operating revenue	<b>1,380,294,535.26</b>	1,474,681,356.65
Financial expenses	<b>(3,847,698.04)</b>	(314,043.05)
Income tax expense	<b>48,822,106.41</b>	61,314,911.77
Net profit	<b>281,176,740.58</b>	308,970,076.00
Total comprehensive income	<b>281,176,740.58</b>	308,970,076.00
Recognized dividends from joint ventures	—	—
Received dividends from joint ventures	<b>93,686,375.56</b>	105,952,648.40

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 3. Interests in Joint Ventures or Associates *(continued)*

#### (4) Key financial information of significant associates

Items	ABB chongqing		Hongyan fangda		EXEDY (Chongqing) Co., Ltd	
	30 June 2020/ Current period	31 Dec 2019/ Last period	30 June 2020/ Current period	31 Dec 2019/ Last period	30 June 2020/ Current period	31 Dec 2019/ Last period
Current assets	1,344,361,021.44	1,204,512,759.15	464,507,537.50	418,513,427.35	262,498,563.68	258,380,475.87
Including: cash and cash equivalents	136,045,661.61	179,990,310.51	9,059,452.98	9,717,744.55	6,564,485.32	7,887,961.49
Non-current assets	200,970,092.05	212,490,215.37	155,089,291.91	118,748,296.40	157,242,506.55	166,079,915.64
Total assets	1,545,331,113.49	1,417,002,974.52	619,596,829.41	537,261,723.75	419,741,070.23	424,460,391.51
Current liabilities	980,927,033.85	780,218,976.30	281,009,392.65	254,987,805.57	96,313,738.83	127,852,224.52
Non-current liabilities	31,487,103.99	43,641,968.29	4,360,521.00	4,360,521.00	-	-
Total liabilities	1,012,414,137.84	823,860,944.59	285,369,913.65	259,348,326.57	96,313,738.83	127,852,224.52
Non-controlling interest	-	-	20,011,103.64	17,429,841.07	-	-
Total equity attributable to shareholders of the Company	532,916,975.65	593,142,029.93	314,215,812.12	260,483,556.11	323,427,331.40	296,608,166.99
Net assets calculated based on shareholding ratio	231,911,069.12	224,207,687.31	122,563,142.77	114,612,764.69	78,014,225.83	80,084,205.09
Carrying amount of equity investment in associates	231,911,069.12	224,207,687.31	122,563,142.77	114,612,764.69	78,014,225.83	80,084,205.09
Fair value of investment in associates with public offer	-	-	-	-	-	-
Operating revenue	463,229,722.08	307,444,382.09	406,847,930.68	425,332,116.62	161,516,843.55	196,003,765.05
Financial expenses	1,074,473.00	2,410,517.67	592,403.92	630,266.29	1,663,287.54	2,455,793.22
Income tax expense	4,329,551.57	(2,674,721.40)	2,358,346.34	540,782.76	560,238.84	(460,568.40)
Net profit	24,714,896.47	(15,698,968.79)	20,486,128.30	808,967.24	(1,738,656.79)	1,511,601.40
Total comprehensive income	24,714,896.47	(15,698,968.79)	20,486,128.30	808,967.24	(1,738,656.79)	1,511,601.40
Recognized dividends from associates	349,003.40	29,349,033.00	-	-	706,103.68	2,651,933.96
Received dividends from associates	349,003.40	29,349,033.00	-	-	706,103.68	2,651,933.96

# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in Joint Ventures or Associates (continued)

#### (4) Key financial information of significant associates (continued)

(Continued)

Items	Knorr		Chongqing Jiangbei Machinery		Shenjian	
	30 June 2020/ Current period	31 Dec 2019/ Last period	30 June 2020/ Current period	31 Dec 2019/ Last period	30 June 2020/ Current period	31 Dec 2019/ Last period
Current assets	541,112,322.92	389,017,506.46	167,851,953.02	184,226,619.51	265,343,086.02	229,201,841.53
Including: cash and cash equivalents	6,642,694.23	79,626,433.31	4,568,462.13	17,254,982.34	5,052,213.74	3,304,569.99
Non-current assets	62,150,138.62	58,844,741.89	157,101,634.45	175,862,140.85	340,258,653.53	352,904,602.25
Total assets	603,262,461.54	447,862,248.35	324,953,587.47	360,088,760.36	605,601,739.55	582,106,443.78
Current liabilities	392,896,676.43	260,567,675.62	227,167,545.32	213,469,085.20	341,816,590.64	344,271,435.38
Non-current liabilities	-	18,739,690.85	9,274,000.00	4,858,281.02	57,062,692.93	4,462,500.00
Total liabilities	392,896,676.43	279,307,366.47	236,441,545.32	218,327,366.22	398,879,283.57	348,733,935.38
Non-controlling interest	-	-	-	-	-	-
Total equity attributable to shareholders of the Company	210,365,785.11	168,554,881.88	88,512,042.15	141,761,394.14	206,722,455.98	233,372,508.40
Net assets calculated based on shareholding ratio	79,593,246.36	65,389,333.02	55,696,549.79	58,122,171.60	81,773,028.88	81,680,377.94
Carrying amount of equity investment in associates	79,593,246.36	65,389,333.02	55,696,549.79	58,122,171.60	81,773,028.88	81,680,377.94
Fair value of investment in associates with public offer	-	-	-	-	-	-
Operating revenue	388,520,310.00	278,411,960.42	64,885,104.49	56,418,037.19	172,571,379.46	85,532,762.92
Financial expenses	900,968.31	989,105.17	2,765,040.57	2,699,916.12	5,555,458.46	4,056,509.21
Income tax expense	6,657,492.00	6,163,663.03	(85,897.50)	(1,244,393.18)	(1,732,115.37)	-
Net profit	41,776,215.72	18,490,989.10	(7,218,787.85)	(7,803,561.32)	1,321,491.68	(1,122,500.62)
Total comprehensive income	41,776,215.72	18,490,989.10	(7,218,787.85)	(7,803,561.32)	1,321,491.68	(1,122,500.62)
Recognized dividends from associates	-	-	-	-	-	-
Received dividends from associates	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

### 3. Interests in Joint Ventures or Associates *(continued)*

- (5) No significant restrictions on the ability of the Group's joint ventures or associates to transfer funds to the company.
  - (6) No excess losses incurred by the Group's joint ventures or associates.
  - (7) The Group has no unconfirmed commitments related to joint venture investment.
  - (8) The Group has no contingent liabilities related to investments in joint ventures or associates.
4. The Group has no significant joint operations.
5. The Group has no structured entities that are not included in the scope of consolidated financial statements.



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS**

The Group's business operations face various risks, including market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's basic strategy aims at the unpredictability of financial market to reduce the negative impact of risks to the financial results of the Group.

### **1. Various risk management objectives and policies**

#### **(1) Market risk**

##### *1) Foreign exchange risk*

The Group mainly operates in mainland China. Core business is settled in RMB. But foreign exchange risk arises along with future commercial transactions given that recognized assets or liabilities were denominated in the entity's functional currency, RMB. Financial department of the Group monitors the scale of foreign currency transactions, assets and liabilities to reduce the negative impact of risks on the Group business performance to the lowest level. Therefore, the Group may sign forward exchange contracts or currency swap contracts. At the end of the year, the Group didn't sign any contracts mentioned above.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(CONTINUED)*

### 1. Various risk management objectives and policies *(continued)*

#### (1) Market risk *(continued)*

##### 1) Foreign exchange risk *(continued)*

The amount of foreign currency financial assets and liabilities held by the Group converted into RMB are shown follows:

Items	30 Jun 2020					Total
	USD	HKD	GBP	CHF	EUR	
<b>Foreign currency financial assets</b>						
Cash and cash equivalents	217,791,489.35	79,940.52	16,711,151.73	2.75	0.08	234,582,584.43
Accounts receivable	-	-	29,075,308.79	-	-	29,075,308.79
Prepayments	-	-	19,248,750.15	-	1,660,538.91	20,909,289.06
Other receivables	-	-	-	-	-	-
Contractual assets	-	-	49,289,500.41	-	-	49,289,500.41
Other non-current assets- contractual assets	-	-	-	-	-	-
<b>Total</b>	<b>217,791,489.35</b>	<b>79,940.52</b>	<b>114,324,711.08</b>	<b>2.75</b>	<b>1,660,538.99</b>	<b>333,856,682.69</b>
<b>Foreign currency financial liabilities</b>						
Short-term loans	43,892,900.00	-	63,615,120.00	-	-	107,508,020.00
Accounts payable	-	-	30,417,186.19	-	-	30,417,186.19
Other payables	-	-	2,196,024.00	-	-	2,196,024.00
Contract liabilities	-	-	18,858,501.89	-	-	18,858,501.89
Non-current liabilities due within one year	-	-	139,430,400.00	-	-	139,430,400.00
<b>Total</b>	<b>43,892,900.00</b>	<b>-</b>	<b>254,517,232.08</b>	<b>-</b>	<b>-</b>	<b>298,410,132.08</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(CONTINUED)*

### 1. Various risk management objectives and policies *(continued)*

#### (1) Market risk *(continued)*

##### 1) Foreign exchange risk *(continued)*

(Continued)

Items	31 Dec 2019					
	USD	HKD	GBP	CHF	EUR	Total
Foreign currency financial assets						
Cash and cash equivalents	20,796,259.18	1,508,157.67	64,793,129.51	756,296.30	2.19	87,853,844.85
Accounts receivable	141,699,367.17	-	34,982,708.07	-	21,435,544.96	198,117,620.20
Prepayments	-	-	1,342,246.47	-	-	1,342,246.47
Other receivables	-	197,762,756.64	25,758,675.08	-	-	223,521,431.72
Contractual assets	-	-	66,943,824.37	-	-	66,943,824.37
Other non-current assets- contractual assets	219,849,271.21	-	-	-	-	219,849,271.21
<b>Total</b>	<b>382,344,897.56</b>	<b>199,270,914.31</b>	<b>193,820,583.50</b>	<b>756,296.30</b>	<b>21,435,547.15</b>	<b>797,628,238.82</b>
Foreign currency financial liabilities						
Short-term loans	82,319,160.00	-	58,560,640.00	-	-	140,879,800.00
Accounts payable	2,747,174.12	-	36,458,966.63	-	-	39,206,140.75
Other payables	-	-	2,196,024.00	-	-	2,196,024.00
Contract liabilities	3,377,708.68	-	33,492,401.55	-	278,222.11	37,148,332.34
Non-current liabilities due within one year	-	-	150,976,650.00	-	-	150,976,650.00
<b>Total</b>	<b>88,444,042.80</b>	<b>-</b>	<b>281,684,682.18</b>	<b>-</b>	<b>278,222.11</b>	<b>370,406,947.09</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(CONTINUED)*

### 1. Various risk management objectives and policies *(continued)*

#### (1) Market risk *(continued)*

##### 2) Interest rate risk

The Group's interest rate risk arises from interest bearing bank deposits and borrowings. Floating rates on bank deposits and borrowings expose the Group to cash flow interest rate risk. Fixed rates on bank deposits and borrowings expose the Group to fair value interest rate risk. The Group determines the proportion of its fixed and floating rate contracts depending on the current market conditions. The Group's bank deposits and borrowings at floating rates were denominated in RMB, USD, EUROS, HKD, and UKP. The Group currently does not hedge its exposure to interest rate risk.

The Group's bank borrowings at floating rates and at fixed rates are as follows:

Nature of borrowings	30 Jun 2020	31 Dec 2019
Borrowings at floating rates	<b>1,186,900,000.00</b>	1,273,637,450.00
Borrowings at fixed rates	<b>2,517,285,045.00</b>	1,731,459,557.35
<b>Total</b>	<b><u>3,704,185,045.00</u></b>	<b><u>3,005,097,007.35</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** ***(CONTINUED)***

### **1. Various risk management objectives and policies *(continued)***

#### **(2) Credit risk**

The Group manages the credit risk by portfolio. Credit risk mainly arises from cash and cash Equivalents, accounts receivable, other receivables and notes receivable, etc.

The Group's liquid capital is deposited in state-owned banks and listed banks of large and medium-scale. So the Group believes that there is no significant risk since there will not be significant losses due to default by the other units.

Otherwise, the Group formulates relevant policies to control credit risk. The Group assesses the credit quality of each customer by taking into account its financial position, the possibility of obtaining guarantees from the third parties, the past experience and other factors, such as current marketing situation and set the appropriate credit period. The Group periodically monitors the customer's credit record. For those customers with poor credit, the Group takes written collections, shortens or cancels the credit period so as to ensure the overall credit risk under control.

#### **(3) Liquidity risk**

The subsidiaries are responsible for their own cash flow forecast, according to which the finance department of the Group continuously monitors the short-term and long-term capital needs to ensure the adequacy of cash reserve and availability of securities. The finance department also monitors the compliance with the provisions of the loan agreement and obtains commitment from financial institutions of funds to meet the short-term and long-term funding requirements.

# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Various risk management objectives and policies (continued)

#### (3) Liquidity risk (continued)

The financial assets and liabilities held by the Group are listed as following, demonstrated by the maturity of the remaining undiscounted contractual obligations:

Items	Within 1 year	1-2 years	30 Jun 2020 2-5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	2,003,205,340.74	1,210,725.00	-	131,320,051.48	2,135,736,117.22
Trading financial assets	4,249,637.16	-	-	-	4,249,637.16
Notes receivable	244,170,144.19	-	-	-	244,170,144.19
Accounts receivable	3,294,362,305.79	-	-	-	3,294,362,305.79
Receivable financing	554,330,108.35	-	-	-	554,330,108.35
Prepayments	337,332,234.11	-	-	-	337,332,234.11
Other receivables	1,299,157,780.79	-	-	-	1,299,157,780.79
Contract assets	368,809,970.68	-	-	-	368,809,970.68
Non-current assets due within one year	17,456,633.42	-	-	-	17,456,633.42
Other non-current assets- contractual assets	-	-	222,068,580.20	-	222,068,580.20
Loans and advances	821,385,144.00	64,379,064.00	21,120,500.00	-	906,884,708.00
Long-term receivables	-	27,013,571.51	53,611,831.23	8,817,557.26	89,442,960.00
Other equity instruments investment	-	-	-	52,314,020.88	52,314,020.88
<b>Total</b>	<b>8,944,459,299.23</b>	<b>92,603,360.51</b>	<b>296,800,911.43</b>	<b>192,451,629.62</b>	<b>9,526,315,200.79</b>
Financial liabilities					
Short-term loans	1,225,158,320.54	-	-	-	1,225,158,320.54
Receipt of deposits and deposits from other banks	718,944,008.03	58,773,066.67	-	-	777,717,074.70
Notes payable	908,807,210.25	-	-	-	908,807,210.25
Accounts payable	1,716,887,365.93	-	-	-	1,716,887,365.93
Other payables	503,057,174.85	-	-	-	503,057,174.85
Non-current liabilities due within one year	639,555,444.28	-	-	-	639,555,444.28
Long-term loans	74,625,050.00	1,162,891,750.00	779,265,587.50	122,341,000.00	2,139,123,387.50
Lease liabilities	-	79,461,054.42	375,714.89	-	79,836,769.31
Long-term payables	-	-	4,080,402.88	-	4,080,402.88
<b>Total</b>	<b>5,787,034,573.88</b>	<b>1,301,125,871.09</b>	<b>783,721,705.27</b>	<b>122,341,000.00</b>	<b>7,994,223,150.24</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(CONTINUED)*

### 1. Various risk management objectives and policies *(continued)*

#### (3) Liquidity risk *(continued)*

(Continued)

Items	Within 1 year	1-2 years	31 Dec 2019 2-5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	1,952,756,054.86	-	-	141,863,593.70	2,094,619,648.56
Trading financial assets	269,494.13	-	-	-	269,494.13
Notes receivable	302,123,148.00	-	-	-	302,123,148.00
Accounts receivable	3,111,334,932.31	-	-	-	3,111,334,932.31
Receivable financing	470,685,913.42	-	-	-	470,685,913.42
Prepayments	267,014,335.67	-	-	-	267,014,335.67
Other receivables	1,387,210,312.05	-	-	-	1,387,210,312.05
Contract assets	411,866,777.75	-	-	-	411,866,777.75
Non-current assets due within one year	17,558,096.44	-	-	-	17,558,096.44
Other non-current assets- contractual assets	-	-	219,849,271.18	-	219,849,271.18
Loans and advances	976,911,013.16	77,145,525.00	48,366,562.50	-	1,102,423,100.66
Long-term receivables	578,919.45	36,573,941.92	44,642,965.48	17,418,019.73	99,213,846.58
Other equity instruments investment	-	-	-	52,314,020.88	52,314,020.88
<b>Total</b>	<b>8,898,308,997.24</b>	<b>113,719,466.92</b>	<b>312,858,799.16</b>	<b>211,595,634.31</b>	<b>9,536,482,897.63</b>
Financial liabilities					
Short-term loans	1,190,119,200.38	-	-	-	1,190,119,200.38
Receipt of deposits and deposits from other banks	1,062,273,543.41	62,618,138.89	-	-	1,124,891,682.30
Notes payable	1,202,637,121.55	-	-	-	1,202,637,121.55
Accounts payable	1,686,336,446.82	-	-	-	1,686,336,446.82
Repurchase agreements	49,949,000.00	-	-	-	49,949,000.00
Other payables	456,796,531.42	-	-	-	456,796,531.42
Contract liabilities	807,469,495.64	-	-	-	807,469,495.64
Non-current liabilities due within one year	297,279,335.53	-	-	-	297,279,335.53
Long-term loans	69,520,800.68	1,464,053,938.64	161,124,972.08	116,235,386.66	1,810,935,098.06
Lease liabilities	-	123,126,023.05	10,522,021.03	-	133,648,044.08
Long-term payables	-	1,010,000.00	3,495,143.84	-	4,505,143.84
<b>Total</b>	<b>6,822,381,475.43</b>	<b>1,650,808,100.58</b>	<b>175,142,136.95</b>	<b>116,235,386.66</b>	<b>8,764,567,099.62</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(CONTINUED)*

### 2. Sensitivity analysis

The Group applies sensitivity to analyse the rationality of technical risk variables and the effect of possible changes on the current profit and loss or shareholders' equity. As any risk variable seldom varies independently, and correlation among variables could affect significantly the ultimate amount of a certain risk variable. Therefore, following tests are carrying out on the assumed condition that each variable changes independently.

#### (1) Sensitivity analysis of foreign exchange risk

The hypothesis of sensibility analysis of foreign exchange risk: all the foreign operations and investments and cash flows are highly effective.

The influence of reasonable movements of exchange rates on the current net profit and loss and equity under above assumptions with other variables as a constant is listed as following:

Items	Change in exchange rate	30 Jun 2020		31 Dec 2019	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Exchange rate up 5%	(8,694,929.47)	8,694,929.47	14,695,042.73	14,695,042.73
USD	Exchange rate down 5%	8,694,929.47	8,694,929.47	(14,695,042.73)	(14,695,042.73)
GBP	Exchange rate up 5%	(7,009,626.05)	(7,009,626.05)	(4,393,204.93)	(4,393,204.93)
GBP	Exchange rate down 5%	7,009,626.05	7,009,626.05	4,393,204.93	4,393,204.93



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(CONTINUED)*

### 2. Sensitivity analysis *(continued)*

#### (2) Sensitivity analysis of interest rate risk

The sensitivity analysis of interest rate risk is based on the following assumptions:

The fluctuation of market interest rate has an impact on interest income or expense of variable interest-rate financial instrument;

For the fixed interest-rate financial instrument measured at fair value, the changes of market interest rate can only affect its interest income or expense;

The changes in fair value of the derivative financial instrument and other financial assets and liabilities are calculated on discounted cash flow method, based on the market interest rate at the balance sheet date.

The after-tax influence of reasonable movements of interest rate on the current net profit and loss and equity under above assumptions with other variables as a constant is listed as following:

Items	Change in interest rate	Current period		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Borrowings with floating interest rate	Increase by 1%	(442,543.60)	(442,543.60)	(594,366.55)	(594,366.55)
Borrowings with floating interest rate	Decrease by 1%	442,543.60	442,543.60	594,366.55	594,366.55

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## X. DISCLOSURE OF FAIR VALUE

### 1. Fair value of assets and liabilities measured at fair value at the end of this period:

Amounts of assets and liabilities measured at fair value at the end of this period and the corresponding levels of fair value measurement are listed as following:

Items	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Financial assets held for sale	244,179.41	4,005,457.75	-	4,249,637.16
Including: Stock investment	244,179.41	-	-	244,179.41
MMFs- money market funds	-	4,005,457.75	-	4,005,457.75
Receivable financing	-	-	554,330,108.35	554,330,108.35
Other equity instruments investment	-	-	52,314,020.88	52,314,020.88
<b>Total</b>	<b>244,179.41</b>	<b>4,005,457.75</b>	<b>606,644,129.23</b>	<b>610,893,766.39</b>

The table above presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified depends on the input value of the lowest level which is of great significance to the whole fair value measurement. The definition of the inputs used in the valuation technique:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: The direct or indirect observable inputs, which fail to meet level 1, for related assets or liabilities.

Level 3: Fair value measured using significant unobservable inputs.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **X. DISCLOSURE OF FAIR VALUE *(CONTINUED)***

### **2. Basis for determining the market value of continuous and non-continuous first-level fair value measurement projects**

The fair value of financial instruments traded in active markets is determined based on market quotes at the balance sheet date. When a quote is available in real time and on a regular basis from a stock exchange, dealer, broker, industry insider, pricing service provider, or regulator, and the quote represents an actual and regular market transaction quote based on fair trade principles, the market is considered Active market. The quoted market price of financial assets held by the Group is the current bid price. These financial tools are listed on the first level. The instruments included in the first level at the end of this period were classified as stock investments in tradable financial assets.

### **3. On-going and non-on-going second-level fair value measurement projects, qualitative and quantitative information on valuation techniques and important parameters used**

The fair value of financial instruments without active markets is determined by using valuation techniques. Valuation techniques make the best use of available observable market data and rely as little as possible on specific estimates from entities. When all significant data required to determine the fair value of a financial instrument is observable, the financial instrument is listed in the second level. If one or more significant data is not obtained based on observable market data, the financial instrument column is included in the third level. At the end of this period, the Group had no financial instruments included in the second level.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **X. DISCLOSURE OF FAIR VALUE *(CONTINUED)***

### **4. On-going and non-on-going third-level fair value measurement projects, qualitative and quantitative information on valuation techniques and important parameters used**

The financial instruments included in the third level are mainly unlisted equity investments and receivables financing held by the Group. The Group use valuation techniques to determine their fair value for major investments. The valuation models used are mainly discounted cash flow models and the analogy of listed companies in the same industry. The input values of valuation techniques mainly include expected income, Expected return maturity, weighted average cost of capital, illiquidity discount rate, etc.

- 5. The Group's continuous third-level fair value measurement project has no adjustment information between the beginning and end of the year and the sensitivity analysis of unobservable parameters.**
- 6. No conversion happened between different levels during this period among Group's continuous fair value measurement items.**
- 7. No changes occurred in valuation technology during this period.**
- 8. The Group has no assets and liabilities that are not measured at fair value but disclosed at fair value.**



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION**

### **(I) RELATED PARTIES**

#### **1. Controlling Shareholder and Ultimate-controlling Party**

##### *(1) Controlling Shareholder and Ultimate-controlling Party*

<b>Controlling shareholder and ultimate controlling party</b>	<b>Place of Registration</b>	<b>Business nature</b>	<b>Registered capital RMB'000</b>	<b>Shareholding proportion (%)</b>	<b>Voting rights (%)</b>
CQMEHG	No. 60 Middle Section of Huangshan Avenue, New North Zone, Chongqing	Management of state- owned assets authorized by Chongqing SASAC	184,288.50	54.74	54.74

Note: CQMEHG holds 54.74% of the Group's shares, of which the proportion of restricted shares in the Group's total equity is 52.22%, and the overseas listed H shares of the Group's total equity is 2.52%.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (I) RELATED PARTIES *(continued)*

#### 1. Controlling Shareholder and Ultimate-controlling Party *(continued)*

(2) *Registered capital of the controlling shareholder (Unit: RMB'0000)*

Controlling shareholder	31 Dec 2019	Increase this year	Decrease this year	30 June 2020
CQMEHG	184,288.50	—	—	184,288.50

(3) *Shareholdings attributable to controlling shareholders (Unit: RMB'0000)*

Controlling shareholder	Number of shareholding shares		Shareholding proportion (%)	
	Ending balance	Beginning balance	Ending proportion	Beginning proportion
CQMEHG	201,689.52	201,689.52	54.74	54.74

Note: The shares held by the controlling shareholders include 1,924.2252 million shares of restricted shares and 92.67 million shares of H shares listed overseas.

#### 2. Subsidiaries

Please refer to “VIII.8.1. (1) Group structure” for information about subsidiaries.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION** ***(CONTINUED)***

### **(I) RELATED PARTIES *(continued)***

#### **3. Joint Ventures and Associates**

Please refer to “VIII.8.3. (1) Significant joint ventures or associates” for information about joint ventures and associates. The other joint ventures or associates that entered into transactions in current or previous period with the Group are addressed below.

<b>Joint venture or associates</b>	<b>Relationship with the Group</b>
Chongqing cummins engine company limited	Joint venture
Exedy chongqing company limited	Associate
Water Gen Power S.r.l	Associate
Knorr-Bremse Systems for Commercial Vehicles (Chongqing) Ltd.	Associate
Chongqing hongyan fangda automobile suspension Co., Ltd.	Associate
Chongqing jiangbei machinery Co., Ltd.	Associate
Chongqing Shenjian Auto Transmission Pieces Co., Ltd.	Associate of subsidiary

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (I) RELATED PARTIES *(continued)*

#### 4. Other Related Parties

<b>Other related parties</b>	<b>Relationship with the Group</b>
Qijiang Gear Transmission Co. Ltd.	A subsidiary of parent company
Chongqing Standard Parts Industry Co., Ltd. Chongqing Standard Parts Material Reform Factory Branch	A subsidiary of parent company
Chongqing Standard Parts Industry Co.,Ltd	A subsidiary of parent company
Chongqing Electrical Science Research Institute	A subsidiary of parent company
Chongqing Mechanical and Electrical Group Asset Management Co., Ltd. Shuangqiao Enterprise Management Branch	A subsidiary of parent company
CQMEHG Electrical Industry Investment Co. Ltd.	A subsidiary of parent company
CQMEHG Mechanical & Electrical Engineering Technology Co. Ltd.	A subsidiary of parent company
Chongqing Mechatronics Holding Group Foundry Co., Ltd.	A subsidiary of parent company
Chongqing Mechanical and Electrical Holding Group Asset Management Co., Ltd.	A subsidiary of parent company
Chongqing Military Industry Group Co., Ltd.	A subsidiary of parent company
Chongqing Liangjiang New Area Mechanical and Electrical Microfinance Co., Ltd.	A subsidiary of parent company
Chongqing Crane Works Co. Ltd.	A subsidiary of parent company
Chongqing Ruishida Power Technology Co., Ltd.	A subsidiary of parent company
Chongqing General Machinery Industry Co. Ltd.	A subsidiary of parent company
Chongqing Changjiang Bearing Co. Ltd.	A subsidiary of parent company
Chongqing Chongtong Power Transformer Co. Ltd.	A subsidiary of parent company
Chongqing Heavy Vehicle Group Special Purpose Vehicle Co., Ltd.	A subsidiary of parent company
Chongqing Standard Parts Industry Co., Ltd. Huazhan Metal Material Restructuring Branch	A subsidiary of parent company
Chongqing Huazhan Metal Material Reforming Co., Ltd.	Under the same control of parent company
CAFUC Chongqing General Aviation Training Company Limited	Under the same control of parent company
Chongqing qichi riant transmission co., LTD	Under the same control of parent company
Qijiang Gear Factory	Under the same control of parent company
Qijiang Qichi Forging Factory	Under the same control of parent company



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)**

### **(I) RELATED PARTIES *(continued)***

#### **4. Other Related Parties *(continued)***

<u>Other related parties</u>	<u>Relationship with the Group</u>
Qijiang Qichi Xinxin Welfare Co., Ltd.	Under the same control of parent company
Fittings Sales Company, Shangqiyiweike Red Rock Commercial Vehicle Co., Ltd.	Under the same control of parent company
Chongqing Xinan Computer Co., Ltd.	Under the same control of parent company
Chongqing High Strength Fasteners Factory	Under the same control of parent company
Chongqing Hongyan Automobile Engineering Property Co. Ltd.	Under the same control of parent company
Chongqing ernst general aviation technology research institute co. LTD	Under the same control of parent company
Chongqing Jidian Property Management Co. Ltd.	Under the same control of parent company
Chongqing Jianan Instrument Co. Ltd.	Under the same control of parent company
Chongqing Juntong Automobile Co. Ltd.	Under the same control of parent company
Chongqing Automotive standard parts factory Co., Ltd.	Under the same control of parent company
Chongqing Qichi Automobile Parts and Components Co. Ltd.	Under the same control of parent company
Chongqing Shuangqiao Hongyan Automobile Real Estate Development Co. Ltd.	Under the same control of parent company
Chongqing Heavy Automobile Group Hongyan Automobile Spring Co. Ltd.	Under the same control of parent company
Chongqing Heavy Automobile Group Hongqi Property Co. Ltd.	Under the same control of parent company
Chongqing panlian transmission technology co. LTD	Under the same control of parent company
Chongqing hi tech venture capital hongma Capital Management Co., Ltd	Under the same control of parent company
SAIC IVECO hongyan commercial vehicles Limited company	An affiliate of the parent company
Chongqing rail transit industry investment co. LTD	An affiliate of the parent company
Chongqing Heavy Automobile Group Transportation Co.,Ltd.	An affiliate of the parent company
Chongqing electric machine federation LTD.	An affiliate of the parent company
Chongqing Special Motor Factory Co., Ltd.	An affiliate of the parent company
Chongqing General Aviation Industry Group Co., Ltd.	An affiliate of the parent company
SAIC-Iveco Hongyan Axle Co., Ltd.	Subsidiary of parent company associate
Chongqing General Aviation Co., Ltd.	Subsidiary of parent company associate
Chongqing General Aircraft Industry Co., Ltd.	Subsidiary of parent company associate
Chongqing Xitong Electric Co., Ltd.	Subsidiary of parent company associate

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (II) RELATED PARTY TRANSACTIONS

#### 1. Procurement of goods

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>6,493,249.05</b>	16,235,138.44
Associated Company	<b>347,302.37</b>	4,405.82
<b>Total</b>	<b><u>6,840,551.42</u></b>	<u>16,239,544.26</u>

#### 2. Accepting labor or services

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>9,694,575.03</b>	12,008,421.67
<b>Total</b>	<b><u>9,694,575.03</u></b>	<u>12,008,421.67</u>

#### 3. Deposit Service Expenditure

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>5,160,361.51</b>	4,628,944.15
Joint Venture	<b>1,062.20</b>	–
Associated Company	<b>1,576.12</b>	5,893.78
<b>Total</b>	<b><u>5,162,999.83</u></b>	<u>4,634,837.93</u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION** ***(CONTINUED)***

### **(II) RELATED PARTY TRANSACTIONS *(continued)***

#### **4. Housing rental expenditure**

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>10,064,043.92</b>	9,698,464.63
<b>Total</b>	<b>10,064,043.92</b>	9,698,464.63

#### **5. Sale of goods**

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>90,295,919.94</b>	147,514,084.83
Joint venture	<b>72,513.45</b>	–
Associated Company	<b>6,166,692.52</b>	13,282,711.05
<b>Total</b>	<b>96,535,125.92</b>	160,796,795.87

#### **6. Interest income from loans and advances**

Unit type	Current period	Last period
Parent company, Affiliated companies and affiliated companies' associates	<b>21,966,226.86</b>	28,288,375.81
Associated Company	–	200.00
Joint venture	<b>311,239.39</b>	–
<b>Total</b>	<b>22,277,466.25</b>	28,288,575.81

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

### (II) RELATED PARTY TRANSACTIONS (continued)

#### 7. Associated rental conditions

##### (1) Associated renting

Name of lessor	Name of lessee	Types of leased assets	Lease start date	Termination date	Original value of the right-of-use asset	Right-of-use asset depreciation	Accumulated depreciation of lease right assets	Book value of lease liability	Including: lease liabilities due within one year
Chongqing Mechanical and Electrical Holding Group Asset Management Co., Ltd.* CQMEHQ*	Chongqing CAFF Automotive Braking & Steering Systems Co., Ltd. Chongqing electromechanical holding group finance co. LTD Chongqing Industrial Enabling Innovation Center Co., Ltd. Chongqing Machine Tools Group Shengpu Machinery Complete Plant Co., Ltd.	Building	1 Jan 2020	31 Dec 2020	8,716,661.36	4,417,293.11	4,417,293.11	4,379,412.85	4,379,412.85
CQMEHQ*	Chongqing electromechanical holding group finance co. LTD	Building	1 Dec 2018 1 Feb 2019	30 Nov 2021 31 Jan 2022	6,725,606.45	1,151,821.09	3,451,826.99	3,381,975.66	2,359,440.72
CQMEHQ*	Chongqing Industrial Enabling Innovation Center Co., Ltd.	Building	1 Jun 2016	31 May 2022	8,687,412.50	727,082.69	5,900,262.19	4,243,615.70	2,854,009.84
CQMEHQ*	Chongqing Machine Tools Group Shengpu Machinery Complete Plant Co., Ltd.	Building	1 Aug 2018	31 Jul 2021	2,205,606.65	367,601.11	1,409,137.58	829,279.15	764,189.69
<b>Total</b>					26,335,266.96	6,663,798.00	15,178,519.86	12,834,283.36	10,357,063.10

## Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION** ***(CONTINUED)***

### **(II) RELATED PARTY TRANSACTIONS *(continued)***

#### **7. Associated rental conditions *(continued)***

(2) *The Group has no associated leasing*

#### **8. Guarantees**

(1) *The Group has no guarantee as a guarantor.*

(2) *The Group as guaranteed party*

<b>Guarantor</b>	<b>Guaranteed party</b>	<b>Guaranteed amount</b>	<b>Starting date</b>	<b>Due date</b>	<b>Whether guarantee has been fulfilled</b>
CQMEHQ	Chongqing Machinery & Electric Co., Ltd.	52,900,000.00	14 Mar 2016	14 Mar 2031	No
		<u>113,200,000.00</u>	14 Mar 2018	14 Mar 2026	No
<b>Total</b>		<u><u>166,100,000.00</u></u>			

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (III) BALANCES WITH RELATED PARTIES

#### (1) Accounts receivable

Items	30 June 2020	31 Dec 2019
Associated Company	<b>25,848,531.14</b>	80,998,510.25
Affiliated companies and affiliated companies' associates	<b>164,116,662.63</b>	92,935,998.34
Final Controller	<b>143,622.82</b>	143,622.82
<b>Total</b>	<b><u>190,108,816.59</u></b>	<b><u>174,078,131.41</u></b>

#### (2) Other receivables

Items	30 June 2020	31 Dec 2019
Joint venture	<b>1,953,878.16</b>	800,981.02
Associated Company	<b>106,466,059.46</b>	47,982,584.44
Affiliated companies and affiliated companies' associates	<b>34,021,191.33</b>	100,181,476.80
Final Controller	<b>459,635.00</b>	55,000.00
<b>Total</b>	<b><u>142,900,763.95</u></b>	<b><u>149,020,042.26</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION** ***(CONTINUED)***

### **(III) BALANCES WITH RELATED PARTIES *(continued)***

#### **(3) Prepayments**

Items	30 June 2020	31 Dec 2019
Associated Company	–	392,451.68
Affiliated companies and affiliated companies' associates	<u>1,923,921.64</u>	<u>1,541,078.58</u>
<b>Total</b>	<u><u>1,923,921.64</u></u>	<u><u>1,933,530.26</u></u>

#### **(4) Dividends receivable**

Items	30 June 2020	31 Dec 2019
Joint venture	<u>340,854,237.62</u>	429,187,106.01
Associated Company	<u>1,937,456.38</u>	<u>1,937,456.38</u>
<b>Total</b>	<u><u>342,791,694.00</u></u>	<u><u>431,124,562.39</u></u>

#### **(5) Contract assets**

Items	30 June 2020	31 Dec 2019
Affiliated companies and affiliated companies' associates	<u>1,933,050.00</u>	–
<b>Total</b>	<u><u>1,933,050.00</u></u>	<u><u>–</u></u>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020  
(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (III) BALANCES WITH RELATED PARTIES *(continued)*

#### (6) Non-current assets due within one year

Related parties	30 June 2020	31 Dec 2019
Joint venture	17,400,000.00	17,500,000.00
<b>Total</b>	<b>17,400,000.00</b>	<b>17,500,000.00</b>

#### (7) Long-term receivables

Related parties	30 June 2020	31 Dec 2019
Joint venture	87,000,000.00	95,700,000.00
<b>Total</b>	<b>87,000,000.00</b>	<b>95,700,000.00</b>

#### (8) Loans and advances to customers

Related parties	30 June 2020	31 Dec 2019
Joint venture	25,648,512.45	19,400,477.78
Affiliated companies and affiliated companies' associates	831,350,060.99	872,998,828.38
Final Controller	—	146,449,375.00
<b>Total</b>	<b>856,998,573.44</b>	<b>1,038,848,681.16</b>



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION** ***(CONTINUED)***

### **(III) BALANCES WITH RELATED PARTIES *(continued)***

#### **(9) Accounts payable**

Item	30 June 2020	31 Dec 2019
Associated Company	<b>18,037.87</b>	18,037.87
Affiliated companies and affiliated companies' associates	<b>33,349,997.06</b>	14,971,546.70
<b>Total</b>	<b>33,368,034.93</b>	14,989,584.57

#### **(10) Other payables**

Item	30 June 2020	31 Dec 2019
Associated Company	<b>1,396,757.99</b>	675,887.43
Affiliated companies and affiliated companies' associates	<b>58,579,901.38</b>	41,542,469.66
Final Controller	<b>29,151,175.56</b>	29,824,250.22
<b>Total</b>	<b>89,127,834.93</b>	72,042,607.31

#### **(11) Dividend payable**

Item	30 June 2020	31 Dec 2019
Final Controller	<b>19,242,251.89</b>	–
<b>Total</b>	<b>19,242,251.89</b>	–

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

### (III) BALANCES WITH RELATED PARTIES *(continued)*

#### (12) Deposits from banks and other financial institutions

Item	30 June 2020	31 Dec 2019
Joint venture	762.81	406.71
Associated Company	67,626.88	1,070,684.65
Affiliated companies and affiliated companies' associates	631,998,497.29	945,147,276.02
Final Controller	142,127,871.05	167,922,807.95
<b>Total</b>	<b>774,194,758.03</b>	<b>1,114,141,175.33</b>

#### (13) Contractual liabilities

Item	30 June 2020	31 Dec 2019
Joint venture	3,214,212.25	2,325,159.00
Associated Company	—	9,000.00
Affiliated companies and affiliated companies' associates	7,005,838.05	457,336.08
<b>Total</b>	<b>10,220,050.30</b>	<b>2,791,495.08</b>

#### (14) Non-current liabilities due within one year

Item	30 June 2020	31 Dec 2019
Affiliated companies and affiliated companies' associates	4,379,412.85	—
Final Controller	5,977,640.25	—
<b>Total</b>	<b>10,357,053.10</b>	<b>—</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION** ***(CONTINUED)***

### **(III) BALANCES WITH RELATED PARTIES *(continued)***

#### **(15) Lease liabilities**

Item	30 June 2020	31 Dec 2019
Final Controller	<b>2,477,230.27</b>	4,791,364.17
<b>Total</b>	<b><u>2,477,230.27</u></b>	<b><u>4,791,364.17</u></b>

#### **(16) Related party commitments**

The Group has no related party commitments on the balance sheet date.

### **(IV) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Key management compensation (including paid and payable amount of compensation to directors, supervisors and senior management) is as following:

Items	Current period	Last period
Salaries and allowances	<b>2,213,703.00</b>	2,500,887.00
Social Insurance, Housing Fund and Retirement Pension Costs	<b>252,131.27</b>	423,051.23
Bonus	<b>630,000.00</b>	2,396,285.00
<b>Total</b>	<b><u>3,095,834.27</u></b>	<b><u>5,320,223.23</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)**

### **(V) BORROWINGS RECEIVABLE OF DIRECTORS AND DIRECTORS' RELATED PARTIES**

1. The Group has no receivables from directors and director-related corporate loans.
2. The Group does not provide guarantees for directors and director-related corporate loans.



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XII. CONTINGENCIES

The group has no significant contingencies to be disclosed on the balance sheet date.

## XIII. COMMITMENTS

Capital expenditure contracted during the reporting period but not yet incurred by the Group:

Item	30 June 2020	31 Dec 2019
House, building and equipment	52,330,000.00	64,843,810.00
<b>Total</b>	<b>52,330,000.00</b>	<b>64,843,810.00</b>

## XIV. EVENTS AFTER THE REPORTING PERIOD

1. **Important non adjustment items: none**
2. **Profit distribution: none**
3. **The Group has no significant sales returns after the balance sheet date.**
4. **Except for the above disclosures, the Group has no other significant events occurring after the reporting period.**

## XV. OTHER SIGNIFICANT EVENTS

1. **The Group has no previous error correction;**
2. **The Group has no major debt restructuring in the current period;**
3. **The Group has no asset replacement in this period;**
4. **The Group does not yet have an annuity plan;**
5. **The Group has not ceased operations during the year;**

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XV. OTHER SIGNIFICANT EVENTS *(CONTINUED)***

### **6. No new guidelines to be implemented;**

### **7. Segment information**

Reportable segments of the Group are business units classified by different businesses or services and operated in different districts. Since different businesses and districts require corresponding technology and marketing strategy, each segment of the Group independently manages its production and operating activities. The Group evaluates operating results of each segment so as to make decisions to allocate resources and evaluate performances.

The Group has 9 reportable segments as follows:

Engine: in charge of production and sales of engines;

Hydroelectric generation equipment: in charge of production and sales of hydroelectric generation equipment;

Electrical wire and cable: production and sales of wire and cable;

General machinery: production and sales of general machinery;

Machinery tools: production and sales of machinery tools in China and Europe;

High-voltage transformers: production and sales of High-voltage transformers;

Financial services: providing financial services, such as loans, etc.

Other segments: producing and selling other products;

Inter-segment transfer prices are determined after negotiation by both parties.

The assets, liabilities, incomes and expenses are allocated based on the operations of the segment.



# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 8. Financial information of reportable segments

Financial information of reportable segments of the current period as follows:

Items	Hydroelectric										Total
	Engines	generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers	Materials sales	Other segments	Offset	
Total segment revenue	-	99,999,545.04	550,344,558.11	914,984,014.94	50,279,759.36	346,939,168.74	-	34,905,440.75	839,916,501.54	-	2,836,127,988.48
Inter-segment revenue	-	6,437,437.67	(5,159,299.28)	(3,239,026.56)	(26,726,939.97)	(1,535,517.64)	-	(21,290,092.37)	(26,329,284.58)	-	(77,842,721.73)
Revenue from external customers	-	105,395,982.71	545,185,258.83	911,644,988.38	23,552,820.39	345,303,651.10	-	13,615,348.38	813,587,216.96	-	2,758,285,266.75
Operating costs	-	94,039,434.67	460,076,849.12	770,531,315.73	15,862,639.83	286,147,297.67	-	33,655,199.40	612,763,408.91	-	2,273,096,145.33
Inter-segment transaction cost	-	(9,334.62)	(5,159,299.28)	(4,046,324.99)	(11,912,765.97)	(792,949.93)	-	(20,527,524.89)	(25,531,691.31)	-	(67,979,890.39)
External transaction cost	-	94,030,100.05	454,917,549.84	766,484,990.74	3,949,873.86	285,354,348.34	-	13,127,674.51	587,251,717.60	-	2,205,116,254.94
Gross profit rates (%)	-	10.76%	16.56%	15.92%	83.23%	47.96%	-	3.58%	3.00%	-	20.05%
Operating (loss)/profit	140,588,370.29	(28,787,828.95)	42,378,238.01	(9,751,494.60)	18,136,757.19	(85,605,221.10)	8,052,385.21	(6,217,880.74)	62,509,634.82	-	141,302,960.13
Interest income	-	440,039.12	158,894.93	3,507,007.17	-	5,843,948.62	-	(1,056,715.80)	9,822,965.24	-	18,716,139.28
Interest costs	-	(4,603,444.57)	5,594,807.01	15,901,937.87	-	25,331,109.72	-	1,995,443.92	24,312,799.04	-	68,532,652.99
Investment income from associates and joint ventures	140,588,370.29	-	-	-	-	92,650.94	8,052,385.21	-	18,364,794.03	-	167,098,200.47
Total profit	140,588,370.29	(28,965,982.72)	42,230,954.55	(7,523,555.08)	18,136,757.19	(85,781,314.62)	8,052,385.21	(6,041,144.33)	62,008,037.10	-	142,704,507.59
Income tax expense	-	(128,790.21)	6,086,185.47	2,351,113.81	1,012,427.89	450,535.78	-	-	9,838,656.10	-	19,610,128.84
Net profit	140,588,370.29	(29,837,192.51)	36,144,769.08	(9,874,668.89)	17,124,329.30	(86,231,850.40)	8,052,385.21	(6,041,144.33)	52,169,391.00	-	123,094,378.75

## XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 8. Financial information of reportable segments (continued)

Other items	Hydroelectric							Other segments	Offset	Total
	Engines	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers	Materials sales			
Depreciation of Property, plant and equipment and investment property	- 11,506,195.89	7,533,982.92	20,288,080.16	359,708.65	31,631,655.62	-	1,169.36	19,966,046.17	-	91,286,838.77
Amortisation of intangible assets	- 1,022,013.94	338,240.34	14,548,337.75	163,125.27	6,671,154.06	-	-	2,215,641.43	-	24,959,012.78
Provision on inventory	-	-	10,656,058.37	-	(2,130,364.55)	-	-	6,603,968.47	-	15,129,662.29
Provision for/(reversal of) impairment of accounts and other receivables	- (2,779,931.47)	(1,571,355.55)	(3,164,666.85)	(8,792,292.90)	(56,420,872.35)	-	61,154,194.35	11,879,492.74	-	304,567.97
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	- (12,147,716.86)	(5,128,973.01)	5,259,120.24	(1,298,604.65)	(77,825,496.07)	-	(367,575.53)	(68,649,066.82)	-	(150,158,312.70)

## Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)





# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 8. Financial information of reportable segments (continued)

Financial information of reportable segments of the last period as follows:

Items	Hydroelectric										Total
	Engines	generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers	Materials sales	Other segments	Offset	
Total segment revenue	-	289,803,553.69	719,149,327.14	333,334,341.03	56,090,530.22	310,088,940.99	-	69,026,472.13	741,282,938.28	-	2,518,776,103.48
Inter-segment revenue	-	-	(8,792,883.21)	(1,467,998.71)	(21,677,367.64)	(4,716,426.07)	-	(43,991,385.86)	(754,519.32)	-	(81,400,580.81)
Revenue from external customers	-	289,803,553.69	710,356,443.93	331,866,342.32	34,413,162.58	305,372,514.92	-	25,035,086.27	740,529,418.96	-	2,437,375,522.67
Operating costs	-	226,307,220.05	615,841,486.96	285,852,498.56	14,098,412.14	282,038,953.32	-	63,849,798.82	549,535,718.45	-	2,017,524,088.10
Inter-segment transaction cost	-	-	(9,565,871.45)	(1,467,998.71)	(7,849,815.90)	(5,386,668.36)	-	(42,115,663.75)	(754,519.32)	-	(67,140,537.49)
External transaction cost	-	226,307,220.05	606,275,615.51	284,384,499.85	6,248,596.24	256,652,284.96	-	21,734,134.87	548,781,199.13	-	1,950,383,550.62
Gross profit rates (%)	-	21.91	14.65	14.31	81.84	36.33	-	13.19	25.89	-	19.98
Operating (loss)/profit	154,632,799.93	11,660,165.37	78,467,624.24	(80,829,499.90)	26,809,532.63	(76,432,819.42)	(2,320,892.09)	500,138.11	109,591,936.63	1,353,443.96	223,432,429.46
Interest income	-	360,400.42	65,064.49	(169,876.84)	-	907,215.32	-	517.75	8,898,114.19	-	10,061,435.33
Interest costs	-	2,102,292.53	3,390,143.09	15,325,631.92	-	16,171,770.01	-	-	40,667,875.97	2,260,895.17	79,918,608.69
Investment income from associates and joint ventures	154,632,799.93	-	-	(277,105.25)	-	(2,109,554.84)	(2,320,892.09)	-	5,785,454.84	-	155,710,702.59
Total profit	154,632,799.93	12,502,126.28	78,718,962.27	(82,218,737.18)	26,811,532.63	(76,305,632.82)	(2,320,892.09)	506,438.11	110,024,936.88	1,353,443.96	223,705,599.97
Income tax expense	-	18,398.26	9,282,099.25	357,722.80	10,950,219.85	1,857,934.93	-	-	24,989,661.97	-	47,456,037.06
Net profit	154,632,799.93	12,483,728.02	69,436,863.02	(82,576,459.98)	15,861,312.78	(78,162,967.75)	(2,320,892.09)	506,438.11	85,035,296.91	1,353,443.96	176,249,562.91

# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 8. Financial information of reportable segments (continued)

Other items	Hydroelectric							Total			
	Engines	generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers		Materials sales	Other segments	Offset
Depreciation of Property, plant and equipment and investment property	-	11,185,736.11	8,003,840.95	21,047,707.47	94,092.96	36,328,475.97	-	646.08	20,863,038.82	-	97,523,538.36
Amortisation of intangible assets	-	989,801.94	338,240.34	3,117,673.99	161,830.14	6,999,307.30	-	-	1,318,396.76	-	12,925,250.47
Provision on inventory	-	-	(3,490,795.95)	-	-	-	-	-	(1,921,444.01)	-	(5,412,239.96)
Provision for/(reversal of) impairment of accounts and other receivables	-	(4,036,017.18)	(655,710.00)	-	(2,114,827.65)	462,737.19	-	287,575.75	(16,289,917.63)	-	(22,346,159.52)
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	(24,097,677.78)	(7,221,507.28)	10,792,300.93	7,975,814.77	(19,950,259.58)	-	1,531,025.20	6,784,127.68	-	(24,186,176.06)



# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 8. Financial information of reportable segments (continued)

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

30 June 2020	Engines	Hydroelectric							Total		
		generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers	Materials sales		Other segments	Offset
Total assets	512,883,796.05	1,966,364,167.31	1,068,135,179.21	3,710,077,117.96	2,691,663,954.18	3,025,204,971.19	231,911,069.12	278,839,309.98	11,786,138,577.22	(8,493,494,906.69)	16,777,723,235.53
Total liabilities	-	1,455,009,672.67	673,741,995.31	2,914,462,093.15	1,824,686,216.50	2,079,143,277.68	-	319,414,477.56	4,100,083,067.95	(3,971,631,714.21)	9,394,899,076.61
Investment of associates or joint ventures	512,883,796.05	-	-	-	-	81,773,028.88	231,911,069.12	-	335,667,164.75	-	1,162,435,058.80

(Continued)

31 Dec 2019	Engines	Hydroelectric							Total		
		generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers	Materials sales		Other segments	Offset
Total assets	372,295,425.76	2,059,111,928.88	934,280,544.96	3,909,592,126.66	3,687,080,399.51	3,174,086,215.06	222,799,259.31	173,545,305.91	10,725,287,015.52	(8,740,262,916.72)	16,517,815,304.85
Total liabilities	-	1,507,400,886.10	573,988,663.97	3,095,086,688.18	2,856,576,164.13	2,343,853,774.49	-	149,084,295.45	3,218,570,322.67	(4,515,815,643.34)	9,228,725,131.65
Investment of associates or joint ventures	372,295,425.76	-	-	-	-	81,680,377.94	224,207,687.31	-	318,208,474.40	-	996,391,955.41

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XV. OTHER SIGNIFICANT EVENTS *(CONTINUED)***

### **9. Other significant transactions and events that have impact on investor decisions.**

#### **(1) The Impact of Shangshe Chemical Co.,Ltd**

From Oct. 2017 to Sep. 2019, the Group carried out a series of rubber transactions with ChongQing Shangshe Chemical Co.,Ltd, a wholly owned subsidiary of Chongqing Shangshe (group) Co.,Ltd. In Sep. 2019, Pang Qingjun, the Chairman of the board and the legal representative of Shangshe Chemical, was suspected of committing a crime, resulting in the account receivables of 285.327 million uncollectable for the Group.

Since then, the Group has been positively communicating with Shangshe Group and related organizations in terms of the solutions and actions. Ended at the balance sheet date, the case is still in the stage of investigation with no clear result. Considering that the Shangshe Chemical is a wholly stated-owned enterprise with no defaults happened in previous transactions, along with ChongQing government has assigned a specific investigation team to process this sudden case, the Group expected the highest future loss rate of 30% during this reported period. Ended on 30 June 2020, Shangshe Chemical owes the Group 287 million yuan. The Group has accrued a bad debt provision of 86.1 million yuan.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## **XV. OTHER SIGNIFICANT EVENTS *(CONTINUED)***

### **9. Other significant transactions and events that have impact on investor decisions. *(continued)***

#### **(2) The Impact of COVID-19**

Since the COVID-19 exposed seriously on Jan. 2020 in China, the Group has being positively responding and strictly implementing Chinese regulations and requirements for controlling the COVID-19. Since fully resumption of work in Feb., The Group actively participated in the prevention and control in COVID-19. Meanwhile, it has been working together to occupy the market share, re-operate, and take advantage of the preferential policy.

Undoubtedly, the COVID-19 had a certain impact on the production and sales of the group in the first half of the year, such as ordering delayed, production stopped, a lack of raw materials and key accessories supplied, and the suspension of logistics at home and abroad. Among them, the businesses of hydropower equipment and wire and cable in clean energy declined significantly, while the impact on other sectors was relatively mild. If the COVID-19 will be effectively controlled in the second half of 2020, the China will accelerate its domestic and foreign economic recovery. Meanwhile, by taking advantage of preferential policies introduced by government, the hydropower equipment and wire and cable business are expected to achieve recovery growth.

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

### 1. Other Receivables

Items	30 June 2020	31 Dec 2019
Dividend receivables	<b>374,721,694.00</b>	436,478,069.56
Other receivables	<b>1,169,880,573.71</b>	1,082,004,355.40
Less: Provision for bad debts	<b>62,449,631.19</b>	63,449,631.19
Total	<b><u>1,482,152,636.52</u></b>	<b><u>1,455,032,793.77</u></b>

#### 1.1 Dividend receivables

Items	30 June 2020	31 Dec 2019	Reasons for not yet recovered	Whether impaired and criterion
Within 1 year	<b>299,744,254.94</b>	267,814,254.94	-	-
Including: Chongqing Cummins	<b>267,814,254.94</b>	267,814,254.94	-	-
Including: Gas Compressor	<b>31,930,000.00</b>	-	-	-
Over 1 year	<b>74,977,439.06</b>	168,663,814.62	-	-
Including: Chongqing Hongyan Fangda	<b>1,937,456.38</b>	1,937,456.38	Pending Payment	The company operates normally and has the ability to pay
Chongqing Cummins	<b>73,039,982.68</b>	166,726,358.24	Payment according to investment agreement	The company operates normally and has the ability to pay
Total	<b><u>374,721,694.00</u></b>	<b><u>436,478,069.56</u></b>		

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 1. Other Receivables *(continued)*

#### 1.2 Other receivables

Items	30 June 2020	31 Dec 2019
Other receivables	<b>1,169,880,573.71</b>	1,082,004,355.40
Less: provision for bad debts	<b>62,449,631.19</b>	63,449,631.19
<b>Carrying amount</b>	<b><u>1,107,430,942.52</u></b>	<b><u>1,018,554,724.21</u></b>

#### 1) Aging analysis

Aging	30 June 2020	31 Dec 2019
Within one year	<b>851,628,184.67</b>	1,044,825,335.47
1 -2 years	<b>282,073,369.11</b>	1,000,000.00
2-3 years	–	4,996,395.93
3-4 years	<b>4,996,395.93</b>	31,182,624.00
4-5 years	<b>31,182,624.00</b>	–
<b>Total</b>	<b>1,169,880,573.71</b>	1,082,004,355.40
Less: Provision for impairment	<b>62,449,631.19</b>	63,449,631.19
<b>Carrying amount</b>	<b><u>1,107,430,942.52</u></b>	<b><u>1,018,554,724.21</u></b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 1. Other Receivables *(continued)*

#### 1.2 Other receivables *(continued)*

##### 2) Classification of other receivables by nature

Nature	30 June 2020	31 Dec 2019
Other receivables related party	<b>1,077,995,097.68</b>	958,483,478.49
For external borrowing and interest	<b>91,796,502.77</b>	88,531,658.42
Petty cash	<b>22,531.02</b>	151,653.56
Others	<b>66,442.24</b>	34,837,564.93
<b>Total</b>	<b>1,169,880,573.71</b>	1,082,004,355.40
Less: Provision for impairment	<b>62,449,631.19</b>	63,449,631.19
<b>Carrying amount</b>	<b>1,107,430,942.52</b>	1,018,554,724.21

##### 3) Other receivables with provision for bad debts based on the expected credit risk portfolio

Classification	30 June 2020			
	Book balance	Percentage (%)	Provision for bad debts	Carrying amount
Provision for bad debts is recognized separately	123,747,724.13	50.47	62,449,631.19	61,298,092.94
Provision for bad debts is recognized by group	1,046,132,849.58	-	-	1,046,132,849.58
Including: Related parties	1,045,080,922.10	-	-	1,045,080,922.10
Deposits, security deposit and reserve fund receivable	22,531.02	-	-	22,531.02
General receivables and others	1,029,396.46	-	-	1,029,396.46
Including: Within 1 year	1,022,953.22	-	-	1,022,953.22
1 -2 years	6,443.24	-	-	6,443.24
<b>Total</b>	<b>1,169,880,573.71</b>	<b>5.34</b>	<b>62,449,631.19</b>	<b>1,107,430,942.52</b>



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 1. Other Receivables *(continued)*

#### 1.2 Other receivables *(continued)*

#### 3) Other receivables with provision for bad debts based on the expected credit risk portfolio *(continued)*

(Continued)

Classification	Book balance	31 Dec 2019		Carrying amount
		Percentage (%)	Provision for bad debts	
Provision for bad debts is recognized separately	124,747,724.13	50.86	63,449,631.19	61,298,092.94
Provision for bad debts is recognized by group	957,256,631.27	-	-	957,256,631.27
Including: Related parties	956,142,023.49	-	-	956,142,023.49
Deposits, security deposit and reserve fund receivable	151,653.56	-	-	151,653.56
General receivables and others	962,954.22	-	-	962,954.22
Including: Within 1 year	962,954.22	-	-	962,954.22
<b>Total</b>	<b>1,082,004,355.40</b>	<b>5.86</b>	<b>63,449,631.19</b>	<b>1,018,554,724.21</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 1. Other Receivables *(continued)*

#### 1.2 Other receivables *(continued)*

4) *The other receivables recognized provision for bad debts separately*

Name	Book balance	30 June 2020		Reason
		Provision for bad debts	Percentage (%)	
Chongqing Shangshe Chemical Co., Ltd.	87,568,704.20	26,270,611.26	30.00	not expected to be fully recoverable
Chongqing Jiangbei Machinery Co., Ltd.	31,213,147.59	31,213,147.59	100.00	not expected to be recoverable
Chongqing Huahao Smelting Co., Ltd.	3,264,844.35	3,264,844.35	100.00	not expected to be recoverable
Chongqing Tooth Auto Parts Co., Ltd.	1,341,455.00	1,341,455.00	100.00	not expected to be recoverable
Jiyarui Ante Transmission Co., Ltd.	359,572.99	359,572.99	100.00	not expected to be recoverable
<b>Total</b>	<b>123,747,724.13</b>	<b>62,449,631.19</b>	<b>50.47</b>	

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 1. Other Receivables *(continued)*

#### 1.2 Other receivables *(continued)*

- 5) *The company has no other receivables actually written off during the year.*
- 6) *Top 5 other receivables at the end of the year*

Name of debtors	Nature	Book balance	Aging	Percentage of other receivables ending balance (%)	Ending balance of bad debt provision
Chongqing General Industry (Group) Co., Ltd	Borrowings	346,368,982.49	Within 1 year, 1-2 years	29.61	-
Chongqing Machine Tools (Group) Co., Ltd.	Borrowings	244,896,146.76	Within 1 year, 1-2 years	20.93	-
Chongqing Shengpu Materials Co., Ltd	Borrowings	224,650,084.20	Within 1 year, 1-2 years	19.20	-
Chongqing Shangshe Chemical Co., Ltd.	Borrowings	87,568,704.20	1-2 years	7.49	26,270,611.26
Chongqing Jiangbei Machinery Co., Ltd.	Borrowings	61,213,147.59	1-2 years, 3-5 years	5.23	31,213,147.59
<b>Total</b>		<b>964,697,065.24</b>		<b>82.46</b>	<b>57,483,758.85</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 2. Long-term equity investments

#### (1) Classification of long-term equity investments

Items	30 June 2020		
	Book balance	Impairment	Carrying amount
Investment in subsidiaries	3,798,406,273.05	88,741,458.00	3,709,664,815.05
Investment in associates and joint ventures	1,063,505,862.93	–	1,063,505,862.93
<b>Total</b>	<b>4,861,912,135.98</b>	<b>88,741,458.00</b>	<b>4,773,170,677.98</b>

Items	31 December 2019		
	Book balance	Impairment	Carrying amount
Investment in subsidiaries	3,793,406,273.05	88,741,458.00	3,704,664,815.05
Investment in associates and joint ventures	897,555,420.48	–	897,555,420.48
<b>Total</b>	<b>4,690,961,693.53</b>	<b>88,741,458.00</b>	<b>4,602,220,235.53</b>

# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 2. Long-term equity investments *(continued)*

#### (2) Investments in subsidiaries

Investee	31 Dec 2019	Increase this year	Decrease this year	30 June 2020	Provision for impairment this year	Balance of impairment
Chongqing CAFF Automotive Braking & Steering System Co., Ltd	250,367,260.00	5,000,000.00	-	255,367,260.00	-	-
Chongqing Huahao Smelting Co., Ltd.	88,741,458.00	-	-	88,741,458.00	-	88,741,458.00
Chongqing Water Turbine Works Co., Ltd.	360,948,318.00	-	-	360,948,318.00	-	-
Chongqing Pigeon Electric Wires & Cables Co., Ltd	126,893,602.52	-	-	126,893,602.52	-	-
Chongqing General Industry (Group) Co., Ltd	795,639,695.15	-	-	795,639,695.15	-	-
Chongqing Pump Industry Co., Ltd.	197,411,466.90	-	-	197,411,466.90	-	-
Chongqing Gas Compressor Factory Co., Ltd.	120,313,860.15	-	-	120,313,860.15	-	-
Chongqing Machine Tools (Group) Co., Ltd.	1,061,137,386.00	-	-	1,061,137,386.00	-	-
Chongqing Shengpu Materials Co., Ltd.	20,992,435.00	-	-	20,992,435.00	-	-
Chongqing Machinery and Electronics Holding Group Finance Co., Ltd.	448,068,452.58	-	-	448,068,452.58	-	-
Precision Technologies Group (PTG) Limited	194,436,937.75	-	-	194,436,937.75	-	-
Chongqing Machinery & Electronic Equipment Technology Research Academy Co., Ltd.	27,080,288.00	-	-	27,080,288.00	-	-
Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	101,375,113.00	-	-	101,375,113.00	-	-
<b>Total</b>	<b>3,793,406,273.05</b>	<b>5,000,000.00</b>	<b>-</b>	<b>3,798,406,273.05</b>	<b>-</b>	<b>88,741,458.00</b>

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

# Notes to the Consolidated Financial Statements (continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

### 2. Long-term equity investments (continued)

#### (3) Investment in associates and joint ventures

Investee	Cost of investment	31 Dec. 2019	Additional investment	Reduced investment	Investment profit and loss recognized under equity method	Changes in the year			Provision for impairment this year	Balance of impairment
						Adjustment of other comprehensive income	Other equity changes	Cash dividends declared in current period		
<b>1. Joint venture</b>										
CO Cummins	370,189,551.00	372,295,426.24	-	-	140,588,370.29	-	-	-	-	512,883,796.53
<b>Sub Total</b>	370,189,551.00	372,295,426.24	-	-	140,588,370.29	-	-	-	-	512,883,796.53
<b>2. Associates</b>										
Chongqing ABB	236,651,166.00	224,207,687.31	-	-	8,052,865.21	-	349,003.40	-	-	231,911,069.12
Hongyan Fangda	51,306,166.00	114,612,762.58	-	-	7,950,376.08	-	-	-	-	122,563,140.66
Evedy	16,880,157.00	80,084,205.09	-	-	(1,363,075.59)	-	706,103.68	-	-	78,014,225.83
Knorr	44,231,369.00	65,399,333.02	-	-	14,203,913.34	-	-	-	-	79,593,246.36
Chongqing Jiangbei Machinery	57,933,988.00	40,966,006.24	-	-	(2,425,621.81)	-	-	-	-	38,540,384.43
WPG Italy	6,058,193.00	-	-	-	-	-	-	-	-	-
<b>Sub Total</b>	413,061,019.00	525,259,994.24	-	-	26,417,779.24	-	1,055,107.08	-	-	550,522,066.40
<b>Total</b>	783,250,570.00	897,555,420.48	-	-	167,006,149.53	-	1,055,107.08	-	-	1,063,505,862.83



# Notes to the Consolidated Financial Statements *(continued)*

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY *(CONTINUED)*

### 3. Operating revenue & operating cost

Item	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Other operations	634,675.69	–	621,573.16	–
<b>Total</b>	<b>634,675.69</b>	<b>–</b>	<b>621,573.16</b>	<b>–</b>

### 4. Investment income

Items	Current period	Last period
Investment income from long-term equity investments in equity method	167,005,549.53	158,097,362.68
Investment income of long-term equity investments in cost method	47,670,000.00	–
Investment income from Capital-guaranteed financing	2,870,000.00	2,983,068.49
Investment income from Other equity instruments investment	1,470,150.00	–
<b>Total</b>	<b>219,015,699.53</b>	<b>161,080,431.17</b>

Notes: No significant restriction of investment income of the Group.

The financial statements have been approved by the Board of Directors on 26 August 2020.

# Supplementary Information to Consolidated Financial Statements

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

## 1. DETAILS OF EXTRAORDINARY PROFIT OR LOSS FOR THE PERIOD

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

Items	Current period
Gains and losses from disposal of non-current assets	10,496,278.63
Government grants included in the profit or loss for the period	38,682,860.31
Employee resettlement compensation	(12,299,234.34)
Impairment reversal of receivables that were individually tested for impairment	6,717,970.05
Investment income generated during the holding period of financial assets	1,120,112.74
Profit and loss from changes in fair value of trading financial assets	(19,856.97)
Other non-operating income and expenses apart from the above	1,401,547.46
<b>Sub-total</b>	<b>46,099,677.88</b>
Impact on income tax	6,814,777.98
Impact on non-controlling interest (after tax)	1,200,498.23
<b>Total</b>	<b>38,084,401.67</b>



## Supplementary Information to Consolidated Financial Statements (Continued)

From 1 January 2020 to 30 June 2020

(All amounts are presented in RMB except otherwise stated)

### 2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

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

Profit for the reporting year	Amount	Weighted average return on equity attributable to parent company (%)	Earnings per share	
			Basic earnings per share	Diluted earnings per share
Net profit attributable to the shareholders of the Company	108,398,388.95	–	–	–
Amount of weighted average net assets attributable to the parent company	6,865,938,503.01	1.58	–	–
Number of common shares outstanding	3,684,640,154.00	–	0.03	0.03
Amount of non-recurring profit or loss attributable to the parent company	38,084,401.67	–	–	–
Net profit attributable to the shareholders of the Company (excluding: extraordinary profit and loss)	70,313,987.28	1.02	–	–

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

26 August 2020



**重慶機電股份有限公司**

CHONGQING MACHINERY & ELECTRIC CO., LTD.\*

