



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
2021

* For identification purposes only

CONTENTS

Corporate Information	2
Results Highlights	4
Chairman's Statement	5
Management's Discussion and Analysis	17
Other Information	29
Review Report on Interim Financial Information	33
Interim Condensed Consolidated Statement of Financial Position	35
Financial Position Statement of the Company	39
Interim Condensed Consolidated Comprehensive Income Statement	42
Income Statement of the Company	45
Interim Condensed Consolidated Statement of Cash Flows	47
Cash Flows Statement of the Company	50
Interim Condensed Consolidated Statement of Changes in Equity	52
Statement of Changes in Equity of the Company	56
Notes to the Interim Condensed Consolidated Financial Statements	60
Supplementary Information to the Condensed Consolidated Financial Statements	311



Corporate Information

DIRECTORS

Executive Directors

Mr. Zhang Fulun
Ms. Chen Ping
Mr. Yang Quan

Non-executive Directors

Mr. Huang Yong
Mr. Ma Aijun
Mr. Dou Bo
Mr. Cai Zhibin

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*)
Mr. Ren Xiaochang
Mr. Jin Jingyu
Mr. Liu Wei

Members of the Strategic Committee

Mr. Zhang Fulun (*Chairman*)
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

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

WEBSITE OF THE COMPANY

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 2021 amounted to approximately RMB3,780.0 million, representing an increase of approximately 37.0% from the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2021 amounted to approximately RMB793.5 million, representing an increase of approximately 43.4% from the corresponding period of last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2021 amounted to approximately RMB138.4 million, representing an increase of approximately 27.7% from the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2021 amounted to approximately RMB0.04.

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 2021 (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).

Chairman's Statement (Continued)

RESULTS

Total turnover of the Group for the six months ended 30 June 2021 amounted to approximately RMB3,780.0 million, representing an increase of approximately 37.0% from approximately RMB2,758.3 million for the corresponding period of last year, mainly due to a significant increase in orders for the wind power blades business of the Group and the growth in the wire and cable business.

Profit attributable to the shareholders of the Company for the six months ended 30 June 2021 amounted to approximately RMB138.4 million, representing an increase of approximately 27.7% from approximately RMB108.4 million for the corresponding period of last year.

For the six months ended 30 June 2021, earnings per share amounted to approximately RMB0.04 (for the first half of 2020: RMB0.03). Total assets of the Group as at 30 June 2021 amounted to approximately RMB16,459.4 million (as at 31 December 2020: approximately RMB16,624.2 million), while total liabilities amounted to approximately RMB8,777.2 million (as at 31 December 2020: approximately RMB9,148.5 million); total equity was approximately RMB7,682.2 million (as at 31 December 2020: approximately RMB7,475.8 million); net asset value per share was approximately RMB2.08 (as at 31 December 2020: approximately RMB2.03).

In the first half of 2021, with the improvement of the global pandemic situation, the global economy gradually recovered, but showed a trend of significant differentiation and imbalance. Numerous major economies including the PRC and the United States have led the world economic recovery, except several emerging and developing economies were still trapped in the COVID-19 pandemic and experienced slow economic recovery. The recovery of international trade, investment and manufacturing industries has accelerated. The monetary easing policy and shifts of developed countries are expected to bring certain fluctuations to the global financial market, and the internal and external economic environment of emerging markets and developing countries will become more vulnerable.

In the first half of the year, facing the complex international environment and based on the new development stage, the Chinese government implemented new development concepts, built a new development pattern, continued to consolidate the “six stabilities” and “six guarantees”, and steadily promoted the overall planning of epidemic prevention and control and economic and social development. The domestic epidemic has been effectively controlled, and the economic operation has been steadily strengthened and improved. Production demand continued to recover, market vitality improved, employment situation improved, people's livelihood safeguard was strong, and economic development continued to show resilience. In the first half of the year, GDP grew by 12.7% year-on-year, exceeding the market expectations. China's economy maintained the trend of quality improvement in rapid development.

Chairman's Statement (Continued)

In the first half of the year, the domestic and international environment was still complicated, and there were many uncertain and unstable factors affecting economic development, especially the sharp rise in bulk commodity prices, which pushed up corporate costs and squeezed living space. The Group has overcome unfavorable factors such as the rising of raw material prices, chip supply shortages and intensified competition in the domestic market. Closely centering on the main line of “one focus, three guarantees, three reductions and four enhancements (一抓三保三降四增强)” with the guidance of achieving the annual target of “three 10%” growth and by virtue of “one corporation with one policy”, the Group strived to ensure its objectives and tasks, strengthened its confidence, comprehensively implemented its work measures. The Group had analysed the situation, grasped the market from outside and strengthened the management internally, and actively promoted “increasing income and reducing expenditure”, working hard and working together. The overall business performance of the Group in the first half of the year was better than expected.

BUSINESS REVIEW AND OUTLOOK

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

In the first half of 2021, the clean energy equipment segment of the Group was less affected by the epidemic, and domestic enterprises have resumed normal production and sales operation. Although the overseas market continues to be affected by the anti-epidemic measures of certain countries, which restricted the flow of people and hindered the development and sales of hydroelectric generation equipment business, other businesses in this segment struggled to seize the market, and new orders reached a new high in the past three years. The wind power blades business achieved orders of approximately RMB1,200 million driven by policies, the cable business focused on major construction projects to achieve new orders of over RMB300 million, and the industrial pumps business achieved single major customer orders of approximately RMB180 million. Thus, the operating income of this segment reached approximately RMB2,899.4 million, representing an increase of approximately 46.4% over the same period.

Chairman's Statement (Continued)

In the first half of the year, the HTJL320-56 A/B series low-pressure backwash pump, HTJL160-80 C series high-pressure backwash pump and HTJL130-48 C series low-pressure backwash pump which were self-developed by the industrial pumps business segment for the third-generation pressurized water reactor nuclear power station of “Hualong One” passed the national appraisal organized by China Machinery Industry Federation and China General Machinery Industry Association. Four types of new products such as “3D high-temperature and high-pressure reciprocating hydrogenation feed pump” have been recognized by the Ministry of Science and Technology for key research and development. “Development and application of centrifugal steam compressor for industrial MVR evaporation system” won the second grade of Chongqing Municipal Prize for Progress in Science and Technology 2020. This segment has applied for 110 patents, and has 103 newly granted patents including 8 invention patents.

In the second half of the year, driven by the gradual increase in the COVID-19 vaccination rate, the international economic recovery is expected to accelerate, and overseas orders for hydroelectric generation equipment will achieve recovery growth. The quality of domestic economy maintained steady improvement, and the businesses such as wind power blades, wires and cables and materials, industrial pumps and gas compressors could achieve steady growth with the support of valid orders in the Period, driving the segment to achieve rapid growth throughout the year.

In addition, Chongqing Cummins Engine Company Limited (“Chongqing Cummins”), a joint venture of the Company, mainly engages in the production of high horsepower diesel engines. In 2021, Chongqing Cummins actively seized the opportunity of market recovery, formulated flexible marketing strategies, optimized product structure, improved product quality, and stabilized market share in power equipment, construction machinery and ships. Its operating performance in the first half of the year exceeded expectation. The second phase of Chongqing Cummins new high-powered engine plant completed the civil construction and will be officially put into production in August this year. Due to the increased R&D investment of Chongqing Cummins this year, coupled with the increase in depreciation of the new plant, it is expected that the operating performance of this business will remain stable throughout 2021. The results of Chongqing Cummins in the first half of 2021 are set out in Note VIII. 3 to the interim condensed consolidated financial statements.

Chairman's Statement (Continued)

High-end smart equipment (smart machine tools, smart equipment system integration, smart electronics and other businesses)

In the first half of 2021, for the high-end smart equipment segment of the Group, domestic enterprises have resumed normal production and sales operation, except that the screw machine tools business operations in the United Kingdom and the United States continued to be affected due to the uncontrolled epidemic. The smart machine tool business achieved new orders of approximately RMB495 million in the first half of the year, representing an increase of approximately 64% over the same period of last year, and operating income achieved rapid recovery as affected by domestic market recovery of automobile, engineering machinery, mining equipment, petrol machinery and other industries to which is closely related and driven by the increasing market share of equipment automation and smart business. The Group actively expanded new markets and new customers for the smart electronics business. The smart equipment system integration provides customers with system solutions in smart management software, platform software, industrial internet and other markets, which have been recognized by market and customers, and achieved good growth in the first half of the year. Thus, the operating income of this segment reached approximately RMB849.7 million, representing an increase of approximately 14.9% over the same period of last year.

The Group completed the pilot projects of additive manufacturing technologies such as metal powder coating 3D printing and laser cladding, and gradually expanded the market. The Group completed the research and development of 3 prototypes including new dry cotton picker for long-staple cotton, upland cotton and unified harvester. "Multi-carrier wireless communication dedicated chip and system" won the second grade of Chongqing Municipal Prize for Progress in Science and Technology 2020. This segment has applied for 41 patents, and has 34 newly granted patents including 3 invention patents.



Chairman's Statement (Continued)

In the second half of the year, the Group will seize the opportunity of rapid development of smart manufacturing, lead innovation driven by big data intelligence, accelerate the transformation and upgrading of traditional manufacturing, and continue to promote high-quality development of the enterprise. The smart machine tools business will actively increase its expansion in incremental markets such as gear grinding machines, gear honing machines, friction stir welding, agricultural machinery, wind power, photovoltaics and semiconductors. The smart equipment system integration business will continue to strengthen cooperation with scientific research institutions, and carry out technological innovation around smart equipment, smart detection technology, industry internet platforms, etc. The smart electronics business will increase efforts in the market development of new products such as smart energy-saving and energy-consumption management and control systems, smart instruments, smart light poles, etc. It is expected that this segment will achieve steady growth throughout the year.

Industrial service business (industrial empowerment, financing, centralized procurement and other businesses)

In the first half of 2021, the industrial empowerment business continued to increase research and development, built the empowerment center cloud-based platform, state-owned assets monitoring platform and industrial Internet platform, and researched digital transformation plans and integrated them into the "Fourteenth Five-Year Plan". The financing business continued to respond to the national epidemic prevention and relief policy and lowered interest rates. The transformation of centralized procurement business accelerated. The first phase of the digital smart procurement management platform was completed. Compared with the impact of the centralized procurement business base in the same period of last year, its operating income decreased, which caused the operating income of this segment amounting to approximately RMB30.3 million, representing a decrease of approximately 18.5% over the same period.

The self-developed equipment management cloud platform was completed, and the public cloud of hardware equipment was applied online and achieved results. The first phase of construction of the financial core business system was fully put into use and achieved good results. This segment has 3 newly granted patents including 1 invention patent.

Chairman's Statement (Continued)

In the second half of the year, the industrial empowerment business will continue to promote rail transit BIM system technology research and development and market services, promote the integration and application of MW-level domestic PEM hydrogen production systems, and build big data centers, remote operation and maintenance, digital R&D and simulation platforms, etc. Financial business will strengthen financial services and improve the efficiency of funds. The centralized procurement business will promote the full launch of the first phase of digital smart procurement management platform. The segment is expected to remain stable throughout the year.

DEVELOPMENT STRATEGIES

The year 2021 marks the opening of the “14th Five-Year Plan”. The Group will comply with the outlines of the “14th Five-Year Plan” of the state and the Group, focus on high-quality development, further implement the innovation-driven strategy, improve the strategic reserve capacity of technical innovation talents, step up the efforts in promoting the in-depth integration of digitalization and the equipment manufacturing business, and strengthen its core principal business. The Group will adhere to adopting the new “321” development strategy as the overall strategy, the supply side structural reform as the main line, the reform and innovation as the driver and creatively implement the “1334” work measures, which is: by focusing on market, quality guarantee, delivery guarantee and safety guarantee, reduction of costs, reduction of “accounts receivable and inventory”, reduction of liabilities, accelerating innovation, deepening reform, risk prevention and control as well as standardizing governance. The Group will actively respond to the impacts and risks brought by the complicated external economic environment, pay attention to the prevention and control of various derivative risks caused by the raging epidemic, and seize opportunities such as formulation of new development landscape, focus on expansion of domestic demand, renewal of equipment in the manufacturing industry, and investment in technical transformation, to run a solid start, take a good first step, promote high-quality development of the Group, and comprehensively complete the work priorities in the second half of the year.

WORK PRIORITIES OF THE SECOND HALF OF THE YEAR

(I) Oriented by the market, aggressively secure orders

We will do a good job of pre-judgment of segments and secure quality orders. In terms of wind power blades business, we will stabilize our share in onshore wind power market and seize opportunities in offshore wind power market. In addition, we will strengthen cooperation with customers such as Vestas, General Electric, Goldwind Science & Technology and Guodian United Power. In terms of electrical wires and cables, materials business, we will continue to strengthen the promotion of products such as insulated environmentally friendly wires, copper busbar deep processing products, and motor copper platoon. In terms of the industrial pump business, we will expand our share in nuclear power market, explore deeper into the metallurgical industry, and strengthen the promotion of large diaphragm pump products. In terms of the gas compressor business, we will accelerate the research and development of key technologies and equipment for the complete system of hydrogen refueling stations to seize new markets. In terms of smart equipment system integration business, we will focus on the strategic deployment of the “new infrastructure” and the “Chengdu-Chongqing Double City Economic Circle” of the PRC, and make full use of opportunities such as 5G application promotion and 4G fee reduction to increase market investment for incremental products to form incremental support. In terms of the smart machine tool business, we will seize the opportunity of market recovery, increase market development of new products such as dual-table gear grinding machines and gear turning machines, and achieve industrialization and incremental breakthroughs. In terms of hydropower equipment business, we will actively expand industrial operation and maintenance services, focus on key projects such as the allocation of water resources in West Chongqing, and increase cooperation with leading enterprises such as Voith and Dongfang Electrical Machinery. We will achieve an increase in the market share of all business segments.

Chairman's Statement (Continued)

(II) Pay attention to the “three guarantees” and improve the quality of management

First, ensure quality: to promote the in-depth development of lean management based on customers, effectively reduce quality loss, continue to carry out QCC activities, and pay attention to the effectiveness of the quality system operation, so as to ensure that the decline in quality loss during the year reaches the expected goal.

Second, ensure delivery: strengthen the effective connection between the market and the production plan, optimize the production organization, strengthen coordination and support, improve output efficiency, guarantee the customer demand, and ensure that the overall average delivery rate of the Group reaches the expected target during the year.

Third, ensure safety: improve safety production, occupational health, and environmental protection management systems, introduce “three managements” supervision and management methods, strengthen safety risk inspections, strengthen safety risk identification, finish safety hazards rectification, and increase investment in safety production funds, and enhance the awareness of safe production.

(III) Strictly control the “three reduction” and improve operational efficiency

First, reduce costs: strictly manage the cost and expense budget, pay close attention to the cost reduction measures, strengthen the control of the proportion of expenses during the Period, strengthen the cost accounting management, actively implement the strategy of controlling the cost of raw material prices, do a good job in tax planning, and achieve revenue and reduce expenditure.

Second, reduce the “two funds”: strengthen the management and control of the aging of receivable amounts, prevent the risk of long aging, and strictly manage contract performance, strengthen inventory and warehousing management, strengthen the connection between production and sales, track the progress of customer projects in a timely manner, prevent new backlogs in pre-production, optimize delivery, reduce inventory occupancy, and ensure that the proportion of the “two funds” reaches a reasonable level.

Third, reduce debt: strictly control the scale of financing and guarantees, optimize the financing structure, ease the pressure of debt repayment, reduce financial risks, reduce financial costs, and ensure that the debt ratio is controlled at a reasonable level.

(IV) Drive development and implement comprehensive policies

1. Accelerate innovation and enhance stamina

First, increase investment in technology research and development with high quality. In terms of wind power business, we will promote the design and optimization of wind power blades based on remote intelligent monitoring and big data technology. In terms of electrical wires and cables, materials business, we will promote the innovation and application, research and development of conductor wire stranding. In the industrial pump business, we will promote the research and development of the main pump for the fourth-generation nuclear power nuclear small reactors. In the compressor business, we will promote the reliability research and application of high-pressure oil-free piston compressors for aerospace launches. We will promote the intelligent equipment system integration business. In terms of manufacturing system integration key technologies and smart machine tool business, we will promote technological innovation projects such as the research and development of double-sided friction stir welding, so as to speed up the progress of industrialization and transform market benefits.

Second, promote the construction of major projects with high efficiency, including the second phase of Cummins' new high-horsepower base construction project, which is scheduled to be officially put into production at the end of August this year; speed up the design of the wind power blade business " Ultra-Large Offshore Wind Power Blade Development And Industrialization Project" to realize the substitution of domestic products for imported products, complete the "Large-scale Reciprocating Diaphragm Pump R&D and Testing Capability Construction Project" in terms of industrial pump business, promote the construction of the wire and cable business of "Special Cable Industrialization and Smart Manufacturing Technological Transformation Project", and accelerate the demonstration and implementation of the "Hydrogen Energy Equipment Industrial Base Project".

Chairman's Statement (Continued)

2. Deepen reforms and increase vitality

First, accelerate the reform and restructuring, promote the analogous shareholding and diversification of stock rights of key employees in some business sectors, and promote the quality and efficiency of enterprises. Second, accelerate the revitalization and disposal of low-efficiency and invalid assets, and orderly promote the land transfer of some old factories. Third, optimize the structure of human resources, promote the introduction of high-level talents and the development and cultivation of technical dual-management talents, establish incentive and restraint mechanisms, and accelerate the introduction and cultivation of various talents.

3. Prevent risks and consolidate the foundation

First, complete the revision of the Group's system to ensure the continuous and effective operation of the system. Second, continue to deepen the risk control linkage mechanism, and carry out internal control self-examination and risk control evaluation. Third, strengthen the risk prevention and control and implementation supervision of overseas subsidiaries. Fourth, guide subsidiaries to carry out rights protection and loss reduction, and continuously carry out "managing enterprises by law" activities at enterprises.

4. Standardize governance and enhance synergy

First, improve the scientificity of decision-making and the effectiveness of management and control. In accordance with the latest regulatory requirements, we will conduct duty training for directors and supervisors; promote the selection and appointment of professional managers; second, optimize the incentive and restraint mechanism and implement diversified incentives and restraints; third, improve service capabilities, strengthen coordination and cooperation, guide and help subsidiaries to solve key and difficult problems in the Period of operation, and form an overall joint force.

Chairman's Statement (Continued)

SUMMARY

Looking forward to the second half of 2021, the epidemic is expected to gradually ease due to the accelerated promotion of global vaccination. However, due to the uneven effects of epidemic prevention and control in major economies, which have dragged down the overall pace of recovery, weakened the release of aggregate demand and slowed down the recovery of supply, under which the momentum of recovery has been weakened. Therefore, the prospects for global economic growth in the second half of the year are expected to remain uncertain.

The PRC government will continue to consolidate and expand the results of epidemic prevention and control and economic and social development, and accelerate the construction of a new development pattern with the domestic cycle as the main body and the mutual promotion of domestic and international double cycles. Production demand will continue to rise, employment and prices will remain generally stable, new momentum will grow rapidly, quality and efficiency will steadily improve, market entities are expected to improve, major macro indicators will be in a reasonable range, and the economic development will show a trend of stabilizing, strengthening and improving. The GDP during the year is expected to increase significantly compared with last year.

Taking advantage of the opportunity of promoting the transformation and upgrading of the manufacturing industry in Chongqing, and seize the opportunity of the country's "new infrastructure" and the construction of the "Chengdu-Chongqing Double City Economic Circle", the Group will accelerate the business of wind power, hydropower, nuclear power, power generation, power transmission, and power distribution, as well as manufacturing and market development of high-end smart equipment, and actively promote the Group to enter the track of a comprehensive virtuous circle of development, thereby achieving a stage of high-quality development. In the face of extremely complex and severe internal and external situations, the Group will strengthen its confidence, and make unremitting efforts to start a new journey of high-quality development in the "14th Five-Year Plan" with more work enthusiasm, more pragmatic work style, and more effective work measures.

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 2021

Management's Discussion and Analysis

RESULTS OVERVIEW

Sales

For the six months ended 30 June 2021, the Group's total revenue amounted to approximately RMB3,780.0 million, an increase of approximately 37.0% as compared with approximately RMB2,758.3 million for the same period of last year.

In general, revenue of the clean energy equipment segment was approximately RMB2,899.4 million (accounting for approximately 76.7% of the total revenue), representing an increase of approximately 46.4%; revenue of the high-end smart manufacturing segment was approximately RMB849.7 million (accounting for approximately 22.5% of the total revenue), representing an increase of approximately 14.9%; revenue of the industrial service segment was approximately RMB30.3 million (accounting for approximately 0.8% of the total revenue), representing a decrease of approximately 18.5%.

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, system solutions such as intelligent management software, platform software, and industrial internet have been recognized by users and achieved comparatively good growth. The decline in revenue in the industrial services segment was mainly due to the change of business model in centralized procurement, scale reduction and the postponement of some projects in industrial empowerment business to the second half of the year, 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 2021 will achieve a steady growth.

There has been no significant change in the possible future development of the Group's business and the Group's outlook for the financial year of 2021 since the publication of the Group's annual report for the year ended 31 December 2020.

Management's Discussion and Analysis (Continued)

Gross Profit

The gross profit for the six months ended 30 June 2021 was approximately RMB793.5 million, showing a significant increase of approximately RMB240.3 million or approximately 43.4% as compared with approximately RMB553.2 million for the same period of last year, which was mainly due to the increase in sales of wind power blades business and the increase in gross profit margin of the smart machine tools business. The Group's gross profit is expected to remain stable in the second half of 2021.

Gain on Disposal of Assets

Gain on disposal of assets for the six months ended 30 June 2021 was approximately RMB0.9 million, showing a significant decrease of approximately RMB9.6 million or 91.2% as compared with approximately RMB10.5 million for the same period of last year, which was mainly attributable to the fact that there was no disposal of significant assets during the Period. Details are set out in Note VI. 58 to the interim condensed consolidated financial statements.

Other Income

Other income for the six months ended 30 June 2021 was approximately RMB33.9 million, showing a decrease of approximately RMB4.8 million or approximately 12.4% as compared with approximately RMB38.7 million for the same period of last year. Details are set out in Note VI. 53 to the interim condensed consolidated financial statements.

Management's Discussion and Analysis (Continued)

Selling and Administrative Expenses

The selling and administrative expenses for the six months ended 30 June 2021 were approximately RMB482.0 million, showing an increase of approximately RMB82.4 million or approximately 20.6% as compared with approximately RMB399.6 million for the same period of last year. The ratio of selling and administrative expenses to sales decreased from approximately 14.5% in the same period last year to approximately 12.8%. The selling expenses increased by approximately RMB35.6 million as compared with the same period last year, which was mainly attributable to the increase of approximately RMB50.5 million of labour costs and the “Three-Aspect-Warranty” fees due to the rising of sales scale and the withdrawal of social security reduction policies during the pandemic, the newly addition of onshore wind power blades property insurance premium of approximately RMB15.9 million, and the reclassification of transportation expense to the operating costs which resulted in a decrease of the selling expenses of approximately RMB29.9 million for the Period. The administrative expenses also increased by approximately RMB46.8 million as compared with the same period last year, which was mainly attributable to a significant increase of labour cost of approximately RMB44.7 million due to the increase of revenue from wind power blades and industrial pump businesses and the withdrawal of social security reduction policies during the pandemic.

Operating Profit

The operating profit for the six months ended 30 June 2021 was approximately RMB164.6 million, showing an increase of approximately RMB23.3 million or approximately 16.5% as compared with approximately RMB141.3 million for the same period of last year.

Net Finance Costs

The net interest expenses for the six months ended 30 June 2021 was approximately RMB43.6 million, representing a significant decrease of approximately RMB10.2 million or approximately 18.9% as compared to approximately RMB53.8 million for the same period of last year, which was mainly due to the decrease in interest rate and the interest-bearing liability limit for the Period.

Management's Discussion and Analysis (Continued)

Investment Income

For the six months ended 30 June 2021, the Group's investment income was approximately RMB169.7 million, representing an increase of approximately RMB1.5 million or 0.9% as compared with approximately RMB168.2 million for the same period of last year. This is due to the increase of approximately RMB4.5 million and RMB6.8 million respectively in performance of automobile transmission and braking business. Conversely, the revenue of performance of the high-horse power diesel engine business was approximately RMB132.0 million, representing a slight decrease of approximately RMB8.6 million as compared with the same period last year, which was mainly due to the increase in investment in research and development. Details are set out in Note VI.54 to the interim condensed consolidated financial statements.

Income Tax Expenses

The income tax expenses for the six months ended 30 June 2021 were approximately RMB16.3 million, representing a decrease of approximately RMB3.3 million or approximately 16.9% as compared with approximately RMB19.6 million for the same period of last year, which was mainly due to the changes in deferred income tax during the Period. Details are set out in Note VI.61 to the interim condensed consolidated financial statements.

Profit Attributable to Shareholders

Profit attributable to shareholders for the Period was approximately RMB138.4 million, representing an increase of approximately RMB30.0 million or approximately 27.7% as compared with approximately RMB108.4 million for the same period of last year. Earnings per share increased from approximately RMB0.03 in the same period last year to approximately RMB0.04 in the Period.

Management's Discussion and Analysis (Continued)

BUSINESS PERFORMANCE

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

	Revenue		Gross Profit		Segment Results	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2021	2020	2021	2020	2021	2020
	<i>(RMB in millions, except for percentage)</i>					
Clean energy equipment business						
Hydropower equipment	150.4	150.4	30.3	11.4	(11.6)	(28.8)
Electrical wires and cables	914.9	545.2	106.4	90.3	46.3	42.4
General machinery	1,374.7	911.6	319.4	145.2	15.3	(9.8)
Other products	459.4	418.8	164.7	152.1	28.9	49.9
Total	<u>2,899.4</u>	<u>1,981.0</u>	<u>620.8</u>	<u>399.0</u>	<u>78.9</u>	<u>53.7</u>
% of total	76.7%	71.8%	78.2%	72.1%	47.9%	38.0%
High-end smart manufacturing business						
CNC machine tools	368.9	345.3	67.6	59.9	(86.5)	(85.6)
Steering systems	246.6	215.7	35.2	40.7	7.7	12.8
Other products	234.2	178.5	45.2	32.9	14.2	9.1
Total	<u>849.7</u>	<u>739.5</u>	<u>148.0</u>	<u>133.5</u>	<u>(64.6)</u>	<u>(63.7)</u>

Management's Discussion and Analysis (Continued)

	Revenue		Gross Profit		Segment Results	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2021	2020	2021	2020	2021	2020
	<i>(RMB in millions, except for percentage)</i>					
% of total	22.5%	26.8%	18.7%	24.1%	(39.2)%	(45.1)%
Industrial services business						
Trade	1.6	13.6	0.1	0.5	(9.4)	(6.2)
Financial	27.7	23.6	23.3	19.6	16.9	18.1
Other services	1.0	–	0.7	–	(4.0)	(3.1)
Total	30.3	37.2	24.1	20.1	3.5	8.8
% of total	0.8%	1.4%	3.0%	3.7%	2.1%	6.3%
Headquarters						
Total	0.6	0.6	0.6	0.6	146.8	142.5
% of total	-%	-%	0.1%	0.1%	89.2%	100.8%
Total	3,780.0	2,758.3	793.5	553.2	164.6	141.3

Management's Discussion and Analysis (Continued)

CLEAN ENERGY EQUIPMENT

Revenue from the clean energy equipment segment for the six months ended 30 June 2021 was approximately RMB2,899.4 million, showing an increase of approximately RMB918.4 million or approximately 46.4% as compared with approximately RMB1,981.0 million for the six months ended 30 June 2020, which was primarily due to a significant increase in orders for the wind power blades business and the growth in the wire and cable business.

During the Period, the gross profit for the clean energy equipment segment was approximately RMB620.8 million, showing an increase of approximately RMB221.8 million or approximately 55.6% as compared with approximately RMB399.0 million for the six months ended 30 June 2020, which was primarily due to the increase in revenue from wind power blades business and the adjustment of other products structure.

The profit for the clean energy equipment segment for the six months ended 30 June 2021 was approximately RMB78.9 million, showing an increase of approximately RMB25.2 million or approximately 46.9% as compared with the profit of approximately RMB53.7 million for the six months ended 30 June 2020, which was mainly due to the notable increase in revenue of wind power blades business.

HIGH-END SMART MANUFACTURING

Revenue from the high-end smart manufacturing segment for the six months ended 30 June 2021 was approximately RMB849.7 million, showing an increase of approximately RMB110.2 million or approximately 14.9% as compared with approximately RMB739.5 million for the six months ended 30 June 2020, which was mainly due to the increase in revenue of smart machine tools and smart equipment system integration and other businesses.

During the Period, gross profit for the high-end smart manufacturing segment was approximately RMB148.0 million, showing an increase of approximately RMB14.5 million or 10.9% as compared with approximately RMB133.5 million for the six months ended 30 June 2020, primarily due to the increase in revenue of smart manufacturing business.

For the six months ended 30 June 2021, the losses for the high-end smart manufacturing segment was approximately RMB64.6 million, showing a slight increase in loss of approximately RMB0.9 million or 1.4% as compared with a loss of approximately RMB63.7 million for the six months ended 30 June 2020, primarily due to the decrease in revenue of smart screw machine tools business affected by the pandemic.

Management's Discussion and Analysis (Continued)

INDUSTRIAL SERVICE

Revenue from the industrial service segment for the six months ended 30 June 2021 was approximately RMB30.3 million, showing a decrease of approximately RMB6.9 million or approximately 18.5% as compared with approximately RMB37.2 million for the six months ended 30 June 2020, mainly due to a significant decrease in trade business due to the change of centralized procurement mode of the Company.

During the Period, gross profit for the industrial service segment was approximately RMB24.1 million, showing an increase of approximately RMB4.0 million or approximately 19.9% as compared with approximately RMB20.1 million for the six months ended 30 June 2020, mainly due to the increase in revenue of financial business.

For the six months ended 30 June 2021, the results for the industrial service segment amounted to approximately RMB3.5 million, showing a significant decrease of approximately RMB5.3 million or approximately 60.2% as compared with approximately RMB8.8 million for the six months ended 30 June 2020, mainly due to the significant decrease in revenue of trade business.

CASH FLOW

As at 30 June 2021, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB1,828.6 million (31 December 2020: approximately RMB1,737.5 million), representing an increase of approximately RMB91.1 million or approximately 5.2%.

During the Period, the Group had a net cash flow generated from operating activities of approximately RMB-128.5 million (for the six months ended 30 June 2020: net cash flow generated from operating activities of approximately RMB-154.4 million), a net cash flow generated from investing activities of approximately RMB126.2 million (for the six months ended 30 June 2020: a net cash flow generated from investing activities of approximately RMB-413.7 million), and a net cash flow generated from financing activities of approximately RMB17.2 million (for the six months ended 30 June 2020: a net cash flow generated from financing activities of approximately RMB401.2 million).

Management's Discussion and Analysis (Continued)

ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

As at 30 June 2021, the total accounts receivables and other receivables of the Group amounted to approximately RMB4,004.1 million, showing an increase of approximately RMB281.4 million as compared with approximately RMB3,722.7 million as at 31 December 2020, which was mainly due to an increase of approximately RMB119.8 million in wind power blades business, and an increase of approximately RMB151.5 million in wire and cable business, and a decrease of approximately RMB36.8 million in other receivables. Details of aging analysis of accounts receivables and other receivables are set out in Notes VI.5 and VI.8 to the interim condensed consolidated financial statements.

ACCOUNTS PAYABLES AND OTHER PAYABLES

As at 30 June 2021, the total accounts payables and other payables of the Group amounted to approximately RMB2,463.1 million, showing an increase of approximately RMB252.9 million as compared with approximately RMB2,210.2 million as at 31 December 2020, which was mainly due to the growth of wind power blades business. Details of aging analysis of accounts payables and other payables are set out in Notes VI.30 and VI.34 to the interim condensed consolidated financial statements.

ASSETS AND LIABILITIES

As at 30 June 2021, the total assets of the Group amounted to approximately RMB16,459.4 million, showing a decrease of approximately RMB164.8 million as compared with approximately RMB16,624.2 million as at 31 December 2020. The total current assets amounted to approximately RMB10,541.5 million, showing a decrease of approximately RMB196.8 million as compared with approximately RMB10,738.3 million as at 31 December 2020, accounting for approximately 64.0% of the total assets (31 December 2020: approximately 64.6%). However, the total non-current assets amounted to approximately RMB5,917.9 million, showing an increase of approximately RMB32.0 million as compared with approximately RMB5,885.9 million as at 31 December 2020, accounting for approximately 36.0% of the total assets (31 December 2020: approximately 35.4%).

Management's Discussion and Analysis (Continued)

As at 30 June 2021, the total liabilities of the Group amounted to approximately RMB8,777.2 million, showing a decrease of approximately RMB371.3 million as compared with approximately RMB9,148.5 million as at 31 December 2020. The total current liabilities amounted to approximately RMB6,873.3 million, showing a decrease of approximately RMB220.7 million as compared with approximately RMB7,094.0 million as at 31 December 2020, accounting for approximately 78.3% of the total liabilities (31 December 2020: approximately 77.5%). However, the total non-current liabilities amounted to approximately RMB1,903.8 million, showing a decrease of approximately RMB150.7 million as compared with approximately RMB2,054.5 million as at 31 December 2020, accounting for approximately 21.7% of the total liabilities (31 December 2020: approximately 22.5%).

As at 30 June 2021, the net current assets of the Group amounted to approximately RMB3,668.2 million, showing an increase of approximately RMB23.8 million as compared with approximately RMB3,644.4 million as at 31 December 2020.

CURRENT RATIO

As at 30 June 2021, the current ratio (the ratio of current assets divided by current liabilities) of the Group was 1.53:1 (31 December 2020: 1.51:1).

GEARING RATIO

As at 30 June 2021, by dividing borrowings by total capital, the gearing ratio of the Group was 39.4% (31 December 2020: 38.9%).

INDEBTEDNESS

As at 30 June 2021, the Group had an aggregate bank and other borrowings of approximately RMB3,115.6 million, representing an increase of approximately RMB88.7 million as compared with approximately RMB3,026.9 million as at 31 December 2020.

Borrowings repayable by the Group within one year amounted to approximately RMB1,631.9 million, representing an increase of approximately RMB243.3 million as compared with approximately RMB1,388.6 million as at 31 December 2020. Borrowings repayable after one year amounted to approximately RMB1,483.7 million, representing a decrease of approximately RMB154.6 million as compared with approximately RMB1,638.2 million as at 31 December 2020.

Management's Discussion and Analysis (Continued)

SIGNIFICANT EVENTS

Events in the Period

(I) The 2020 Annual General Meeting of the Company held on 24 June 2021 has considered and approved the following matters:

The appointment of Mr. Ma Aijun and Mr. Cai Zhibin as the non-executive directors, 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 determine the remuneration of such directors pursuant to the remuneration standard for directors passed at the 2018 annual general meeting and to enter into service agreements with such directors on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters.

Please refer to the announcement published on the websites of the Hong Kong Stock Exchange and the Company on 24 June 2021 for details.

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

SUBSEQUENT EVENTS

The Group had no significant subsequent event.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities.

CAPITAL EXPENDITURE

During the Period, the total capital expenditure of the Group was approximately RMB51.9 million (for the six months ended 30 June 2020: approximately RMB33.2 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 the 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 GBP and US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Management has set up a management system of foreign exchange hedges, requiring all subsidiaries of the Group to manage the foreign exchange risk against their functional currency and adopt foreign exchange tools recognized by the Group.

EMPLOYEES

As at 30 June 2021, the Group had a total of 7,416 employees (30 June 2020: a total of 7,976 employees). The Group will continue to upgrade its technical talent base, foster and recruit technical and management personnel possessed with extensive professional experiences, optimize the distribution system that links with the remuneration and performance reviews, improve training supervision on safety so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

Other Information

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

As at 30 June 2021, 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		Stock category	Status	Note	Percentage of		
	shares					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		Note	Percentage of	Percentage of
	shares	Status		total issued H shares	total issued shares
The Bank of New York Mellon (formerly known as "The Bank of New York")	87,276,000 (L)	Custodian		7.93 (L)	2.37 (L)
	0 (P)			0 (P)	0 (P)
The Bank of New York Mellon Corporation	87,276,000 (L)	Interest in corporation	(4)	7.93 (L)	2.37 (L)
	87,276,000 (P)	controlled by substantial shareholders		7.93 (P)	2.37 (P)

(L) Long Position

(S) Short Position

(P) Lending Pool

Notes:

- (1) As Chongqing Machinery and Electronics Holding (Group) Co., Ltd. and Chongqing Yufu Capital Operation Group Co., Ltd. are wholly owned by Chongqing State-owned Assets Supervision and Administration Commission, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 1,924,225,189 domestic shares and 92,670,000 H shares as well as 232,132,514 domestic shares of the Company held by the two companies respectively.
- (2) Chongqing Construction Engineering Group Corporation Limited is held as to 76.53% by Chongqing State-owned Assets Supervision and Administration Commission through its wholly-owned subsidiary, Chongqing Construction Investment Holding Co., Ltd. Therefore, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 232,132,514 domestic shares of the Company held by Chongqing Construction Engineering Group Corporation Limited.

Other Information (Continued)

- (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..
- (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 2021.

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 2021.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Other Information (Continued)

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividends.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee, the management and the Company's auditor ShineWing Certified Public Accountants (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. Ma Aijun, Mr. Dou Bo and Mr. Cai Zhibin; and the independent non-executive directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.

As at the date of this 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 15 September 2021 and will be despatched to the shareholders of the Company thereafter by the means of receipt of corporate communications they selected.

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

Chongqing, the PRC
26 August 2021

Independent Auditor's Report



信永中和会计师事务所

ShineWing
certified public accountants

北京市东城区朝阳门北大街
8号富华大厦A座9层

9/F, Block A, Fu Hua Mansion
No.8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P.R.China

联系电话: +86(010)6554 2288
telephone: +86(010)6554 2288

传真: +86(010)6554 7190
facsimile: +86(010)6554 7190

REVIEW REPORT

XYZH/2021CQAA10573

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 2021, 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 2021 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.

Independent Auditor's Report (Continued)

信永中和
ShineWing

信永中和会计师事务所

ShineWing
certified public accountants

北京市东城区朝阳门北大街
8号富华大厦A座9层

9/F, Block A, Fu Hua Mansion
No.8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P.R.China

联系电话: +86(010)6554 2288
telephone: +86(010)6554 2288

传真: +86(010)6554 7190
facsimile: +86(010)6554 7190

Following our review, we note no matters that convinced us that the financial statements were not prepared in all material respects in accordance with the ASS and failed to fairly reflect the financial position of 30 June, 2021 and the operating results and cash flows from January-June 2021.

ShineWing Certified Public Accountants LLP

China, Beijing

CICPA:

CICPA:

26 August 2021

Interim Condensed Consolidated Statement of Financial Position

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

Items	Notes	30 June 2021	31 December 2020
Current assets			
Cash and cash equivalents	VI.1	1,828,633,424.97	1,737,526,602.70
Financial assets held for sale	VI.2	1,307,085.05	219,242.46
Buy and resale of financial assets	VI.3	30,000,000.00	–
Notes receivable	VI.4	264,945,968.03	508,675,368.55
Accounts receivable	VI.5	2,941,952,272.42	2,623,772,992.86
Receivable financing	VI.6	549,148,503.07	977,468,569.47
Prepayments	VI.7	235,543,079.91	218,888,089.37
Other receivables	VI.8	1,062,187,214.85	1,098,972,212.13
Including: Interest receivable		–	–
Dividends receivable	VI.8.1	401,404,419.27	482,280,138.64
Loans and advances to customers	VI.13.1	977,026,291.28	898,672,611.56
Inventories	VI.9	2,271,474,532.55	2,292,719,154.54
Contractual assets	VI.10	307,097,050.82	323,250,213.57
Non-current assets due within one year	VI.11	17,400,000.00	17,400,000.00
Other current assets	VI.12	54,768,545.36	40,755,760.73
Total current assets		<u>10,541,483,968.31</u>	<u>10,738,320,817.94</u>

Interim Condensed Consolidated Statement of Financial Position (Continued)

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

Items	Notes	30 June 2021	31 December 2020
Non-current assets			
Loans and advances to customers	VI.13.2	17,571,849.75	60,527,271.21
Long-term receivables	VI.14	69,600,000.00	78,300,000.00
Long-term equity investments	VI.15	1,234,163,092.84	1,103,316,449.72
Other equity instruments investment	VI.16	135,326,056.80	52,314,020.88
Investment properties	VI.17	175,405,402.38	55,555,414.08
Property, plant and equipment	VI.18	2,613,600,380.73	2,753,799,792.80
Construction in progress	VI.19	163,816,336.88	204,123,781.19
Right-to-use assets	VI.20	277,840,791.22	296,486,965.36
Intangible assets	VI.21	579,138,947.26	590,314,813.12
Development expenditures	VI.22	402,080.18	6,305,952.44
Goodwill	VI.23	143,312,435.00	143,312,435.00
Long-term deferred expenses	VI.24	132,778,248.80	162,541,861.93
Deferred tax assets	VI.25	121,669,276.00	117,185,785.25
Other non-current assets	VI.26	253,265,875.14	261,820,859.07
Total non-current assets		<u>5,917,890,772.98</u>	<u>5,885,905,402.05</u>
Total assets		<u>16,459,374,741.29</u>	<u>16,624,226,219.99</u>

Interim Condensed Consolidated Statement of Financial Position *(Continued)*

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

Items	Notes	30 June 2021	31 December 2020
Current liabilities			
Short-term loans	VI.27	756,930,111.66	802,345,391.39
Due to customers, banks and other financial institutions	VI.28	619,372,607.59	826,570,999.28
Notes payable	VI.29	1,020,101,169.43	1,015,895,479.13
Accounts payable	VI.30	2,036,067,031.41	1,785,659,572.44
Contract liabilities	VI.31	794,900,439.19	1,250,324,181.63
Employee benefits payables	VI.32	96,606,052.01	90,077,883.60
Taxes and levies payables	VI.33	175,296,338.36	222,132,567.45
Other payables	VI.34	427,023,132.74	424,586,757.63
Including: The interest payable		-	-
Dividends payable	VI.34.1	37,336,140.30	32,120,215.21
Non-current liabilities due within one year	VI.35	874,997,451.06	586,277,882.55
Other current liabilities	VI.36	72,032,638.33	90,095,305.15
Total current liabilities		<u>6,873,326,971.78</u>	<u>7,093,966,020.25</u>
Non-current liabilities			
Long-term loans	VI.37	1,482,349,367.11	1,600,546,574.35
Lease liabilities	VI.38	1,303,295.03	37,690,483.75
Long-term payables	VI.39	2,530,486.14	3,068,589.72
Long-term employee benefits payable	VI.40	6,276,000.00	6,276,000.00
Provisions	VI.41	44,735,792.64	22,916,284.17
Deferred revenue	VI.42	252,919,560.17	282,456,486.60
Deferred tax liabilities	VI.25	113,709,313.86	101,553,480.94
Total non-current liabilities		<u>1,903,823,814.95</u>	<u>2,054,507,899.53</u>
Total liabilities		<u>8,777,150,786.73</u>	<u>9,148,473,919.78</u>

Interim Condensed Consolidated Statement of Financial Position (Continued)

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

Items	Notes	30 June 2021	31 December 2020
Shareholder's equity			
Share capital	VI.43	3,684,640,154.00	3,684,640,154.00
Capital reserves	VI.44	67,751,944.29	67,546,968.20
Other comprehensive income	VI.45	100,467,989.97	36,058,496.54
Surplus reserves	VI.46	406,895,352.07	406,895,352.07
Retained profits	VI.47	2,965,097,853.64	2,826,706,511.09
Total equity attributable to shareholders of the Company		<u>7,224,853,293.97</u>	<u>7,021,847,481.90</u>
Non-controlling interests		<u>457,370,660.59</u>	<u>453,904,818.31</u>
Total shareholder's equity		<u>7,682,223,954.56</u>	<u>7,475,752,300.21</u>
Total liabilities and shareholder's equity		<u>16,459,374,741.29</u>	<u>16,624,226,219.99</u>

Legal Representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Financial Position Statement of the Company

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

Items	Notes	30 June 2021	31 December 2020
Current assets:			
Cash and cash equivalents		1,312,158,497.53	1,104,928,777.09
Notes receivable		13,903,864.30	10,760,000.00
Other receivables	XVI.1	714,249,985.82	1,584,561,557.62
Including: interest receivable		–	–
Including: Dividends receivable	XVI.1.1	506,514,510.07	530,745,519.64
Non-current assets due within one year		793,564,037.90	52,670,000.00
Other current assets		3,417,078.36	2,888,430.55
Total current assets		<u>2,837,293,463.91</u>	<u>2,755,808,765.26</u>
Non-current assets:			
Long-term receivables		1,320,142,824.41	906,138,092.59
Long-term equity investments	XVI.2	4,899,519,466.26	4,713,487,905.07
Other equity instruments investment		135,326,056.80	52,314,020.88
Property, plant and equipment		28,934,500.41	31,097,825.70
Construction in progress		226,415.09	226,415.09
Right-to-use assets		2,917,832.24	5,835,664.48
Intangible assets		21,688,637.37	22,699,890.09
Goodwill		293,943.72	293,943.72
Total non-current assets		<u>6,409,049,676.30</u>	<u>5,732,093,757.62</u>
Total assets		<u>9,246,343,140.21</u>	<u>8,487,902,522.88</u>

Financial Position Statement of the Company (Continued)

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

Items	Notes	30 June 2021	31 December 2020
Current liabilities			
Short-term loans		330,000,000.00	212,000,000.00
Employee benefits payables		2,029,554.97	2,353,208.05
Taxes and levies payables		404,317.79	107,000.84
Other payables		8,097,483.86	10,577,950.64
Non-current liabilities due within one year		726,105,493.14	368,073,361.29
Total current liabilities		1,066,636,849.76	593,111,520.82
Non-current liabilities			
Long-term loans		1,283,000,000.00	1,292,000,000.00
Deferred tax liabilities		29,120,058.98	8,367,050.00
Total non-current liabilities		1,312,120,058.98	1,300,367,050.00
Total liabilities		2,378,756,908.74	1,893,478,570.82

Financial Position Statement of the Company *(Continued)*

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

Items	Notes	30 June 2021	31 December 2020
Shareholder's equity			
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		68,496,626.82	6,237,599.88
Surplus reserves		421,270,727.98	421,270,727.98
Retained profits		2,552,461,822.67	2,341,558,570.20
Total shareholder's equity		<u>6,867,586,231.47</u>	<u>6,594,423,952.06</u>
Total liabilities and shareholder's equity		<u>9,246,343,140.21</u>	<u>8,487,902,522.88</u>

Legal Representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Interim Condensed Consolidated Comprehensive Income Statement

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

Items	Notes	From January- June, 2021	From January- June, 2020
1.Total operating revenue	VI.48	3,779,990,046.70	2,758,285,266.75
Including: Operating revenue	VI.48	3,752,294,799.98	2,734,732,446.36
Interest income	VI.48	27,686,917.89	23,392,737.48
Fee and commission income	VI.48	8,328.83	160,082.91
2.Total operating cost		3,734,966,382.75	2,818,925,671.54
Including: Operating cost	VI.48	2,982,129,693.14	2,201,166,381.08
Interest expenses	VI.48	4,235,054.63	3,857,195.46
Transaction cost and commission fees	VI.48	137,615.10	92,678.40
Business taxes and surcharges		27,304,383.89	22,275,046.55
Selling and distribution expenses	VI.49	165,254,650.65	129,637,962.19
Administrative expenses	VI.50	316,696,179.45	269,919,869.47
Research and development expenses	VI.51	195,570,527.96	138,162,539.50
Financial expenses	VI.52	43,638,277.93	53,813,998.89
Including: Interest expenses	VI.52	43,119,839.38	68,532,652.99
Interest income	VI.52	9,859,658.25	18,716,139.28
Add: Other income	VI.53	33,878,532.41	38,682,860.31
Investment income (Loss listed with "-")	VI.54	169,685,043.25	168,218,313.21
Including: Income from investments in associates and joint ventures	VI.54	168,623,374.85	167,098,200.47
Income from change in fair value (the loss is indicated as "-")	VI.55	469,411.15	(19,856.97)
Credit impairment loss (the loss is listed as "-")	VI.56	(83,686,903.19)	(304,567.97)
Asset impairment loss (loss is listed in "-")	VI.57	(1,744,938.80)	(15,129,662.29)
Income from asset disposal (the loss is listed as "-")	VI.58	926,599.75	10,496,278.63
3. Operating profit (Loss listed with "-")		164,551,408.52	141,302,960.13
Add: Non-operating income	VI.59	9,974,712.76	6,073,169.81
Less: Non-operating expenses	VI.60	4,407,360.24	4,671,622.35
4. Total profit (Total loss listed with "-")		170,118,761.04	142,704,507.59
Less: Income tax expenses	VI.61	16,294,357.02	19,610,128.84

Interim Condensed Consolidated Comprehensive Income Statement *(Continued)*

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

Items	Notes	From January- June, 2021	From January- June, 2020
5. Net profit (Net loss listed with "-")		153,824,404.02	123,094,378.75
(1) Classification by continuing or discontinued operation		153,824,404.02	123,094,378.75
1. Net profit attributable to continuing operation (Net loss listed with "-")		153,824,404.02	123,094,378.75
2. Net profit attributable to discontinued operation (Net loss listed with "-")		—	—
(2) Classification by ownership		153,824,404.02	123,094,378.75
1. Net profit attributable to shareholders of the controlling company		138,391,342.55	108,398,388.95
2. Net profit attributable to non-controlling interests		15,433,061.47	14,695,989.80
6. Net other comprehensive income after tax	VI.62	63,601,495.33	8,329,418.98
Net other comprehensive income after tax attributable to shareholders of the Company	VI.45	64,409,493.43	8,329,418.98
(1). Other comprehensive incomes that cannot be reclassified into profit or loss	VI.45	62,259,026.94	—
(1) Changes from recalculation of defined benefit plan		—	—
(2) Transfer changes of defined benefit plan to retained earnings		—	—
(3) Changes in fair value of other equity instrument investments	VI.45	62,259,026.94	—
(2). Other comprehensive income that can be reclassified into profit or loss	VI.45	2,150,466.49	8,329,418.98
1. Profit and loss for changes in the fair value of the available-for-sale financial assets		—	—
2. Effective part of cash flow hedging		(2,299,686.90)	—
3. Effective portion of net investment hedging gains and losses	VI.45	—	3,220,037.26
4. Translation differences of financial statements in foreign currencies	VI.45	4,450,153.39	5,109,381.72
Net other comprehensive income after tax attributable to non-controlling interests		(807,998.10)	—

Interim Condensed Consolidated Comprehensive Income Statement (Continued)

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

Items	Notes	From January- June, 2021	From January- June, 2020
7. Total comprehensive income		217,425,899.35	131,423,797.73
1. Total comprehensive income attributable to shareholders of the Company		202,800,835.98	116,727,807.93
2. Total comprehensive income attributable to non-controlling interests		14,625,063.37	14,695,989.80
8. Earnings per share			
1. Basic earnings per share		0.04	0.03
2. Diluted earnings per share		0.04	0.03

Legal Representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Income Statement of the Company

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

Items	Notes	From January- June, 2021	From January- June, 2020
I. Operating income	XVI.3	616,990.65	634,675.69
Less: Operating costs		-	-
Tax and surcharges		298,411.97	170,468.60
Sales expenses		-	-
Administrative expenses		19,963,428.29	17,478,126.42
R & D costs		-	-
Financial expenses		(9,094,952.61)	2,574,433.76
Including: interest fees		36,130,118.07	49,587,117.30
Interest income		35,172,538.63	43,781,447.54
Plus: Other gains		55,642.96	20,816.23
Investment income (the losses are indicated as "-")	XVI.4	221,393,446.51	219,015,699.53
Among them: the investment income on joint enterprises and joint ventures	XVI.4	164,013,269.01	167,005,549.53
Credit impairment loss (the loss is listed as "-")		-	1,000,000.00
Income from asset disposal (the loss is listed as "-")		-	37,895.74
II. Operating profit (the losses are filled in with "-")		210,899,192.47	200,486,058.41
Plus: off-operating income		4,060.00	-
Less: Non-operating expenses		-	511,000.00
III. Total profit (the total loss is filled in with "-")		210,903,252.47	199,975,058.41
Less: Income tax expense		-	-
IV. Net profit (the net loss is included in "-")		210,903,252.47	199,975,058.41
(1) Net profit for continuing operation (net loss is listed in "-")		210,903,252.47	199,975,058.41
(2) Net profit for termination of operation (net loss included in "-")		-	-

Income Statement of the Company (Continued)

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

Items	Notes	From January- June, 2021	From January- June, 2020
V.Net after-tax amount of other comprehensive income		-	-
(1) Other comprehensive income that cannot be reclassified into profits and losses		-	-
1. Changes in fair value of other equity instruments		-	-
2. Changes in the fair value of the 4. enterprise's own credit risk		-	-
3. Other		-	-
(2) Other comprehensive income reclassified into profits and losses		-	-
1. cash flow hedged reserves		-	-
2. Conversion difference in the foreign currency financial statements		-	-
VI.Total comprehensive income		<u>210,903,252.47</u>	<u>199,975,058.41</u>

Legal Representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Interim Condensed Consolidated Statement of Cash Flows

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

Items	Notes	From January- June, 2021	From January- June, 2020
I. Cash flow generated from operating activities:			
Cash received from sales of goods and rendering of labor services		3,175,294,820.13	2,596,387,497.52
Net increase in customer deposits and inter-bank deposits		(208,619,567.75)	(343,859,464.84)
Cash received from interest, transaction fees, and commissions		29,324,447.29	24,030,538.97
Net increase in repurchase of funds in business		-	(49,949,000.00)
Return of the taxes and fees received		10,732,958.07	17,524,352.65
Cash received relating to other operating activities		511,640,865.80	316,753,712.83
Subtotal of cash inflow from operating activities		<u>3,518,373,523.54</u>	<u>2,560,887,637.13</u>
Cash paid for purchasing goods and labor services		2,352,204,327.74	1,996,081,061.83
Net increase in customer loans and advances		36,289,122.75	(186,539,091.44)
Net increase in deposit of central banks and interbank payment		(7,175,769.43)	34,456,457.78
Cash paid on interest, transaction fees, and commissions		5,793,845.79	3,803,767.73
Cash paid to and on behalf of the employees		546,267,560.54	446,349,257.04
Payment of taxes and surcharge		187,371,463.05	129,346,362.00
Cash paid relating to operating activities		526,083,528.65	291,757,369.13
Subtotal of cash outflow from operating activities		<u>3,646,834,079.09</u>	<u>2,715,255,184.07</u>
Net cash flow generated from operating activities		<u>(128,460,555.55)</u>	<u>(154,367,546.94)</u>

Interim Condensed Consolidated Statement of Cash Flows (Continued)

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

Items	Notes	From January- June, 2021	From January- June, 2020
II. Cash flow generated from investment activities:			
Return of the cash received from the investment		229,700,000.00	-
Cash received from the investment income		120,527,262.39	100,053,655.97
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets		16,445,504.98	41,566,227.20
Cash received relating to other investment activities		-	9,800,000.00
Subtotal of cash inflow from investment activities		366,672,767.37	151,419,883.17
Cash paid to acquire fixed assets, intangible assets and other long-term assets		25,227,473.40	49,891,307.59
Cash paid for investments		212,000,000.00	154,000,000.00
Cash paid relating to investment activities		3,207,518.74	361,187,463.73
Subtotal of cash outflow from investment activities		240,434,992.14	565,078,771.32
Net cash flow generated from investment activities		126,237,775.23	(413,658,888.15)

Interim Condensed Consolidated Statement of Cash Flows *(Continued)*

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

Items	Notes	From January- June, 2021	From January- June, 2020
III. Cash flow generated from financing activities:			
Cash received from investment		330,000.00	371,700.00
Including: Cash received by subsidiaries from investment of non-controlling interests		330,000.00	371,700.00
Cash received from the loan granted		1,024,102,431.07	1,274,205,425.00
Cash received relating to other financing activities		—	26,801,199.53
Subtotal of cash inflow from financing activities		1,024,432,431.07	1,301,378,324.53
Cash paid for repayment of borrowings		922,715,545.00	571,212,762.78
Cash paid for dividends, profits, or the payment of interest		45,612,993.92	72,996,667.63
Including: the dividends and profits paid to non- controlling interests subsidiary		5,746,345.00	4,752,225.00
Cash paid relating to financing activities		38,932,318.64	255,927,309.71
Subtotal of cash outflow from financing activities		1,007,260,857.56	900,136,740.12
Net cash flows generated from financing activities		17,171,573.51	401,613,284.41
IV. Effects of changes in exchange rate on cash and cash equivalents			
		(1,457,731.16)	(1,943,967.50)
V. Net increase in cash and cash equivalents			
Add: early cash and cash equivalents		13,491,062.03	(168,728,818.18)
		1,327,289,120.69	1,537,567,094.59
VI. Balance of cash and cash equivalents at the end of the period			
	VI.63(2)	1,340,780,182.72	1,368,838,276.41

Legal Representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Cash Flows Statement of the Company

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

Items	Notes	From January- June, 2021	From January- June, 2020
I. Cash flow generated from operating activities:			
Cash received from sales of goods and rendering of labor services		-	-
Return of the taxes and fees received		17,221.78	-
Cash received relating to other operating activities		8,927,279.45	11,002,797.06
Subtotal of cash inflow from operating activities		8,944,501.23	11,002,797.06
Cash paid for purchasing goods and labor services		-	-
Cash paid to and on behalf of the employees		10,802,260.57	8,824,053.73
Payment of taxes and surcharge		609,962.69	243,869.70
Cash paid relating to other operating activities		46,772,083.90	6,271,484.86
Subtotal of cash outflow from operating activities		58,184,307.16	15,339,408.29
Net cash flow generated from operating activities		(49,239,805.93)	(4,336,611.23)
II. Cash flow generated from investment activities:			
Return of the cash received from the investment		8,700,000.00	-
Cash received from the investment income		119,592,894.89	316,998,318.01
Net cash recovered from the disposal of fixed assets, intangible assets, and other long-term assets		-	59,500.00
Cash received relating to other investment activities		290,167,643.00	681,037,946.18
Subtotal of cash inflow from investment activities		418,460,537.89	998,095,764.19
Cash paid to acquire fixed assets, intangible assets and other long-term assets		-	14,009.00
Cash paid for the investments		-	155,000,000.00
Cash paid relating to other investment activities		641,772,113.00	1,325,910,947.58
Subtotal of cash outflow from investment activities		641,772,113.00	1,480,924,956.58
Net cash flow generated from investment activities		(223,311,575.11)	(482,829,192.39)

Cash Flows Statement of the Company *(Continued)*

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

Items	Notes	From January- June, 2021	From January- June, 2020
III. Cash flow generated from financing activities:			
Cash received from loan granted		<u>742,000,000.00</u>	<u>882,000,000.00</u>
Subtotal of cash inflow from financing activities		<u>742,000,000.00</u>	<u>882,000,000.00</u>
Cash paid for repayment of borrowings		<u>273,000,000.00</u>	211,100,000.00
Cash paid for dividends, profits, or the payment of interest		<u>17,201,415.29</u>	47,131,192.30
Cash paid relating to financing activities		<u>—</u>	<u>—</u>
Subtotal of cash outflow from financing activities		<u>290,201,415.29</u>	<u>258,231,192.30</u>
Net cash flows generated from financing activities		<u>451,798,584.71</u>	<u>623,768,807.70</u>
IV. Effects of change in exchange rate on cash and cash equivalents			
		<u>(706.95)</u>	<u>430.04</u>
V. Net increase in cash and cash equivalents			
Add: early cash and cash equivalents		<u>1,029,380,182.10</u>	<u>1,019,104,126.44</u>
VI. Balance of cash and cash equivalents at the end of the period			
		<u>1,208,626,678.82</u>	<u>1,155,707,560.56</u>

Legal Representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Interim Condensed Consolidated Statement of Changes in Equity

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

From January-June, 2021

Items	Due to the shareholder interests of the parent company										Total equity		
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision		Retained profits	Non-controlling interest
I. Balance of 31 December 2020	3,684,640,154.00	-	-	-	67,546,968.20	-	36,058,496.54	-	406,895,952.07	-	2,826,706,511.09	453,904,818.31	7,475,752,300.21
Plus: Accounting policy change	-	-	-	-	-	-	-	-	-	-	-	-	-
Early-stage error correction	-	-	-	-	-	-	-	-	-	-	-	-	-
Business consolidation under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance of January 1, 2021	3,684,640,154.00	-	-	-	67,546,968.20	-	36,058,496.54	-	406,895,952.07	-	2,826,706,511.09	453,904,818.31	7,475,752,300.21
III. Increase or decrease in this year (decrease is included in "-")	-	-	-	-	204,976.09	-	64,409,493.43	-	-	-	138,391,342.55	3,465,842.28	206,471,654.35
(1) Total comprehensive income	-	-	-	-	-	-	64,409,493.43	-	-	-	138,391,342.55	14,625,063.37	217,425,899.35
(2) Shareholders still invest and reduce their capital	-	-	-	-	204,976.09	-	-	-	-	-	-	330,000.00	534,976.09
Common shares invested by	-	-	-	-	-	-	-	-	-	-	-	-	-
1. shareholders	-	-	-	-	-	-	-	-	-	-	-	330,000.00	330,000.00
2. other equity tool holders invest capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. share payment included in the shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	204,976.09	-	-	-	-	-	-	-	204,976.09

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

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

From January-June, 2021

Items	Due to the shareholder interests of the parent company					Other		Non-controlling interests	Total equity
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income		
(3) Profit distribution	-	-	-	-	-	-	-	-	-
1. withdrew the surplus reserves	-	-	-	-	-	-	-	(11,489,221.09)	(11,489,221.09)
2. extracts the employee reward and welfare fund	-	-	-	-	-	-	-	-	-
3. s distribution to the shareholders	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	(11,489,221.09)	(11,489,221.09)
(4) Internal carry-over of shareholders' interests	-	-	-	-	-	-	-	-	-
1. capital reserves are converted into share capital	-	-	-	-	-	-	-	-	-
2. surplus reserves into share capital	-	-	-	-	-	-	-	-	-
3. surplus reserves cover the losses	-	-	-	-	-	-	-	-	-
4. other comprehensive proceeds are carried forward over retained earnings	-	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-
1. is extracted this year	-	-	-	-	-	-	-	-	-
2. is used this year	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-
IV. Balance of June 30, 2021	3,684,640,154.00	-	-	-	67,751,944.29	-	100,467,989.97	457,370,660.69	7,682,223,954.56

Legal Representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

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

Items	For the year 2020										Total equity		
	Due to the shareholder interests of the parent company					Other							
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision		Retained profits	Non-controlling interests
I. Balance of 31 December 2019	3,684,640,154.00	-	-	-	50,311,988.20	-	21,514,640.55	-	364,663,370.96	-	2,723,230,866.87	444,669,172.15	7,289,090,172.73
Plus: Accounting policy change	-	-	-	-	-	-	-	-	-	-	-	-	-
Early-stage error correction	-	-	-	-	-	-	-	-	-	-	-	-	-
Business consolidation under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance of January 1, 2020	3,684,640,154.00	-	-	-	50,311,988.20	-	21,514,640.55	-	364,663,370.96	-	2,723,230,866.87	444,669,172.15	7,289,090,172.73
III. Amount of increase or decrease in this year (reduction is filled in with "-")	-	-	-	-	17,235,000.00	-	14,543,655.99	-	42,231,981.11	-	103,415,644.22	9,235,646.16	186,662,127.48
(1) Total comprehensive income	-	-	-	-	-	-	14,543,655.99	-	-	-	182,967,706.60	35,319,554.98	232,825,117.57
(2) Shareholders shall invest and reduce their capital	-	-	-	-	17,235,000.00	-	-	-	-	-	-	(128,478.22)	17,106,521.78
Common shares invested by	-	-	-	-	-	-	-	-	-	-	-	-	-
1. shareholders	-	-	-	-	-	-	-	-	-	-	-	6,870,000.00	6,870,000.00
2. other equity tool holders invest capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. share payment included in the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	17,235,000.00	-	-	-	-	-	-	(6,998,478.22)	10,236,521.78
(3) Profit distribution	-	-	-	-	-	-	-	-	42,231,981.11	-	(79,552,062.38)	(25,949,430.60)	(63,269,511.87)
1. withdrew the surplus reserves	-	-	-	-	-	-	-	-	42,231,981.11	-	(42,231,981.11)	-	-
2. extracts the employee reward and welfare fund	-	-	-	-	-	-	-	-	-	-	(473,679.73)	-	(473,679.73)
3. 's distribution to the shareholders	-	-	-	-	-	-	-	-	-	-	(36,846,401.54)	(25,949,430.60)	(62,795,832.14)
4. Other	-	-	-	-	-	-	-	-	-	-	-	-	-

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

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

Items	For the year 2020												
	Due to the shareholder interests of the parent company					Other equity instruments							
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
(4) Internal carry-over of shareholders' interests	-	-	-	-	-	-	-	-	-	-	-	-	-
1. capital reserves are converted into share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. surplus reserves into share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. surplus reserves cover the losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. other comprehensive proceeds are carried forward over retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. is extracted this year	-	-	-	-	-	-	-	-	-	-	-	-	-
2. is used this year	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance of 31 December 2020	3,684,640,154.00	-	-	-	67,546,988.20	-	36,038,496.54	-	408,886,362.07	-	2,826,706,511.09	453,904,818.31	7,475,732,300.21

Legal Representative: _____
 accounting function: _____
 accounting department: _____

Person in charge of _____
 accounting function: _____

Person in charge of _____

Statement of Changes in Equity of the Company

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

From January-June, 2021

Items	Other equity instruments							Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profits	Total equity
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Capital reserves	Others						
I. Balance of 31 December 2020	3,684,640,154.00	-	-	-	140,716,900.00	-	-	6,237,599.88	-	421,270,727.98	2,341,558,570.20	6,594,423,952.06	
Plus: Accounting policy change	-	-	-	-	-	-	-	-	-	-	-	-	
Early-stage error correction	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	
II. Balance of January 1, 2021	<u>3,684,640,154.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,716,900.00</u>	<u>-</u>	<u>-</u>	<u>6,237,599.88</u>	<u>-</u>	<u>421,270,727.98</u>	<u>2,341,558,570.20</u>	<u>6,594,423,952.06</u>	
III. Increase or decrease in this year (decrease is included in "+")													
(1) Total comprehensive income	-	-	-	-	-	-	-	62,259,026.94	-	-	210,903,252.47	273,162,279.41	
(2) Shareholders shall invest and reduce their capital	-	-	-	-	-	-	-	62,259,026.94	-	-	210,903,252.47	273,162,279.41	
Common shares invested by													
1. shareholders	-	-	-	-	-	-	-	-	-	-	-	-	
2. other equity tool holders invest capital	-	-	-	-	-	-	-	-	-	-	-	-	
3. share payment included in the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	
4. Other	-	-	-	-	-	-	-	-	-	-	-	-	
(3) Profit distribution													
1. withdrew the surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	
2. 's distribution to the shareholders	-	-	-	-	-	-	-	-	-	-	-	-	
3. Other	-	-	-	-	-	-	-	-	-	-	-	-	

Statement of Changes in Equity of the Company (Continued)

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

Items	From January-June, 2021							Total equity		
	Other equity instruments			Less: treasury shares						
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Retained profits	
(4) Internal carry-over of shareholders' interests	-	-	-	-	-	-	-	-	-	-
1. capital reserves are converted into share capital	-	-	-	-	-	-	-	-	-	-
2. surplus reserves into share capital	-	-	-	-	-	-	-	-	-	-
3. surplus reserves cover the losses	-	-	-	-	-	-	-	-	-	-
4. sets benefit plan changes to carry forward retained earnings	-	-	-	-	-	-	-	-	-	-
5. other comprehensive proceeds are carried forward over retained earnings	-	-	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-
1. is extracted this year	-	-	-	-	-	-	-	-	-	-
2. is used this year	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-
IV. Balance of June 30, 2021	3,694,640,154.00	-	-	-	140,716,900.00	68,495,626.62	-	421,270,727.98	2,552,461,822.67	6,687,586,231.47

Legal Representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Statement of Changes in Equity of the Company (Continued)

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

Items	Other equity instruments							Total equity
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	
For the year 2020								
I. Balance of 31 December 2019	3,684,640,154.00	-	-	-	140,716,900.00	-	6,237,599.98	6,208,950,542.52
Plus: Accounting policy change	-	-	-	-	-	-	-	-
Early stage error correction	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Balance of January 1, 2020	3,684,640,154.00	-	-	-	140,716,900.00	-	6,237,599.98	6,208,950,542.52
III. Increase or decrease in this year (decrease is included in "-")	-	-	-	-	-	-	-	-
(1) Total comprehensive income	-	-	-	-	-	-	42,231,981.11	385,473,409.54
(2) Shareholders shall invest and reduce their capital	-	-	-	-	-	-	422,319,811.08	422,319,811.08
Common shares invested by	-	-	-	-	-	-	-	-
1. shareholders	-	-	-	-	-	-	-	-
2. other equity tool holders invest capital	-	-	-	-	-	-	-	-
3. state payment included in the shareholders' equity	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	42,231,981.11	(36,846,401.54)
1. withdrew the surplus reserves	-	-	-	-	-	-	42,231,981.11	(42,231,981.11)
2. 's distribution to the shareholders	-	-	-	-	-	-	(36,846,401.54)	(36,846,401.54)
3. Other	-	-	-	-	-	-	-	-

Statement of Changes in Equity of the Company (Continued)

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

Items	Other equity instruments						Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profits	Total equity
	Capital stock	Preferred shares	Sustainable debt	Others	Capital reserves	Less: treasury shares							
(4) Internal carry-over of shareholders' interests	-	-	-	-	-	-	-	-	-	-	-	-	-
1. capital reserves are converted into share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. surplus reserves into share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. surplus reserves cover the losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. sets benefit plan changes to carry forward retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. other comprehensive proceeds are carried forward over retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. is extracted this year	-	-	-	-	-	-	-	-	-	-	-	-	-
2. is used this year	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance of 31 December 2020	3,684,640,154.00					140,716,900.00		6,237,599.88		421,270,727.98	2,341,558,570.20		6,584,423,952.06

Legal Representative: _____ Person in charge of accounting function: _____
 _____ Person in charge of accounting department: _____

Notes to the Interim Condensed Consolidated Financial Statements

From 1 January 2021 to 30 June 2021

(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”, previously called Chongqing Yufu Assets Management Co., Ltd), China Huarong Assets Management Co., Ltd. (“Huarong Company”), and Chongqing Construction Engineering Group Co. Ltd. (“CCEG”, originally named Chongqing Construction Engineering Group Co., Ltd). The address of the Company’s registered office is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC. The Company’s headquarter is located in Chongqing, the PRC. The parent company and the ultimate controlling shareholder is 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 2021, 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 2021.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidated financial statements of the Group includes 38 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.

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.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

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.

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 the fair value of net identifiable assets of the acquiree, the excess shall be recognised into non-operating income.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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.

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

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

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

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

The Group disposes of the equity investment in the subsidiary through multiple transactions until it loses control. When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the different 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.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

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

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

7. 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.

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

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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:

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

Accounts receivable division and combination and basis:

Name of groups	Basis of determination of groups
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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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)*

Classification and basis of other receivables:

Name of groups	Basis of determination of groups
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.

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)*

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:

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

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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:

<u>Name of groups</u>	<u>Basis of determination of groups</u>
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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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

9. Financial Assets and 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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

9. Financial Assets and 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.

(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.

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

9. Financial Assets and 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 the raw materials, packaging material, low-value consumption goods, unfinished products, and merchandise inventories.

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 and packaging material are amortized at one time when they are used.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

10. Inventories *(continued)*

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.

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.

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

12. Contractual costs *(continued)*

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

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.

(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.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

12. Contractual costs *(continued)*

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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.

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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:

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

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.

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

14. Investment Properties *(continued)*

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.

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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

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	1.90-4.85
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

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.

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

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

(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.

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.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

17. Borrowings costs *(continued)*

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.

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.

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

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

(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.

(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.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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 *(continued)*

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.

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.

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

19. Intangible Assets *(continued)*

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

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.

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.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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)*

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.

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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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.

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

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

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.

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.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

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.

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.

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

23. Employee Benefits *(continued)*

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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

(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.

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

24. Lease liabilities *(continued)*

(2) Subsequent measurement *(continued)*

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.

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.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

25. Provision *(continued)*

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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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.25. For the service-type warranties under which the Group provides a separate service in addition to the warranty to the customers that the goods sold satisfy certain pre-set criteria, it is treated as a standalone performance obligation and part of the transaction price is apportioned to the service-type warranty based on the proportion of the separate selling prices under the guarantee-type and service-type warranties, and revenue is recognized when the customer acquires control of the service. In assessing whether a separate service is provided to the customer in addition to the warranty that the goods sold satisfy certain pre-set criteria, the Group considers whether the warranty is a statutory requirement, the validity period of the warranty and the nature of the Group's commitment to perform.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

(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.

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

29. Lease *(continued)*

(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.

(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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.
- (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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Held-for-sale assets (continued)

(5) (continued)

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 classified as held for sale shall continue to recognize.

(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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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
Chinese enterprise		
Enterprise income tax	Taxable income	15%, 25% and 0%
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	13%, 9%, 6%
VAT (easy to collect)	Taxable value-added amount multiplied by VAT collection rate	5%, 3%
City maintenance and construction tax	Taxable amounts of VAT	5% and 7%
Educational surcharge	Taxable amounts of VAT	2% and 3%
Property tax	70% of the original value of the property or rental income	1.2%, 12%
Land use tax	Land occupation area	RMB20/square metre/year, RMB16/square metre/year, RMB14/square metre/year, RMB10/square metre/year, RMB8/square metre/year
Profit tax in Hong Kong	–	16.5%
Profit tax for other regions/countries	–	15.2%, 20%, 34%, 39%

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 Mechanical and Electrical Additive Manufacturing Co., Ltd.	25%	–
Chongqing Yinhe Forging & Founding Co., Ltd.	25%	–
Chongqing Shengpu Material Co., Ltd.	25%	–
Chongqing Machinery & Electric Holding Group Finance 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 Materials Co., Ltd.	15%	Income tax preference (1)
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)
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 Mengxun Electronic & Technology Co., Ltd.	15%	Income tax preference (1)
Chongqing Machine Tool (Group) Co., Ltd.	15%	Income tax preference (1)
Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd.	15%	Income tax preference (1)
Chongqing Shimad Intelligent Manufacturing Co., Ltd.	15%	Income tax preference (2)
Chongqing Tool Factory Co., Ltd.	15%	Income tax preference (2)

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

V. TAXATION *(CONTINUED)*

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

Taxpayers	Income tax rate	Income tax preference
Chongqing No. 2 Machine Tools Factory Co., Ltd.	15%	Income tax preference (2)
Chongqing Water Turbine Works Co., Ltd.	15%	Income tax preference (2)
Chongqing Pigeon Electric Porcelain Co., Ltd.	15%	Income tax preference (2)
Chongqing General Industry (Group) Co., Ltd.	15%	Income tax preference (2)
Chongqing Chongtong Turbine Technology Co., Ltd.	15%	Income tax preference (2)
Jilin ChongTong Chengfei New Material Co., Ltd.	15%	Income tax preference (2)
Chong Tong Chengfei Wind Power Equipment Jiangsu Co., Ltd.	15%	Income tax preference (2)
Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd.	15%	Income tax preference (2)
Chongqing Industrial Enabling Innovation Center Co., Ltd.	15%	Income tax preference (2)
Fu Baotian Cotton picking services Co., Ltd.	Exemption	Income tax preference (3)
Precision Technologies Group (PTG) Limited.	19%	–
Precision Technologies Group (US) Limited (PTG US)	34%	–
Holroyd Precision Screw and Rotors Company	39%	–
PTG Heavy Industries Ltd.	20%	–
Milroway Investments Ltd	20%	–
Precision Components Ltd.	20%	–
PTG Deutschland GmbH	15%	–
PTG Investment Development Company Ltd.	16.50%	–

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

V. TAXATION (CONTINUED)

2. Corporate income tax preferences

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

The following companies in this Group enjoy a preferential tax rate of 15% in this period because they have obtained the Certificate of High-tech Enterprises, including Chongqing General Industry (Group) Co., Ltd (certificate of high-tech enterprises No. GR202051101683), Jilin Chongtong Chengfei New Material Co., Ltd. (certificate of high-tech enterprises No. GF201822000332), Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd. (certificate of high-tech enterprises No. GR202051100767), 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. GR201951100978), Chongqing Tool Factory Co., Ltd. (certificate of high-tech enterprises No. GR201851100136), Chongqing ChongTong Turbine Technology Co., Ltd (certificate of high-tech enterprises No. GR201951101411), Chongqing Sino-Germany Smart Factory Solutions Co., Ltd. (certificate of high-tech enterprises No. GR201951101134), Chongqing No.2 Machine Tool Works Co., Ltd. (certificate of high-tech enterprises No. GR201851100136), Chongqing turbine works Co., Ltd. (certificate of high-tech enterprises No. GR202051101602)

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

V. TAXATION (CONTINUED)

2. Corporate income tax preferences (continued)

- (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.

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 2021	31 Dec 2020
Cash in hand	521,195.40	238,170.58
Cash at bank	1,430,079,051.31	1,392,997,944.11
Other cash equivalents	390,926,857.45	338,992,966.66
Accrued interest	7,106,320.81	5,297,521.35
Total	1,828,633,424.97	1,737,526,602.70
Including: cash deposited abroad	83,299,559.66	39,208,169.98

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 period

Items	30 June 2021
Deposits for bank acceptance bills	156,467,176.66
Deposits for letters of credit	8,038,286.26
Guarantee deposit	110,320,873.35
Statutory reserve	110,389,749.71
Pledge of Deposits	94,330,835.46
Judicial freezing	1,200,000.00
Total	<u>480,746,921.44</u>

2. Financial Assets held for sale

Items	30 June 2021	31 Dec 2020
Financial assets held for sales	1,307,085.05	219,242.46
Including: Equity instrument investment	<u>1,307,085.05</u>	<u>219,242.46</u>
Total	<u>1,307,085.05</u>	<u>219,242.46</u>

3. Buy and resale of Financial Assets

Items	30 June 2021	31 Dec 2020
Financial assets measured at fair value through profit or loss	30,000,000.00	—
Total	<u>30,000,000.00</u>	<u>—</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

4. Notes receivable

(1) Classification of notes receivable

Items	30 June 2021	31 Dec 2020
Bank acceptance bills	214,231,120.48	453,963,197.36
Commercial acceptance bills	50,823,463.66	54,912,860.42
Less: provision for bad debts	108,616.11	200,689.23
Total	<u>264,945,968.03</u>	<u>508,675,368.55</u>

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

(2) Notes receivable have pledged by the Group as of 30 June 2021

Items	Pledged amount
Commercial acceptance bills	<u>12,260,628.29</u>
Total	<u>12,260,628.29</u>

(3) Bills receivable have endorsed or discounted and have not matured as of 30 June 2021

Items	Termination confirmation amount	The confirmed amount is not terminated
Commercial acceptance bills	-	<u>7,227,353.74</u>
Total	-	<u>7,227,353.74</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

4. Notes receivable (continued)

- (4) The amount of notes receivable is transferred to account receivable because the drawer has failed to perform his contracts as of 30 June 2021

Items	The amount to account receivable
Commercial acceptance bills	<u>2,806,764.01</u>
Total	<u><u>2,806,764.01</u></u>

- (5) Classified by bad debt provision method

Items	30 June 2021				Carrying amount
	Book Balance	Provision for bad debts			
	Amount	Proportion (%)	Amount	Proportion of bad debt provision (%)	
Provision for bad debts by portfolio	265,054,584.14	100.00	108,616.11	0.04	264,945,968.03
Including: bank acceptance bill	214,231,120.48	80.83	-	-	214,231,120.48
General customer commercial acceptance bill	50,823,463.66	19.17	108,616.11	0.21	50,714,847.55
Total	<u>265,054,584.14</u>	<u>100.00</u>	<u>108,616.11</u>	<u>0.04</u>	<u>264,945,968.03</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

4. Notes receivable (continued)

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

Items	31 Dec 2020				
	Book Balance		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of bad debt provision (%)	
Provision for bad debts by portfolio	508,876,057.78	100.00	200,689.23	0.04	508,675,368.55
Including: bank acceptance bill	453,963,197.36	89.21	-	-	453,963,197.36
General customer commercial acceptance bill	54,912,860.42	10.79	200,689.23	0.37	54,712,171.19
Total	508,876,057.78	100.00	200,689.23	0.04	508,675,368.55

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

4. Notes receivable (continued)

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

Items	31 Dec 2020	Change amount for the current period		30 June 2021
		Loans issued and advances reclassified to notes receivable	Reclassification to bad debt provision of accounts receivable	
Provision for bad debts of notes receivable	200,689.23	(92,073.12)	-	108,616.11
Total	200,689.23	(92,073.12)	-	108,616.11

(7) The Group has no notes receivable actually written off during this period.

5. Accounts receivable

Items	30 June 2021	31 Dec 2020
Accounts receivable	3,485,391,729.27	3,084,197,831.23
Less: provision for bad debts	543,439,456.85	460,424,838.37
Carrying amount	2,941,952,272.42	2,623,772,992.86

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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

5. Accounts receivable (continued)

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

Classification	30 June 2021			
	Book balance	percentage (%)	Provision for bad debts	Carrying amount
Provision for bad debts is recognized separately	172,046,205.79	98.81	170,003,461.17	2,042,744.62
Provision for bad debts is recognized by group	3,313,345,523.48	11.27	373,435,995.68	2,939,909,527.80
Including: Related parties	199,935,905.58	-	-	199,935,905.58
Retention money of warranty	60,410,393.98	-	-	60,410,393.98
Customers with good credit	282,537,779.79	-	-	282,537,779.79
General customers	2,770,461,444.13	13.48	373,435,995.68	2,397,025,448.45
Including: Within 1 year	1,712,980,425.62	1.00	17,074,204.71	1,695,906,220.91
1-2 years	380,304,311.02	4.08	15,516,271.26	364,788,039.76
2-3 years	253,297,525.65	13.72	34,750,664.64	218,546,861.01
3-4 years	184,753,910.89	49.73	91,881,146.42	92,872,764.47
4-5 years	99,673,012.42	75.01	74,761,450.12	24,911,562.30
Over 5 years	139,452,258.53	100.00	139,452,258.53	-
Total	<u>3,485,391,729.27</u>	<u>15.59</u>	<u>543,439,456.85</u>	<u>2,941,952,272.42</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

5. Accounts receivable (continued)

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

Classification	31 Dec 2020			
	Book balance	percentage (%)	Provision for bad debts	Carrying amount
Provision for bad debts is recognized separately	155,109,411.99	99.99	155,104,675.12	4,736.87
Provision for bad debts is recognized by group	2,929,088,419.24	10.42	305,320,163.25	2,623,768,255.99
Including: Related parties	164,339,017.65	-	-	164,339,017.65
Retention money of warranty	69,040,142.68	-	-	69,040,142.68
General customers	266,844,151.97	-	-	266,844,151.97
Customers with good credit	2,428,865,106.94	12.57	305,320,163.25	2,123,544,943.69
Including: Within 1 year	1,539,922,473.92	1.84	28,331,246.78	1,511,591,227.14
1-2 years	278,952,325.56	5.40	15,056,154.69	263,896,170.87
2-3 years	334,157,032.59	17.07	57,025,474.94	277,131,557.65
3-4 years	121,974,495.82	47.89	58,411,473.58	63,563,022.24
4-5 years	30,329,210.05	75.72	22,966,244.26	7,362,965.79
Over 5 years	123,529,569.00	100.00	123,529,569.00	-
Total	<u>3,084,197,831.23</u>	<u>14.93</u>	<u>460,424,838.37</u>	<u>2,623,772,992.86</u>

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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

5. Accounts receivable (continued)

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

Name	30 June 2021			Reason
	Book Balance	Provision for bad debts	Excepted credit loss rate (%)	
Credit Transfer of Chongqing Jiangbei Machinery Co., Ltd.	22,508,923.15	22,508,923.15	100.00	Not expected to be recoverable
DEC DongFeng Electric Machinery Co., LTD	11,151,012.11	11,150,019.24	99.99	Not expected to be fully recoverable
Chongqing Huahao Smelting Co., Ltd. – Debt Transfer	9,413,799.49	9,413,799.49	100.00	Not expected to be recoverable
Chengdu Mingran Intelligent Technology Co., Ltd	8,161,622.21	6,354,979.61	77.86	Not expected to be fully recoverable
Italy QUART Hydroelectric Station	6,775,437.93	6,775,437.93	100.00	Not expected to be recoverable
Shanghai Zhongtong Air Conditioning Refrigeration Equipment Company	4,652,004.71	4,652,004.71	100.00	Not expected to be recoverable
Shenwu Technology Group Corp	3,780,000.00	3,780,000.00	100.00	Not expected to be recoverable
Morgan Technologies	3,635,346.55	3,635,346.55	100.00	Not expected to be recoverable
Chongqing Quanhai Machinery Co., Ltd.	2,941,756.50	2,941,756.50	100.00	Not expected to be recoverable
Shanxi Tianfu Gas Co., Ltd.	2,820,000.00	2,820,000.00	100.00	Not expected to be recoverable
Shanxi Compressed Natural Gas Group Jinzhong Co., Ltd.	2,738,600.00	2,738,600.00	100.00	Not expected to be recoverable
Podikosi hydropower station in Nepal (repair of turbine and generator equipment)	2,653,408.39	2,653,408.39	100.00	Not expected to be recoverable
China Power Engineering Co., Ltd. (mekin hydropower station in Cameroon)	1,885,000.00	1,885,000.00	100.00	Not expected to be recoverable
Jiangsu Xinzhong Environmental Protection Co., Ltd.	1,729,838.10	1,729,838.10	100.00	Not expected to be recoverable
Luoyang Hongxin Gas Co., Ltd	1,665,000.00	1,665,000.00	100.00	Not expected to be recoverable
Boai Yida new energy Co., Ltd	1,520,000.00	1,520,000.00	100.00	Not expected to be recoverable
Tianjin Binhai Dragon Gas Co., Ltd.	1,478,000.00	1,478,000.00	100.00	Not expected to be recoverable

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

5. Accounts receivable (continued)

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

Name	30 June 2021			Reason
	Book Balance	Provision for bad debts	Excepted credit loss rate (%)	
Chongqing Bishan Shunshan Machinery Co., Ltd.	1,475,644.38	1,475,644.38	100.00	Not expected to be recoverable
Indonesia WAMPU Hydroelectric station	1,458,000.00	1,458,000.00	100.00	Not expected to be recoverable
Xinjiang Tianfu Tianyuan Gas Co., Ltd.	1,214,327.20	1,214,327.20	100.00	Not expected to be recoverable
Chongqing Weihao Gear Co., Ltd.	1,187,686.75	1,187,686.75	100.00	Not expected to be recoverable
Kangda Environmental Protection (Shangqiu) Water Service Co., Ltd.	1,117,800.00	1,117,800.00	100.00	Not expected to be recoverable
Panjin Depth Petroleum Technology Co., Ltd	1,060,000.00	1,060,000.00	100.00	Not expected to be recoverable
Shandong Ruituo Qiutuan Engineering Technology Co., Ltd.	1,058,000.00	1,058,000.00	100.00	Not expected to be recoverable
Chongqing Yunhe Hydropower Inc.	1,021,426.43	1,021,426.43	100.00	Not expected to be recoverable
Shandong Fengxin Petroleum Equipment Co., Ltd.	1,016,000.00	1,016,000.00	100.00	Not expected to be recoverable
Shandong Quanlin Straw Comprehensive Utilization Co., Ltd.	1,000,928.00	1,000,928.00	100.00	Not expected to be recoverable
Other customers	70,926,643.89	70,691,534.74	99.67	Not expected to be fully recoverable
Total	172,046,205.79	170,003,461.17	98.81	

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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

5. Accounts receivable (continued)

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

Aging	30 June 2021		
	Book Balance	Provision for bad debts	Percentage (%)
Within 1 year	1,925,991,229.28	23,691,098.04	1.23
1-2 years	513,873,336.06	16,191,815.87	3.15
2-3 years	337,063,524.11	41,277,331.89	12.25
3-4 years	286,951,709.80	105,841,769.24	36.88
4-5 years	115,029,428.43	75,750,386.75	65.85
Over 5 years	306,482,501.59	280,687,055.06	91.58
Total	<u>3,485,391,729.27</u>	<u>543,439,456.85</u>	<u>15.59</u>

(Continued)

Aging	31 Dec 2020		
	Book Balance	Provision for bad debts	percentage (%)
Within 1 year	1,795,788,086.39	30,250,090.49	1.68
1-2 years	384,604,704.15	15,425,895.42	4.01
2-3 years	439,927,162.23	63,087,056.60	14.34
3-4 years	148,973,919.47	71,884,238.54	48.25
4-5 years	51,225,725.52	31,354,099.28	61.21
Over 5 years	263,678,233.47	248,423,458.04	94.21
Total	<u>3,084,197,831.23</u>	<u>460,424,838.37</u>	<u>14.93</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

5. Accounts receivable (continued)

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

Items	31-Dec-20	Accrued	Change amount for the current period			30 June 2021
			Transferred back or collected	Transferred from Notes receivable on maturity	Transferred on collection	
Provision for bad debts of account receivable	460,424,838.37	84,705,868.32	-	-	207,930.49	543,439,456.85
Total	<u>460,424,838.37</u>	<u>84,705,868.32</u>	<u>-</u>	<u>-</u>	<u>207,930.49</u>	<u>543,439,456.85</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

5. Accounts receivable (continued)

(5) Account receivable is actually written off during this period

Name	Nature	Amount	Reasons	Procedure
Hubei Gucheng Hengjie friction material Co., Ltd	Sales	64,692.70	Irrecoverable	Board of Directors
Shandong Dawang Petroleum Equipment Co., Ltd	Sales	41,750.72	Irrecoverable	Insolvency liquidation
Chengdu Kaiyuan Trading Co., Ltd	Sales	28,539.87	Irrecoverable	Board of Directors
Hubei Sanhuan axle Co., Ltd	Sales	22,369.40	Irrecoverable	Board of Directors
Hubei Third Ring Road Hanyang Special Automobile Co., Ltd	Sales	19,968.14	Irrecoverable	Board of Directors
Zhejiang Geely Auto Research Institute Co., Ltd	Sales	10,785.01	Irrecoverable	Board of Directors
Other customers	Sales	<u>19,824.65</u>	Irrecoverable	Board of Directors
Total		<u>207,930.49</u>		

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

5. Accounts receivable (continued)

(6) No account receivable 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.

(8) Top five debtors of account receivable as of 30 June 2021:

Name of debtors	30 June 2021	Aging	Proportion in total accounts receivable	provision for bad debts	No settlement reason
Longhai Group Ltd.	108,475,606.24	1-2 years, 2-3years, 3-4years	3.11	14,218,989.79	According to the performance contract, it has not been settled
State Grid E-Commerce Technology Co., Ltd	97,355,884.60	Within one year	2.79	-	Monthly Settlement Applied
Beijing Wanyuan Industry Co., Ltd.	88,998,962.40	1-2 years, 2-3years, 3-4years	2.55	69,478,955.35	According to the performance contract, it has not been settled
Shanghai electric wind power Rudong Co., Ltd	84,445,499.94	Within one year	2.42	1,688,910.00	According to the performance contract, it has not been settled
Shandong CRRC Wind Power Co., Ltd	63,988,520.38	Within one year	1.84	1,279,770.41	According to the performance contract, it has not been settled
Total	<u>443,264,473.56</u>		<u>12.72</u>	<u>86,666,625.55</u>	

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**6. Receivable financing****(1) Classification of receivables financing**

Items	30 June 2021	31 Dec 2020
Bank acceptance bill	549,148,503.07	977,468,569.47
Total	549,148,503.07	977,468,569.47

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 on 30 June 2021 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. on 30 June 2021, 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 2021:

Items	Amount pledged
Bank acceptance bill	54,802,478.60
Total	54,802,478.60

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

6. Receivable financing (continued)

(3) Notes receivable that have been endorsed or discounted by the Group and have not expired on 30 June 2021:

Items	Termination confirmation amount	The confirmed amount is not terminated
Bank acceptance bill	880,218,347.61	-
Total	880,218,347.61	-

Note: On 30 June 2021, the group endorsed receivable financing of RMB880,218,347.61 yuan 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 receivable financing had been substantially transferred, so the group completely terminated the recognition of receivable financing and the amount due to the supplier. The group's continued involvement in the unexpired receivable financing 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 receivable financing endorsed by the group to the supplier, which is RMB880,218,347.61 yuan on 30 June 2021.

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**7. Prepayments****(1) Aging analysis**

Items	30 June 2021	31 Dec 2020
Within 1 year	164,193,911.30	176,279,056.50
1-2 years	43,150,028.87	13,567,564.84
2-3 years	7,743,450.13	12,954,168.76
More than 3 years	20,455,689.61	16,087,299.27
Total	235,543,079.91	218,888,089.37
Less: provision for diminution in value	—	—
Net value	<u>235,543,079.91</u>	<u>218,888,089.37</u>

Note: On 30 June 2021, the Group's prepaid accounts with an age of more than one year were RMB71,349,168.61 (The beginning of the year: RMB42,609,032.87), which were mainly prepayments for materials, because the delivery cycle was long and the materials had not arrived.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

7. Prepayments (continued)

(2) The major prepayments aged over 1 year as of 30 June 2021

Name of debtors	30 June 2021	Aging	No settlement reason	Percentage (%)
Jiangyin Huaxi Energy Saving Technology Co., Ltd. (Nuclear Power)	4,312,000.00	1-2 years	Commodity not received	1.83
Kahara Vaco Container Company, Ltd	3,107,488.95	1-2 years	Commodity not received	1.32
Chongqing Lingji Technology Co., Ltd	2,812,285.52	1-2 years	Commodity not received	1.19
Hong Kong Radio & Television International Trading Company Limited	2,722,354.20	1-2 years	Commodity not received	1.16
Fanaco International Trade (Tianjin) Co., Ltd	2,660,742.17	1-2 years	Commodity not received	1.13
Total	<u>15,614,870.84</u>			<u>6.63</u>

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

7. Prepayments (continued)

(3) The top five prepayments collected by prepayment target as of 30 June 2021

Name of debtors	30 June 2021	Aging	No settlement reason	Percentage (%)
Siemens (China) Company Limited	7,126,125.63	Within 1 year	Not settled	3.03
Wuhan Heavy Duty Machine Tool Group Co., Ltd	5,422,470.00	Within 1 year	Commodity not received	2.30
Siemens International Trade (Shanghai) Co., Ltd	4,826,041.32	Within 1 year	Not settled	2.05
Xiamen chuang Energy Technology Co., Ltd	4,680,570.32	Within 1 year	Commodity not received	1.99
China Copper International Trade Group Co., Ltd	4,658,579.80	1-2 years	Not settled	1.98
Total	<u>26,713,787.07</u>			<u>11.35</u>

(4) No provision for bad debts that are accrued, transferred back or collected during this period.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

8. Other receivables

Items	30 June 2021	31 Dec 2020
Dividend receivable	401,404,419.27	482,280,138.64
Other receivables	917,168,340.46	874,289,070.02
Total	1,318,572,759.73	1,356,569,208.66
Less: provision for bad debts	256,385,544.88	257,596,996.53
Net value	1,062,187,214.85	1,098,972,212.13

8.1 Dividend receivable

(1) The classification of dividend receivable

Investees	30 June 2021	31 Dec 2020
Chongqing Cummins Engine Co., Ltd	398,731,495.19	480,342,682.26
Chongqing Hongyan Fangda Automotive Suspension Co., Ltd.	1,937,456.38	1,937,456.38
Grip Advanced Materials CO., LTD.	735,467.70	–
Total	401,404,419.27	482,280,138.64

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

8. Other receivables *(continued)*

8.1 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	Over 5 years	No payment	No impairment occurred and the enterprise operate normally
Chongqing Cummins Engine Co., Ltd.	247,167,862.06	1-2 years 2-3 years 3-4 years	The payment shall be made according to the resolution of the board of directors	No impairment occurred and the enterprise operate normally
Total	<u>249,105,318.44</u>			

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

8. Other receivables (continued)

8.2 Other receivables

(1) Other receivables are classified by the nature of the amount listed below:

Nature	30 June 2021	31 Dec 2020
Deposit receivable	78,923,870.41	45,253,528.91
Imprest fund	13,139,518.56	7,216,829.34
Large group receivable	25,702,485.23	29,536,309.67
Collection and payment on agency basis	205,612,135.81	205,921,768.78
Advance payments to third party companies	16,714,753.36	16,454,525.57
The related companies of other receivable	129,950,788.16	133,561,318.72
Borrowing and interest	88,531,658.42	88,531,658.42
Land disposal receivable	242,201,087.14	242,604,419.21
Prepayment for house purchase	12,622,437.20	12,622,437.20
Housing repair fund	33,648,549.56	33,492,497.05
Others	70,121,056.61	59,093,777.15
Total	917,168,340.46	874,289,070.02
Less: provision for bad debts	256,385,544.88	257,596,996.53
Net value	660,782,795.58	616,692,073.49

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

8. Other receivables (continued)

8.2 Other receivables (continued)

(2) Bad Debt provision

Bad Debt provision	The First Stage	The Second Stage	The Third Stage	Total
	Expected credit loss within 12 months	Expected credit loss within the entire duration (No credit impairment has occurred)	Expected credit loss within the entire duration (Credit impairment has occurred)	
Balance on 1 Jan 2021	2,182,353.44	1,423,919.03	253,990,724.06	257,596,996.53
The book balance of other receivables on 1 January 2021 is in this period	-	-	-	-
converts into the second stage	(2,141,749.75)	28,600.00	2,113,149.75	-
converts into the third stage	-	(1,174.00)	1,174.00	-
converts back to the second stage	-	-	-	-
converts back to the first stage	72,276.00	-	(72,276.00)	-
Accrued	-	-	5,800.00	5,800.00
Collected	-	-	372,251.65	372,251.65
Transferred back	-	-	-	-
write off	-	-	845,000.00	845,000.00
Other changes	-	-	-	-
Balance on 30 June 2021	112,879.69	1,451,345.03	254,821,320.16	256,385,544.88

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

8. Other receivables (continued)

8.2 Other receivables (continued)

(3) Aging analysis

Aging	30 June 2021	31 Dec 2021
Within one year	156,382,160.88	478,691,827.09
1-2 years	399,229,795.26	209,598,440.61
2-3 years	192,178,186.25	7,204,932.86
3-4 years	7,096,816.25	78,114,455.45
4-5 years	67,289,885.81	38,318,032.64
Over 5 years	94,991,496.01	62,361,381.37
Total	917,168,340.46	874,289,070.02
Less: provision of bad debt	256,385,544.88	257,596,996.53
Net value	660,782,795.58	616,692,073.49

Notes: the aging is calculated from the confirmation date of other receivables.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

8. Other receivables (continued)

8.2 Other receivables (continued)

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

Items	31 Dec 2020	Change amount for the current period			30 June 2021
		accrued	collected or transferred back	write off	
Provision for bad debts of other receivable	257,596,996.53	5,800.00	372,251.65	845,000.00	256,385,544.88
Total	257,596,996.53	5,800.00	372,251.65	845,000.00	256,385,544.88

(5) Receivable actually written off during this period

Name	Nature	Amount	Reasons	Procedure	If Related Party Transaction
Xiao Qinglu	Expenses Borrowing	845,000.00	Expected irrecoverable	Board of Director	No
Total		845,000.00			

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

8. Other receivables *(continued)*

8.2 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	287,967,948.69	1-2 years, 2-3 years	31.40	172,780,769.22
Chongqing Mindray Urban Construction Investment Co., Ltd.	Land disposal fund	107,281,090.17	1-2 years, 2-3 years	11.70	-
Chongqing Jiangbei Machinery Co., Ltd.	Affiliate payments	61,213,147.59	1-2 years	6.67	31,213,147.59
Chongqing Shenjian Automotive Transmission Co., Ltd.	Affiliate payments	33,150,000.00	4-5 years	3.61	10,293,923.37
Chongqing Jintang Industrial Construction Investment Co., Ltd	Land disposal fund	31,034,072.01	1-2 years	3.38	-
Total		<u>520,646,258.46</u>		<u>56.77</u>	<u>214,287,840.18</u>

(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.

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

9. Inventory

(1) Classification of inventory

Items	30 June 2021		
	Book balance	Provision for impairment	Carrying amount
Raw materials	478,222,155.68	34,055,149.23	444,167,006.45
Work in progress	718,502,834.84	54,531,257.98	663,971,576.86
Finished goods	944,481,308.01	63,564,472.42	880,916,835.59
Revolving materials	3,775,338.01	647,758.91	3,127,579.10
Consigned processing materials	77,785,103.79	–	77,785,103.79
Goods in transit	179,498,581.70	–	179,498,581.70
Contract Performance Cost	22,007,849.06	–	22,007,849.06
Total	<u>2,424,273,171.09</u>	<u>152,798,638.54</u>	<u>2,271,474,532.55</u>

Note: the amortization amount of contract performance cost during this period is 40,124,050.03 yuan.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

9. Inventory (continued)

(1) Classification of inventory (continued)

Items	31 Dec 2020		
	Book balance	Provision for impairment	Carrying amount
Raw materials	392,489,719.39	35,275,773.63	357,213,945.76
Work in progress	685,577,943.80	55,721,002.98	629,856,940.82
Finished goods	1,271,293,272.07	63,862,074.96	1,207,431,197.11
Revolving materials	9,254,569.96	600,431.18	8,654,138.78
Consigned processing materials	78,079,020.59	–	78,079,020.59
Goods in transit	9,948,620.76	–	9,948,620.76
Contract Performance Cost	1,535,290.72	–	1,535,290.72
Total	<u>2,448,178,437.29</u>	<u>155,459,282.75</u>	<u>2,292,719,154.54</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

9. Inventory (continued)

(2) Provision of impairment that are accrued, collected or transferred back during this period:

Items	31 Dec 2020	Increase		Decrease		30 June 2021
		Accrued	Other	Collected or Transferred Back	Other transfer	
Raw materials	35,275,773.64	(205,253.62)	-	-	1,015,370.78	34,055,149.24
Work in progress	55,721,002.98	257,675.88	-	-	1,447,420.88	54,531,257.98
Finished goods	63,862,074.95	2,347,329.55	-	-	2,644,932.09	63,564,472.41
Revolving materials	600,431.18	47,327.73	-	-	-	647,758.91
Total	155,459,282.75	2,447,079.54	-	-	5,107,723.75	152,798,638.54

(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 raw materials that have made the inventory falling price preparation in the previous year will be sold in this period, and the falling price preparation will be reversed.
Work in progress	The balance between the net realize value and the book value of raw materials	The raw materials that have made the inventory falling price preparation in the previous year will be sold in this period, and the falling price preparation will be reversed.
Finished goods	The balance between the net realize value and the book value of finished good	The raw materials that have made the inventory falling price preparation in the previous year will be sold in this period, and the falling price preparation will be reversed.

(4) Capitalization of borrowing costs is not included in the Group's inventory on 30 June 2021.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

10. Contractual assets

(1) The situation of contractual assets

Items	30 June 2021		
	Book balance	Provision for impairment	Carrying amount
Contract assets related to construction contracts	4,600,609.43	–	4,600,609.43
Contract assets formed by general business	348,727,923.98	46,231,482.59	302,496,441.39
Total	353,328,533.41	46,231,482.59	307,097,050.82

Note: The management of the Group expects that the contract assets mentioned above will be fulfilled within one year on 30 June 2021.

Items	31 Dec 2020		
	Book balance	Provision for impairment	Carrying amount
Contract assets related to construction contracts	9,917,680.85	–	9,917,680.85
Contract assets formed by general business	357,771,849.05	44,439,316.33	313,332,532.72
Total	367,689,529.90	44,439,316.33	323,250,213.57

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**10. 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) Provisions for impairment of contract assets from January-June 2021

Items	31 Dec 2020	Accrued	30 June 2021
Provision for impairment of contract assets	44,439,316.33	1,792,166.26	46,231,482.59
Total	<u>44,439,316.33</u>	<u>1,792,166.26</u>	<u>46,231,482.59</u>

11. Non-current assets due within one year

Item	30 June 2021	31 Dec 2020	Nature
Loans due within one year	17,400,000.00	17,400,000.00	Borrowings from joint ventures
Total	<u>17,400,000.00</u>	<u>17,400,000.00</u>	

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

12. Other current assets

Items	30 June 2021	31 Dec 2020
Guaranteed Fixed-income products	–	10,220,081.97
Unused deductible VAT	52,917,489.54	26,093,406.15
Prepaid tax	1,209,577.54	1,209,631.34
Other items within one year	641,478.28	3,232,641.27
Total	<u>54,768,545.36</u>	<u>40,755,760.73</u>

13. Loans and advances to customers

13.1 Loans and advances to customers aged within one year

Items	30 June 2021	31 Dec 2020
Loans and advances to corporations		
– Loans	904,850,430.00	850,491,665.52
– Discount	96,122,049.10	70,191,690.83
– Accrued interest	1,105,768.37	1,018,892.66
Total	<u>1,002,078,247.47</u>	<u>921,702,249.01</u>
Less: Provision for impairment	<u>25,051,956.19</u>	<u>23,029,637.45</u>
Carrying amount	<u>977,026,291.28</u>	<u>898,672,611.56</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

13. Loans and advances to customers (continued)

13.1 Loans and advances to customers aged within one year (continued)

(1) Industrial-based classification of loans and advances to customer

Industry	30 June 2021	Percentage (%)	31 Dec 2020	Percentage (%)
Manufacturing	<u>1,002,078,247.47</u>	100.00	<u>921,702,249.01</u>	100.00
Total	<u>1,002,078,247.47</u>	100.00	<u>921,702,249.01</u>	100.00

(2) Location-based classification of loans and advances to customer

Area	30 June 2021	Percentage (%)	31 Dec 2020	Percentage (%)
Southwest	<u>1,002,078,247.47</u>	100.00	<u>921,702,249.01</u>	100.00
Total	<u>1,002,078,247.47</u>	100.00	<u>921,702,249.01</u>	100.00

(3) Guarantee type based Classification of loans and advances to customers

Items	30 June 2021	31 Dec 2020
Unsecured loan	<u>168,071,381.44</u>	175,404,236.93
Guaranteed loan	<u>439,274,938.83</u>	369,485,031.92
Collateral loan	<u>394,731,927.20</u>	376,812,980.16
Including: Mortgaged loan	<u>298,609,878.10</u>	306,621,289.33
Pledged loan	<u>96,122,049.10</u>	70,191,690.83
Total	<u>1,002,078,247.47</u>	<u>921,702,249.01</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

13. Loans and advances to customers (continued)

13.1 Loans and advances to customers aged within one year (continued)

(4) As of 30 June 2021, the group has no overdue loans.

(5) Provision of impairment that are accrued, collected or transferred back during this period

Category	31 Dec 2020	Change amount for the current period			30 June 2021
		accrued	collected or transferred back	write off	
Bad debt reserves for loans and advances Issued within one year	23,029,637.45	2,022,318.74	-	-	25,051,956.19
Total	23,029,637.45	2,022,318.74	-	-	25,051,956.19

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

13. Loans and advances to customers *(continued)*

13.2 Loans and advances to customers aged over one year:

Items	30 June 2021	31 Dec 2020
Loans and advances to corporations		
– Loans	18,000,000.00	62,000,000.00
– Interests	22,410.00	77,271.21
Total	18,022,410.00	62,077,271.21
Less: Provision for impairment	450,560.25	1,550,000.00
Carrying amount	<u>17,571,849.75</u>	<u>60,527,271.21</u>

(1) Industrial-based classification of loans and advances to customer

Industry	30 June 2021	Proportion (%)	31 Dec 2020	Proportion (%)
Manufacturing	18,022,410.00	100.00	62,077,271.21	100.00
Total	<u>18,022,410.00</u>	<u>100.00</u>	<u>62,077,271.21</u>	<u>100.00</u>

(2) Location-based classification of loans and advances to customer

Area	30 June 2021	Proportion(%)	31 Dec 2020	Proportion(%)
Southwest	18,022,410.00	100.00	62,077,271.21	100.00
Total	<u>18,022,410.00</u>	<u>100.00</u>	<u>62,077,271.21</u>	<u>100.00</u>

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

13. Loans and advances to customers *(continued)*

13.2 Loans and advances to customers aged over one year: *(continued)*

(3) *Guarantee type based Classification of loans and advances to customers*

Items	30 June 2021	31 Dec 2020
Guaranteed loan	18,022,410.00	62,077,271.21
Total	18,022,410.00	62,077,271.21

(4) *As of 30 June 2021, the group has no overdue loans as at 31 December 2020.*

(5) *Provision of impairment that are accrued, collected or transferred back during this period:*

Category	31 Dec 2020	Change amount for the current period			30 June 2021
		accrued	collected or transferred back	write off	
More than one year Bad debt provision for loans and advances	1,550,000.00	(1,099,439.75)	-	-	450,560.25
Total	1,550,000.00	(1,099,439.75)	-	-	450,560.25

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

14. Long-term receivable

(1) Situation of Long-term Receivable

Items	30 June 2021			31 Dec 2020		
	Book balance	Provision for Impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Long-term receivables from related parties (refer to Note)	87,000,000.00	-	87,000,000.00	95,700,000.00	-	95,700,000.00
Less: long-term receivables due within one year	17,400,000.00	-	17,400,000.00	17,400,000.00	-	17,400,000.00
Total	<u>69,600,000.00</u>	<u>-</u>	<u>69,600,000.00</u>	<u>78,300,000.00</u>	<u>-</u>	<u>78,300,000.00</u>

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

14. 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) No long-term receivables derecognized by the Group during the reporting period due to financial asset transfers.

(4) The Group does not transfer long-term receivables and continue to participate in the formation of assets and liabilities during this period.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

15. Long-term equity investment

Name of investee	Accounting method	Percentage of shareholdings	Voting rights	Cost of investment	Beginning balance	Increase or Decrease in investment	Other increases	Increase or decrease in investment gain or loss recognized under equity method	Cash dividend declared	Decrease	Ending balance
Joint ventures											
CC Cummins	Equity method	50	50	370,189,551.00	382,217,759.01	-	-	131,980,992.14	-	-	514,178,751.15
Subtotal				370,189,551.00	382,217,759.01	-	-	131,980,992.14	-	-	514,178,751.15
Associates											
Chongqing ABB Power Transformer Co., Ltd. (Chongqing ABB ¹)	Equity method	37.8	37.8	236,651,166.00	274,851,168.78	-	-	1,049,979.52	8,632,089.28	-	287,259,098.02
Hongyan (Note 1)	Equity method	44	42.86	51,306,166.00	135,639,834.52	-	-	11,349,013.92	-	-	147,048,648.44
Exedy (Note 1)	Equity method	27	33.33	16,880,157.00	82,037,571.75	-	-	(841,281.68)	789,638.54	-	80,406,651.53
Knorr	Equity method	34	34	44,231,389.00	65,407,252.45	-	-	21,034,523.02	28,560,000.00	-	77,881,780.47
Chongqing Jiangbei Machinery (Note 1)	Equity method	41	20	57,933,989.00	60,765,548.87	-	-	(539,982.91)	-	-	60,225,565.96
Italy WPG (Note 2)	Equity method	49	49	6,058,193.00	-	-	-	-	-	-	-
Chongqing Shenjian Automotive Drive Part Co., Ltd	Equity method	35	35	65,808,049.00	82,337,194.34	-	204,976.09	4,610,105.84	-	-	87,152,276.27
Subtotal				498,869,868.00	721,098,680.71	-	204,976.09	36,662,382.71	37,981,707.82	-	719,984,341.69
Total				869,058,619.00	1,103,316,449.72	-	204,976.09	168,623,374.85	37,981,707.82	-	1,234,163,092.84

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 as of 30 June 2021.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

16. Other equity instruments investment

(1) Investment in other equity instruments

Items	30 June 2021	31 Dec 2020
Cost	52,314,020.88	52,314,020.88
Changes in Fair Value	83,012,035.92	—
Total	<u>135,326,056.80</u>	<u>52,314,020.88</u>

(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 a reason for measuring at fair value and its changes included in other comprehensive income	Reasons for transferring other comprehensive income to retained earnings
Equity investment of Youyan Powder New Materials Co., Ltd.	735,467.70	83,012,035.92	—	—	Held for non-transactional purposes	—

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

17. Investment property

(1) Investment property at cost measurement model

Items	Buildings and land-use rights	Total
I. Book balance		
Balance on 31 Dec 2020	96,668,774.29	96,668,774.29
Increase during this period	138,541,172.53	138,541,172.53
Including: Transfer of fixed assets	138,541,172.53	138,541,172.53
Decrease during this period	—	—
Balance on 30 June 2021	<u>235,209,946.82</u>	<u>235,209,946.82</u>
II. Accumulated depreciation		
Balance on 31 Dec 2020	41,113,360.21	41,113,360.21
Increase during this period	18,691,184.23	18,691,184.23
Including: Accrued or amortized	2,193,042.68	2,193,042.68
Transfer of fixed assets	16,498,141.55	16,498,141.55
Decrease during this period	—	—
Balance on 30 June 2021	<u>59,804,544.44</u>	<u>59,804,544.44</u>
III. Carrying Amount		
1. On 30 June 2021	175,405,402.38	175,405,402.38
2. On 31 Dec 2020	<u>55,555,414.08</u>	<u>55,555,414.08</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

17. Investment property (continued)

- (2) No investment real estate without a property right certificate on 30 June 2021.
- (3) No significant impairment in the group's investment property and no accrued is made for related impairment on 30 June 2021.

18. Property, Plant and Equipment

Items	30 June 2021	31 Dec 2020
PP&E	2,613,174,468.94	2,752,750,048.84
Disposal of PP&E	425,911.79	1,049,743.96
Total	<u>2,613,600,380.73</u>	<u>2,753,799,792.80</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

18. Property, Plant and Equipment (continued)

(1) The Property, plant and equipment

Items	Buildings	Machinery Equipment	Transportation	Office Equipment	Total
I. Book balance	-	-	-	-	-
1. Balance at 31 Dec 2020	2,528,045,293.54	1,457,424,248.61	57,190,191.02	69,129,845.49	4,111,789,578.66
2. Increase	4,016,916.33	57,895,215.31	609,716.93	2,446,131.41	64,967,979.98
(1) Purchase	1,478,831.74	14,811,089.99	514,513.28	604,801.85	17,409,236.86
(2) Transfer from CIP	2,340,841.87	42,996,971.28	95,203.65	1,836,949.97	47,269,966.77
(3) Others	197,242.72	87,154.04	-	4,379.59	288,776.35
3. Decreases	138,575,215.00	24,269,759.36	1,663,893.78	882,420.83	165,391,288.97
(1) Disposal or scrap	34,042.47	22,502,298.06	1,663,893.78	882,420.83	25,082,655.14
(2) Transfer to investment real estate	138,541,172.53	-	-	-	138,541,172.53
(3) Transfer to CIP	-	1,750,219.92	-	-	1,750,219.92
(4) Others (Note)	-	17,241.38	-	-	17,241.38
4. Balance at 30 June 2021	<u>2,393,486,994.87</u>	<u>1,491,049,704.56</u>	<u>56,136,014.17</u>	<u>70,693,556.07</u>	<u>4,011,366,269.67</u>
II. Accumulated depreciation and amortization	-	-	-	-	-
1. Balance at 31 Dec 2020	398,534,176.80	868,709,157.41	42,801,767.34	44,769,020.72	1,354,814,122.27
2. Increase	33,545,531.09	40,823,338.26	1,417,216.83	2,256,311.39	78,042,397.57
(1) Accrue	33,523,400.48	40,428,594.12	1,417,216.83	2,252,373.36	77,621,584.79
(2) others	22,130.61	394,744.14	-	3,938.03	420,812.78
3. Decreases	16,531,162.75	17,611,585.08	1,840,953.87	2,866,738.75	38,850,440.45
(1) Disposal or scrap	33,021.20	16,148,382.10	1,840,953.87	2,866,738.75	20,889,095.92
(2) Transfer to investment real estate	16,498,141.55	-	-	-	16,498,141.55
(3) Transfer to CIP	-	1,463,202.98	-	-	1,463,202.98
(4) Others (Note)	-	-	-	-	-
4. Balance at 30 June 2021	<u>415,548,545.14</u>	<u>891,920,910.59</u>	<u>42,378,030.30</u>	<u>44,158,593.36</u>	<u>1,394,006,079.39</u>
III. Provision for impairment	-	-	-	-	-
1. Balance at 31 Dec 2020	-	4,225,407.55	-	-	4,225,407.55
2. Increase	-	-	-	-	-
(1) Accrue	-	-	-	-	-
3. Decreases	-	39,686.21	-	-	39,686.21
(1) Disposal or scrap	-	39,686.21	-	-	39,686.21
4. Balance at 30 June 2021	<u>-</u>	<u>4,185,721.34</u>	<u>-</u>	<u>-</u>	<u>4,185,721.34</u>
IV. Net carrying amount	-	-	-	-	-
1. Balance on 31 Dec 2020	2,129,511,116.74	584,489,683.65	14,388,423.68	24,360,824.77	2,752,750,048.84
2. Balance on 30 June 2021	<u>1,977,938,449.73</u>	<u>594,943,072.63</u>	<u>13,757,983.87</u>	<u>26,534,962.71</u>	<u>2,613,174,468.94</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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

18. Property, Plant and Equipment (continued)

(2) As of 30 June 2021, the original value of fixed assets that had been fully depreciated and continued to be used was RMB441,700,504.76 yuan.

(3) Temporarily idle property, plant and equipment

Items	Book Balance	Accumulated Depreciation	Provision for impairment	Carrying amount
Machinery equipment	7,255,508.32	3,135,970.97	4,113,432.13	6,105.22
Total	<u>7,255,508.32</u>	<u>3,135,970.97</u>	<u>4,113,432.13</u>	<u>6,105.22</u>

(4) The property, plant and equipment without certificate of title

Items	Carrying amount	Reason
Building	563,658,350.67	In process

(5) Restriction on property, plant and equipment

Please refer to VI.64 for details.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

19. Construction In Progress

(1) The situation of construction in progress:

Items	30 June 2021			31 Dec 2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Xinjiang Cotton Picking Machine Project	78,761,665.85	-	78,761,665.85	78,761,665.85	-	78,761,665.85
Blower laboratory, compressor laboratory, etc.	12,081,484.99	-	12,081,484.99	11,910,683.29	-	11,910,683.29
Water wheel digital workshop construction project	8,446,633.07	-	8,446,633.07	8,366,987.05	-	8,366,987.05
Air pressure relocation and land related projects	5,966,383.33	-	5,966,383.33	5,362,175.33	-	5,362,175.33
Water wheel production equipment and supporting projects	5,552,629.65	-	5,552,629.65	5,324,050.37	-	5,324,050.37
Machine tool construction project	4,917,317.55	-	4,917,317.55	5,203,122.10	-	5,203,122.10
Cafu Bumper project	4,693,805.31	-	4,693,805.31	3,315,929.21	-	3,315,929.21
Casting project	2,557,627.00	2,557,627.00	-	2,557,627.00	2,557,627.00	-
Water pump information construction project	2,544,933.73	-	2,544,933.73	-	-	-
Kafu BOSCH Project	2,530,862.38	-	2,530,862.38	2,115,818.12	-	2,115,818.12
Others	38,320,621.02	-	38,320,621.02	83,763,349.87	-	83,763,349.87
Total	166,373,963.88	2,557,627.00	163,816,336.88	206,681,408.19	2,557,627.00	204,123,781.19

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

19. Construction In Progress (continued)

(2) The changes of significant construction in progress during this period:

Project Name	Budgeted amount	31 Dec 2020	Increase	Decrease		30 June 2021
				Transfer into PP&E	Other Decrease	
Xinjiang Cotton Picking Machine Project	-	78,761,665.85	-	-	-	78,761,665.85
Blower laboratory, compressor laboratory, etc	-	11,910,683.29	170,801.70	-	-	12,081,484.99
Water wheel digital workshop construction project	-	8,366,987.05	79,646.02	-	-	8,446,633.07
Air pressure relocation and land related projects	-	5,362,175.33	852,969.07	248,761.07	-	5,966,383.33
Water wheel production equipment and supporting projects, etc	-	5,324,050.37	1,096,861.18	868,281.90	-	5,552,629.65
Machine tool construction project	-	5,203,122.10	74,208.89	360,013.44	-	4,917,317.55
Cafu Bumper project	-	3,315,929.21	1,377,876.10	-	-	4,693,805.31
Casting project	-	2,557,627.00	-	-	-	2,557,627.00
Water pump information construction project	-	-	2,544,933.73	-	-	2,544,933.73
Kafu BOSCH Project	-	2,115,818.12	415,044.26	-	-	2,530,862.38
Total	-	122,918,058.32	6,612,340.95	1,477,056.41	-	128,053,342.86

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

19. Construction In Progress (continued)

(2) The changes of significant construction in progress during this period: (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
Fubaotian-Xinjiang Cotton Mining Machine Project	-	-	-	-	Self-raised
Blower laboratory, compressor laboratory, etc	-	-	-	-	Self-raised
Water wheel digital workshop construction project	-	-	-	-	Self-raised
Air pressure relocation and land-related projects	-	-	-	-	Self-raised
Water wheel production equipment and supporting projects, etc	-	-	-	-	Loan, self-financing
Machine tool construction project	-	-	-	-	Self-raised
Kafoe Bumper Item	-	-	-	-	Self-raised
Casting and relocation works	-	-	-	-	Self-raised
Water pump informatization construction project	-	-	-	-	Self-raised
Ko BOSCH Project	-	-	-	-	Self-raised

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

20. Right-of-use Assets

Items	Buildings	Machinery equipment	Field	Total
I Book balance				
Book balance of 31 Dec 2020	63,749,141.38	346,268,159.35	241,000.01	410,258,300.74
1. Increase	10,588,817.66	–	143,000.00	10,731,817.66
Including: leased	10,588,817.66	–	143,000.00	10,731,817.66
2. Decrease	–	–	241,000.01	241,000.01
Including: termination of contract	–	–	241,000.01	241,000.01
Book balance of 30 June 2021	<u>74,337,959.04</u>	<u>346,268,159.35</u>	<u>143,000.00</u>	<u>420,749,118.39</u>
II Accumulated depreciation				
Book balance of 31 Dec 2020	36,254,809.79	77,323,692.26	192,833.33	113,771,335.38
1. Increase	14,112,241.03	15,169,917.43	95,833.34	29,377,991.80
Including: Accrued	14,112,241.03	15,169,917.43	95,833.34	29,377,991.80
2. Decrease	–	–	241,000.01	241,000.01
Including: termination of contract	–	–	241,000.01	241,000.01
Balance of 30 June 2021	<u>50,367,050.82</u>	<u>92,493,609.68</u>	<u>47,666.66</u>	<u>142,908,327.17</u>
III. Carrying amount				
1. Carrying amount on 30 June 2021				
	<u>23,970,908.22</u>	<u>253,774,549.66</u>	<u>95,333.34</u>	<u>277,840,791.22</u>
2. Carrying amount on 31 Dec 2020				
	<u>27,494,331.59</u>	<u>268,944,467.09</u>	<u>48,166.68</u>	<u>296,486,965.36</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

21. Intangible Assets

(1) The situation of intangible assets

Items	Land-use rights	Software	Technical know-how	Brand	Customer relationships	Franchise rights	Others	Total
I Gross carrying amount								
1. Balance on 31 Dec 2020	525,509,764.48	34,610,786.08	191,796,240.35	12,402,858.11	54,222,040.87	261,826.00	8,746,277.03	827,549,792.92
2. Increases	-	10,981,659.64	-	-	-	-	-	10,981,659.64
(1) Purchase	-	4,515,705.91	-	-	-	-	-	4,515,705.91
(2) Transfer from CIP	-	913,642.34	-	-	-	-	-	913,642.34
(3) Transfer of development expenditure	-	5,552,311.39	-	-	-	-	-	5,552,311.39
3. Decrease	-	-	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-	-	-
(2) Others	-	-	-	-	-	-	-	-
4. Balance on 30 June 2021	<u>525,509,764.48</u>	<u>45,592,445.72</u>	<u>191,796,240.35</u>	<u>12,402,858.11</u>	<u>54,222,040.87</u>	<u>261,826.00</u>	<u>8,746,277.03</u>	<u>838,531,452.56</u>
II Accumulated amortization								
1. Balance on 31 Dec 2020	92,845,900.64	19,967,321.21	68,006,331.55	494,650.03	49,175,534.89	40,001.20	6,705,240.08	237,234,979.80
2. Increase	5,598,577.38	2,313,905.35	14,263,069.43	-	2,726,563.04	43,638.00	105,452.16	25,051,205.36
(1) Amortization	5,598,577.38	2,313,905.35	14,263,069.43	-	2,726,563.04	43,638.00	105,452.16	25,051,205.36
(2) others	-	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	2,893,679.86	-	-	2,893,679.86

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

21. 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
(1) Disposal	-	-	-	-	-	-	-	-
(2) Others	-	-	-	-	2,893,679.86	-	-	2,893,679.86
4. Balance on 30 June 2021	<u>98,323,599.22</u>	<u>22,281,226.56</u>	<u>82,269,400.98</u>	<u>494,650.03</u>	<u>49,008,418.07</u>	<u>83,639.20</u>	<u>6,810,692.24</u>	<u>259,392,505.30</u>
III Provision for impairment								
1. Beginning balance	-	-	-	-	-	-	-	-
2. Increase	-	-	-	-	-	-	-	-
(1) Increase	-	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-	-	-
4. Balance on 30 June 2021	-	-	-	-	-	-	-	-
IV Net carrying amount								
1. Balance on 30 June 2021	<u>427,186,165.26</u>	<u>23,311,219.16</u>	<u>109,526,839.37</u>	<u>11,908,208.08</u>	<u>5,213,622.80</u>	<u>178,186.80</u>	<u>1,935,584.79</u>	<u>579,138,947.26</u>
2. Balance on 31 Dec 2020	<u>432,663,663.64</u>	<u>14,643,464.87</u>	<u>123,789,908.80</u>	<u>11,908,208.08</u>	<u>5,046,505.98</u>	<u>221,824.80</u>	<u>2,041,036.95</u>	<u>590,314,813.12</u>

Note: The restriction on intangible assets is detailed in VI.64.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

21. Intangible Assets (continued)

(2) The Group has no land-use rights without a property right certificate on 30 June 2021.

22. Development expenditure

Items	31 Dec 2020	Increase		Decrease		30 June 2021
		Internal development expenditure	Other	Transfer into intangible assets	Recognized in profit or loss	
Agricultural Machinery Project: Southwest University Technology Development Project	193,686.45	-	-	-	193,686.45	-
Intelligent manufacturing technology platform introduces innovative projects	5,552,311.39	-	-	5,552,311.39	-	-
Digital construction project of Enabling center	52,641.51	-	-	-	52,641.51	-
Big data operation and maintenance R&D project	507,313.09	-	-	-	507,313.09	-
Construction of the workshop Internet manufacturing system based on the cloud platform	-	402,080.18	-	-	-	402,080.18
Total	6,305,952.44	402,080.18	-	5,552,311.39	753,641.05	402,080.18

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

23. Goodwill

(1) Original value of goodwill

Name of investee	31 Dec 2020	Increase	Decrease	30 June 2021
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	-	-	-	-
Net value of goodwill	143,312,435.00	-	-	143,312,435.00

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.

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

23. 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 2021	31 Dec 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
Total	143,312,435.00	143,312,435.00

During the goodwill impairment test, the Group compares the book value of the relevant assets or asset group portfolio (including goodwill) with the 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 goodwill contribution remained unchanged from January to June 2021.

The recoverable amount of the asset group and asset group portfolio is based on a five-year budget approved by management, then estimated based on a fixed growth rate (described in the following table) and calculated by cash flow forecasting.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

23. Goodwill (continued)

(2) Impairment (continued)

Major assumptions for discounted cash flow method:

Items	PTG six entities
Growth rate	0%
Gross profit rate	40.95%-54.71%
Discount rate	9.90%

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%-10% 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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

24. Long-term deferred expenses

Items	31 Dec 2020	Increase	Amortization	Other decrease	30 June 2021
Improvement of leased PP&E	195,598.30	-	195,598.30	-	-
Mold	159,002,397.92	198,685.35	19,225,995.10	11,296,813.79	128,678,274.38
Others	<u>3,343,865.71</u>	<u>2,266,293.79</u>	<u>1,510,185.08</u>	-	4,099,974.42
Total	162,541,861.93	2,464,979.14	20,931,778.48	11,296,813.79	132,778,248.80
Decrease: Provision for impairment	-	-	-	-	-
Net Carrying Amount	<u>162,541,861.93</u>	<u>2,464,979.14</u>	<u>20,931,778.48</u>	<u>11,296,813.79</u>	<u>132,778,248.80</u>

Notes: Other decrease in mold is reclassified into contract performance costs.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

25. Deferred tax assets and deferred tax liabilities

(1) Deferred income tax assets and liabilities without set-off:

Items	30 June 2021	
	Deductible temporary differences (Deductible tax losses)	Deferred tax assets (Deferred tax liabilities)
I Deferred tax assets	<u>795,004,924.95</u>	<u>121,669,276.00</u>
Provision for impairment	489,593,202.67	73,483,992.07
Deductible tax loss	219,113,809.53	34,631,425.66
Deferred revenue	46,895,805.05	7,631,060.06
Retirement and termination benefit	4,308,579.95	646,286.99
Accrued expenses	34,880,589.56	5,244,570.49
Others	212,938.19	31,940.73
II Deferred tax liabilities	<u>579,749,325.95</u>	<u>113,709,313.86</u>
Temporary tax free income	189,733,587.71	28,460,038.16
Appreciation of assets valuation	53,826,273.33	11,420,761.00
One-time deduction of land use right before tax	226,259,513.71	49,037,818.43
One-off deduction of book value of machinery and equipment before tax	23,866,515.28	3,579,977.29
Changes in the fair value of the cash flow hedging	3,051,400.00	457,710.00
Changes in the fair value of the investment of other equity instruments	83,012,035.92	20,753,008.98

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

25. Deferred tax assets and deferred tax liabilities (continued)

(1) Deferred income tax assets and liabilities without set-off: (continued)

Items	31 Dec 2020	
	Deductible temporary differences (Deductible tax losses)	Deferred tax assets (Deferred tax liabilities)
I Deferred tax assets	<u>764,650,886.83</u>	<u>117,185,785.25</u>
Provision for impairment	466,252,445.86	70,057,870.14
Deductible tax loss	219,113,809.53	34,631,425.66
Deferred revenue	48,723,554.46	7,912,178.18
Retirement and termination benefit	4,379,579.95	656,936.99
Accrued expenses	25,885,735.35	3,882,860.31
Others	295,761.68	44,513.97
II Deferred tax liabilities	<u>516,805,921.18</u>	<u>101,553,480.94</u>
Temporary tax free income	189,733,587.71	28,460,038.16
Appreciation of assets valuation	56,472,353.12	12,117,291.74
One-time deduction of land use right before tax	246,165,427.89	57,310,968.17
One-off deduction of book value of machinery and equipment before tax	17,727,052.46	2,659,057.87
Changes in the fair value of the cash flow hedging	6,707,500.00	1,006,125.00

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

25. Deferred tax assets and deferred tax liabilities (continued)

(2) Unrecognized deferred tax assets

Items	30 June 2021	31 Dec 2020
Deductible temporary differences	555,119,163.47	487,368,240.01
Deductible tax losses	1,853,796,043.50	1,963,947,965.79
Total	2,408,915,206.97	2,451,316,205.80

(3) Deductible tax losses unrecognized in deferred tax assets will be expired in the following years

Year	30 June 2021	31 Dec 2020
2021	-	1,797,138.70
2022	-	1,046,363.34
2023	48,953,033.89	98,093,850.14
2024	38,613,454.83	105,292,796.71
2025	64,424,689.75	260,946,066.48
2026	93,350,109.17	86,638,807.10
2027	317,305,020.46	347,457,818.42
2028	299,748,545.79	277,734,449.59
2029	353,540,625.19	462,757,304.26
2030	438,839,971.55	322,183,371.05
2031	199,020,592.87	-
Total	1,853,796,043.50	1,963,947,965.79

Note: The cumulative loss of PTG Group has no due date, so the above data does not include the cumulative loss of RMB195,301,319.10 of PTG Group unidentified deferred income tax assets on June 30, 2021 (the cumulative loss of RMB158,575,428.81 on 31 December 2020).

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

26. Other non-current assets

Items	30 June 2021	31 Dec 2020
Prepaid equipment and engineering	13,267,615.76	12,542,904.21
Prepaid mold	–	2,171,620.00
Contract performance costs	12,868,837.00	33,996,963.15
Debt housing	17,823,313.17	20,251,469.47
Contract assets formed by construction contracts	213,442,999.87	196,994,792.90
Total other non-current assets	257,402,765.80	265,957,749.73
Less: provision for impairment	4,136,890.66	4,136,890.66
Carrying amount of other non-current assets	253,265,875.14	261,820,859.07

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

27. Short-term loans

(1) The category of short-term loans

Category	30 June 2021	31 Dec 2020
Mortgage loans	49,000,000.00	–
Guaranteed loans	27,106,110.00	20,000,000.00
Unsecured loans	520,000,000.00	504,000,000.00
Pledged loans	160,154,803.07	278,265,400.00
Accrued interest	669,198.59	79,991.39
Total	<u>756,930,111.66</u>	<u>802,345,391.39</u>

Note: On 30 June 2021, the annual interest rate of the above borrowings of the Group was 1.6%-4.5675% (31 Dec 2020: 1.2%-4.785%).

(2) At the end of period, there is no overdue short-term loan as at 30 June 2021.

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**28. Due to customers, banks and other financial institutions**

Category	30 June 2021	31 Dec 2020
Current deposit	433,611,256.50	705,712,524.25
Time deposit (including notification deposit)	180,681,700.00	117,200,000.00
Accrued interest	5,079,651.09	3,658,475.03
Total	<u>619,372,607.59</u>	<u>826,570,999.28</u>

29. Notes payable

Items	30 June 2021	31 Dec 2020
Bank acceptance bill	980,276,555.43	905,925,289.07
Commercial acceptance bill	39,824,614.00	109,970,190.06
Total	<u>1,020,101,169.43</u>	<u>1,015,895,479.13</u>

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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

30. Accounts payable

(1) The types of account payable

Items	30 June 2021	31 Dec 2020
Material payable	1,948,857,658.37	1,716,645,655.72
Freight payable	28,861,002.74	30,236,144.71
Equipment payable	9,450,520.79	9,273,525.45
Others	48,897,849.51	29,504,246.56
Total	<u>2,036,067,031.41</u>	<u>1,785,659,572.44</u>

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 2021	31 Dec 2020
Within 1 year	1,203,099,374.68	1,230,532,995.21
1-2 years	372,396,798.92	212,031,740.15
2-3 years	140,120,599.03	155,551,256.63
More than 3 years	320,450,258.78	187,543,580.45
Total	<u>2,036,067,031.41</u>	<u>1,785,659,572.44</u>

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

30. Accounts payable (continued)

(3) Important accounts payable with an age of over 1 year at the end of this period:

Company name	30 June 2021	Unpayment and untransferred reasons
RM Investment Company Pvt. Ltd	60,338,653.98	Civil engineering payment for EPC project has not been paid
Drala Holdings AG	22,317,625.83	Civil engineering payment for EPC project has not been paid
Bazhou Huahaote Electric Power Equipment Co., Ltd.	19,734,560.99	Settlement point not yet reached
Chongqing Zhonghuan Construction Co., Ltd.	16,921,553.87	Settlement point not yet reached
Sichuan Dingxin Construction Engineering Co., Ltd	10,549,999.80	Settlement point not yet reached
Total	<u>129,862,394.47</u>	

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

31. Contract liabilities

(1) The situation of contract liabilities

Items	30 June 2021	31 Dec 2020
Contract liabilities	<u>794,900,439.19</u>	<u>1,250,324,181.63</u>
Total	<u><u>794,900,439.19</u></u>	<u><u>1,250,324,181.63</u></u>

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 2020 that recognized revenue during current period	874,415,672.79
Increased amount due to cash receipt (excluding recognized revenue for the current year)	418,991,930.35

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**32. Employee benefits Payables****(1) Classification of employee benefits payables**

Items	31 Dec 2020	Increase	Decrease	30 June 2021
Short-term employee benefits payable	88,374,409.11	515,412,387.30	511,032,280.46	92,754,515.95
Dimission benefits – set up a defined contribution plan	596,171.68	45,678,616.46	42,546,656.97	3,728,131.17
Dimission welfare	1,107,302.81	919,212.20	1,903,110.12	123,404.89
Others	–	202,628.59	202,628.59	–
Total	<u>90,077,883.60</u>	<u>562,212,844.55</u>	<u>555,684,676.14</u>	<u>96,606,052.01</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2020	Increase	Decrease	30 June 2021
Salaries, bonuses, allowances and subsidies	54,653,381.51	439,460,212.23	434,668,948.26	59,444,645.48
Staff welfare	2,840,386.09	23,820,881.38	23,385,346.78	3,275,920.69
Social insurance	1,604,958.37	27,472,655.96	27,372,422.15	1,705,192.18
Including: Medical insurance	1,606,824.60	25,041,560.43	24,989,743.07	1,658,641.96
Maternity insurance	(1,866.23)	2,431,095.53	2,382,679.08	46,550.22
Housing fund	251,096.28	17,562,367.86	17,001,549.10	811,915.04
Labor union fee and employee education fee	27,754,839.93	6,727,640.23	8,000,346.16	26,482,134.00
Other short-term benefits	<u>1,269,746.93</u>	<u>368,629.64</u>	<u>603,668.01</u>	<u>1,034,708.56</u>
Total	<u>88,374,409.11</u>	<u>515,412,387.30</u>	<u>511,032,280.46</u>	<u>92,754,515.95</u>

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 2020	Increase	Decrease	30 June 2021
Basic endowment insurance	581,465.77	41,324,201.67	39,168,626.52	2,737,040.92
Unemployment insurance	14,705.91	1,262,437.54	1,237,337.42	39,806.03
Enterprise annuity payment	–	2,941,511.31	2,140,693.03	800,818.28
Other setup deposit plans	–	150,465.94	–	150,465.94
Total	596,171.68	45,678,616.46	42,546,656.97	3,728,131.17

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2021	31 Dec 2020
Enterprise income tax	95,410,274.96	105,098,996.36
Value-added tax	64,910,816.94	93,805,107.40
City maintenance and construction tax	1,451,131.43	3,865,925.10
City land use tax	3,388,791.39	3,388,791.39
Real estate tax	6,426,587.93	6,451,398.68
Individual Income Tax	1,383,237.87	5,742,168.18
Others	2,325,497.84	3,780,180.34
Total	175,296,338.36	222,132,567.45

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

34. Other payables

Items	30 June 2021	31 Dec 2020
Dividends payable	37,336,140.30	32,120,215.21
Other payables	389,686,992.44	392,466,542.42
Total	<u>427,023,132.74</u>	<u>424,586,757.63</u>

34.1 Dividends payable

Item	30 June 2021	31 Dec 2020
Common stock dividends	37,336,140.30	32,120,215.21
Total	<u>37,336,140.30</u>	<u>32,120,215.21</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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

(1) Classification of other payables by the nature

Nature of Payables	30 June 2021	31 Dec 2020
Purchase of Engineering equipment	71,443,039.14	83,083,774.51
Payable to related parties	97,661,128.46	74,490,735.44
Payable on behalf of others	21,477,625.98	41,894,415.66
Margin Payable	46,338,283.70	59,062,098.93
Risk funds and Staff payable	49,152,969.62	33,256,449.81
Project funds are payable	7,281,130.00	6,031,130.00
Note pledge and collection	3,966,931.13	1,818,214.14
Maintenance of housing and equipment	2,928,461.95	2,125,975.31
Staff housing fund payable	10,427,576.31	10,398,843.67
Audit fees are payable	567,924.56	1,520,905.66
Transportation fee	3,429,948.03	2,637,711.51
Others	75,011,973.56	76,146,287.78
Total	389,686,992.44	392,466,542.42

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 2021	Reason for unpaid or carried forward
CME Asset Management Co., Ltd	61,532,839.35	Unsettled
CME holding (group) Co., Ltd	18,768,251.65	Unsettled
Shenzhen Gaoxin Investment Guarantee Co., Ltd	9,450,000.00	Unsettled
Tianjin Dewei Coating Chemical Co., Ltd	3,000,000.00	Unsettled
Shanghai Huaxing Xinghe Automobile Sales and Service Co., Ltd	2,300,000.00	Unsettled
Total	95,051,091.00	

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2021	31 Dec 2020
Long-term Loans due within one year	788,600,000.00	502,800,000.00
Lease liabilities due within one year	85,028,641.06	81,985,704.49
Other long-term liabilities due within one year	1,368,810.00	1,492,178.06
Total	<u>874,997,451.06</u>	<u>586,277,882.55</u>

36. Other current liabilities

Item	30 June 2021	31 Dec 2020
Warranty and guarantees for repair, replacement and compensation	—	2,825,190.81
Tax to be reversed	72,032,638.33	87,270,114.34
Total	<u>72,032,638.33</u>	<u>90,095,305.15</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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 2021	31 Dec 2020
Guaranteed loans	236,174,000.00	182,000,000.00
Mortgage loans	14,400,000.00	189,000,000.00
Unsecured loans	1,239,000,000.00	1,237,000,000.00
Total principal	1,489,574,000.00	1,608,000,000.00
Plus: Unrecognized financing costs	(7,224,632.89)	(7,453,425.65)
Total	1,482,349,367.11	1,600,546,574.35

Above loans need be repaid in following period:

Items	30 June 2021	31 Dec 2020
Within 1 year	788,600,000.00	502,800,000.00
1 year after balance sheet date, but no more than 2 years	593,600,000.00	692,000,000.00
2 years after balance sheet date, but no more than 5 years	805,974,000.00	815,000,000.00
5 years after balance sheet date	90,000,000.00	101,000,000.00
Less: Current liabilities due within one year	788,600,000.00	502,800,000.00
Total amount under non-current liabilities	1,489,574,000.00	1,608,000,000.00

Note 1: On 30 June 2021, long-term loan interest rate of the Company is from 1.2% to 4.998% (31 December 2020: 1.20% to 4.998%).

Note 2: See Note VI 64 for the mortgage and pledge loan information of the Group on June 30, 2021.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2021	31 Dec 2020
Buildings	1,303,295.03	4,281,392.84
Mechanical equipment	—	33,409,090.91
Total	<u>1,303,295.03</u>	<u>37,690,483.75</u>

Above lease liabilities need be paid in following period:

Items	30 June 2021
Within 1 year	85,028,641.06
1 year after balance sheet date, but no more than 2 years	1,303,295.03
2 years after balance sheet date, but no more than 5 years	—
5 years after balance sheet date	—
Total	86,331,936.09
Less: Current liabilities due within one year	<u>85,028,641.06</u>
Total amount presented in non-current liabilities	<u>1,303,295.03</u>

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(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 2021	31 Dec 2020
Long-term payables	1,520,486.14	2,058,589.72
Special payables	1,010,000.00	1,010,000.00
Total	<u>2,530,486.14</u>	<u>3,068,589.72</u>

39.1 Long-term payables

(1) *Nature based classification of long-term payable*

Items	30 June 2021	31 Dec 2020
Others	1,520,486.14	2,058,589.72
Total	<u>1,520,486.14</u>	<u>2,058,589.72</u>

(2) *Repaid period based classification of long-term payable*

Items	30 June 2021	31 Dec 2020
2 years after balance sheet date, but no more than 5 years	1,520,486.14	2,058,589.72

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2020	Increases	Decreases	30 June 2021	Reason
Special payables on national project	1,010,000.00	—	—	1,010,000.00	note
Total	1,010,000.00	—	—	1,010,000.00	

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), in the 30 June 2021 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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(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 2021	31 Dec 2020
Benefits payable to retirees and new through trains	7,009,000.00	7,009,000.00
Less: Amounts paid within 1 year	733,000.00	733,000.00
Total	6,276,000.00	6,276,000.00

Note: Post-employment benefits and termination benefits that will be paid within one year is listed in Employee Benefits Payable.

41. Provisions liabilities

Items	30 June 2021	31 Dec 2020
Product quality assurance	2,477,735.86	2,477,735.86
Loss on repair, replacement and compensation	42,258,056.78	20,438,548.31
Total	44,735,792.64	22,916,284.17

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2020	Increase this period		Decrease this period		30 June 2021
		Government grant received	Other increase	Amortization during this period	Other decrease	
Government Subsidies - Government grants	172,065,514.03	10,124,150.00	-	9,705,750.85	22,184,612.79	150,299,300.39
Government subsidy - Relocation subsidy	102,250,407.96	-	-	7,712,012.79	-	94,538,395.17
Proceeds of land disposal	7,342,194.05	-	-	58,700.00	-	7,283,494.05
Unrealized income of sale and lease back	798,370.56	-	-	-	-	798,370.56
Total	282,456,486.60	10,124,150.00	-	17,476,463.64	22,184,612.79	252,919,560.17

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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 2020	Increase this period	Amount recorded in other income during this period	Other decrease	30 June 2021
General relocation compensation	100,286,390.01	-	7,581,142.86	-	92,705,247.15
Plant construction subsidy	38,999,688.88	-	738,899.52	-	38,260,789.36
Smart Manufacturing Project	11,606,849.20	200,000.00	1,497,549.12	-	10,309,300.08
Chongqing Municipal Finance Bureau (high-efficiency hydropower equipment technology development and research center and demonstration base construction project)	11,315,425.23	-	242,400.00	-	11,073,025.23
Project grant funds	6,132,442.18	9,704,700.00	1,677,205.71	200,000.00	13,959,936.47
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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 (continued)

Government subsidies projects	31 Dec 2020	Increase this period	Amount recorded in other income during this period	Other decrease	30 June 2021
Innovation Technology Award	8,955,475.81	-	14,285.71	-	8,941,190.10
Subsidies for technological transformation projects	6,168,873.75	-	503,201.84	-	5,665,671.91
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	3,189,881.05	-	285,714.29	-	2,904,166.76
Other government Subsidies	57,102,680.88	219,450.00	4,877,364.59	(105,387.21)	52,550,153.50
Total	274,315,921.99	10,124,150.00	17,417,763.64	22,184,612.79	244,837,695.56

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2020	Issue new shares	Share donation	Changes in current year (+ or -)		Subtotal	30 June 2021
				Reserved funds converted into shares	Others		
Restricted shares - state-owned legal person shareholdings	-	-	-	-	-	-	-
Including: CQMEHG China Huarong Asset Management Co., Ltd. Chongqing Yufu Assets Management Co., Ltd. Chongqing Construction Engineering Group Co., Ltd.	1,924,225,189.00	-	-	-	-	-	1,924,225,189.00
	195,962,467.00	-	-	-	-	-	195,962,467.00
	232,132,514.00	-	-	-	-	-	232,132,514.00
	232,132,514.00	-	-	-	-	-	232,132,514.00
	2,584,452,684.00	-	-	-	-	-	2,584,452,684.00
Total restricted shares	-	-	-	-	-	-	-
Non-restricted shares	-	-	-	-	-	-	-
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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2020	Increase this year	Decrease this year	30 June 2021
Capital reserve transferred				
under original standard	(15,166,711.00)	–	–	(15,166,711.00)
Others	<u>82,713,679.20</u>	<u>204,976.09</u>	<u>–</u>	<u>82,918,655.29</u>
Total	<u>67,546,968.20</u>	<u>204,976.09</u>	<u>–</u>	<u>67,751,944.29</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

45. Other Comprehensive Income

Items	31 Dec 2020	Pre-tax amount	Amount of this Period		After-tax amount attributable to non-controlling shareholders	30 June 2021
			Reclassifications of previous OCI to profit or loss	Less: Income tax expenses		
1. Other comprehensive income that cannot be reclassified into profit or loss						
Including: Changes in net assets or net liabilities from recalculation of defined benefit plan	5,825,764.00	83,012,035.92	-	20,753,008.98	-	68,084,790.94
Changes in fair value of other equity instrument investments	204,804.12	-	-	-	-	204,804.12
2. Other comprehensive income that can be reclassified into profit or loss	5,620,959.88	83,012,035.92	-	20,753,008.98	-	67,879,986.82
Including: Other comprehensive income of the investee that can be reclassified into profit or loss under equity method	30,232,732.54	6,419,410.06	5,625,356.67	(548,415.00)	(807,998.10)	32,383,199.03
Effective portion of hedging gain or loss on net investment	616,639.00	-	-	-	-	616,639.00
Translation differences of financial statements in foreign currencies	-	-	-	-	-	-
Effective part of the cash flow hedging	25,397,076.04	4,450,153.39	-	-	-	29,847,229.43
	4,219,017.50	1,969,256.67	5,625,356.67	(548,415.00)	(807,998.10)	1,919,330.60
Total other comprehensive income	36,058,496.54	89,431,445.98	5,625,356.67	20,204,593.98	(807,998.10)	100,467,989.97

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2020	Increase during this period	Decrease during this period	30 June 2021
Statutory surplus reserves	<u>406,895,352.07</u>	<u>—</u>	<u>—</u>	<u>406,895,352.07</u>
Total	<u>406,895,352.07</u>	<u>—</u>	<u>—</u>	<u>406,895,352.07</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

47. Retained Earnings

Items	Jan to June 2021	Year 2020
Ending balance of last year	2,826,706,511.09	2,723,290,866.87
Add: Adjustment of beginning balance	-	-
Beginning balance of current year	2,826,706,511.09	2,723,290,866.87
Add: Net profit attributable to shareholders of the Company	138,391,342.55	182,967,706.60
Change in defined benefit plan carried forward to retained earnings	-	-
Less: Appropriation to statutory reserve	-	42,231,981.11
Appropriation to staff bonus and welfare	-	473,679.73
Declared ordinary share dividends	-	36,846,401.54
Ending Balance	2,965,097,853.64	2,826,706,511.09

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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 “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 30 June 2021 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 2021 is 1.5% (2020: 1.5%)

On 30 June 2021, the Group's undistributed profit included the amount of RMB42,518,473.55 yuan withdrawn by the subsidiary Chongqing Mechanical and Electrical Holdings Group Finance Co., Ltd. (the beginning of the year was RMB42,518,473.55 yuan).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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

(1) Operating revenue & operating cost

Items	January-June, 2021		January-June, 2020	
	Revenue	Cost	Revenue	Cost
Main operations	3,707,262,855.47	2,960,548,564.53	2,708,623,111.82	2,185,191,643.89
Other operations	45,031,944.51	21,581,128.61	26,109,334.54	15,974,737.19
Interest	27,686,917.89	4,235,054.63	23,392,737.48	3,857,195.46
Transaction fees and commission income	8,328.83	137,615.10	160,082.91	92,678.40
Total	<u>3,779,990,046.70</u>	<u>2,986,502,362.87</u>	<u>2,758,285,266.75</u>	<u>2,205,116,254.94</u>

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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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
Classified by region	849,668,866.60	2,899,039,041.50	3,586,891.88	3,752,294,799.98
Including: Mainland of				
China	796,812,873.99	2,870,553,331.28	3,586,891.88	3,670,953,097.15
Others	52,855,992.61	28,485,710.22	-	81,341,702.83
Types of contracts	849,668,866.60	2,899,039,041.50	3,586,891.88	3,752,294,799.98
Including: Equipment sales				
contract	640,490,544.63	1,918,718,328.18	-	2,559,208,872.81
Service contract	38,311,239.37	45,518,596.88	1,590,323.00	85,420,159.25
Materials sales				
contract	170,867,082.60	934,802,116.44	1,996,568.88	1,107,665,767.92
Classified by time of revenue recognition	849,668,866.60	2,899,039,041.50	3,586,891.88	3,752,294,799.98
Including: Recognizes				
revenue at a point in time	849,668,866.60	2,899,039,041.50	2,488,769.17	3,751,196,677.27
Recognizes revenue over time	-	-	1,098,122.71	1,098,122.71
Classified by sales channel	849,668,866.60	2,899,039,041.50	3,586,891.88	3,752,294,799.98
Including: Direct sales	796,755,462.50	2,554,136,446.13	3,586,891.88	3,354,478,800.51
Distribution	52,913,404.10	344,739,319.12	-	397,652,723.22
Internet sales	-	163,276.25	-	163,276.25

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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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 income amount of the Group on June 30, 2021 is RMB3,581,140,509.20 (RMB3,005,854,369.38 and the corresponding income amount is RMB575,286,139.82).

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

49. Selling and Distribution Expenses

Items	January-June, 2021	January-June, 2020
Employee benefits	58,321,961.49	36,106,989.87
“3-Aspect-Warranty” fee	35,172,260.59	6,878,396.81
Traveling expenses	20,531,175.04	22,281,652.18
Estate premium	15,903,075.47	–
After-sale service fee	11,103,053.67	9,011,244.18
Advertising expense	3,874,005.91	4,038,081.58
Business entertainment fee	2,882,867.11	2,001,661.98
General office expenses	1,099,806.24	1,909,552.41
Service charge	923,557.59	1,621,858.58
Depreciation expenses	499,336.36	440,648.98
Transportation expense	–	31,243,467.50
Others	14,943,551.18	14,104,408.12
Total	<u>165,254,650.65</u>	<u>129,637,962.19</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

50. Administrative expenses

Items	January-June, 2021	January-June, 2020
Employee benefits	182,099,246.47	137,364,282.15
Depreciation expenses	28,308,091.20	34,810,629.91
Labor costs	8,195,571.79	5,458,611.36
Repair charges	8,744,899.89	5,403,138.18
Amortization of intangible assets	18,159,930.05	18,417,802.24
General office expenses	5,679,708.01	5,068,294.22
Rental fee	4,061,616.23	5,040,539.76
Insurance expenses	4,568,285.97	4,746,086.34
Property management fees	4,249,399.86	4,611,997.58
Staff placement fee	14,382,397.93	12,299,234.34
Others	38,247,032.05	36,699,253.39
Total	<u>316,696,179.45</u>	<u>269,919,869.47</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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	January-June, 2021	January-June, 2020
Employee benefits	66,328,909.29	53,009,254.12
Material fee	88,371,220.22	46,613,999.55
Amortization of intangible assets	3,009,513.92	2,538,962.98
Depreciation expenses	4,205,747.89	4,085,704.71
Consulting fee	4,121,592.41	3,446,219.59
Trial fee	6,130,860.95	2,482,275.93
Traveling expenses	1,179,876.30	885,708.52
General office expenses	562,729.62	342,968.10
Design fee	454,087.80	331,734.50
Others	21,205,989.56	24,425,711.50
Total	195,570,527.96	138,162,539.50

52. Financial Expenses

Items	January-June, 2021	January-June, 2020
Interest expenditure	43,119,839.38	68,532,652.99
Less: interest income	9,859,658.25	18,716,139.28
Add: Exchange loss	1,665,019.47	(2,706,346.25)
Other expenditure	8,713,077.33	6,703,831.43
Total	43,638,277.93	53,813,998.89

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

53. Other Income

Items	January-June, 2021	January-June, 2020
From asset-related subsidies from deferred income	9,764,450.85	–
Relocation grants	7,712,012.79	7,788,387.59
Industry and informationization Funds	3,756,500.00	3,420,000.00
Various kinds of rewards related to business operation	2,660,000.00	–
Tax returns	2,000,000.00	124,462.35
Research and project subsidies	7,760,000.00	–
Employment grants	90,796.00	16,688,542.60
Intelligent manufacturing projects grants	–	1,497,549.12
Other projects grants	–	8,195,987.36
Innovation Incentive Support in Jiangjin District	–	500,000.00
Innovative development project grants	–	262,500.00
Others	134,772.77	205,431.29
Total	<u>33,878,532.41</u>	<u>38,682,860.31</u>

Note: The other proceeds from January-June 2020 is RMB9,025,314.16 yuan, it is respectively listed in the special funds for industrial and information technology, subsidy income from intelligent manufacturing projects, and subsidy income from other projects.

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**54. Investment Income**

Items	January-June, 2021	January-June, 2020
Investment income from long-term equity investments under equity method	168,623,374.85	167,098,200.47
Investment income from holding capital preservation financial products	—	2,870,000.00
Investment income generated from overseas net investment hedging	—	(3,220,037.26)
Dividend income from other equity instrument investments in the period of holding	735,467.70	1,470,150.00
Investment income from the disposal of trading financial assets	321,282.67	—
Interest income from the debt investment during the period of holding	4,918.03	—
Total	169,685,043.25	168,218,313.21

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

55. Gain and loss arising from the changes in fair value

Item	January-June, 2021	January-June, 2020
Financial assets at fair value through profit or loss	469,411.15	(19,856.97)
Total	<u>469,411.15</u>	<u>(19,856.97)</u>

56. Impairment loss on credit

Items	January-June, 2021	January-June, 2020
Bad debt provision for note receivable	92,073.12	(3,359,783.78)
Bad debt provision for accounts receivable	(83,222,548.97)	(10,776,900.54)
Bad debt provision for other receivables	366,451.65	7,695,973.38
Bad debt provision for loans and advances to customers	(922,878.99)	4,688,983.72
Bad debt provision for contract assets	—	1,568,372.18
Bad debt provision for other non-current assets	—	(121,212.93)
Total	<u>(83,686,903.19)</u>	<u>(304,567.97)</u>

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

57. Loss on impairment of assets

Items	January-June, 2021	January-June, 2020
Impairment loss on inventory	47,227.46	(15,129,662.29)
Bad debt provision for the contract assets	<u>(1,792,166.26)</u>	—
Total	<u>(1,744,938.80)</u>	<u>(15,129,662.29)</u>

58. Gains on disposals of assets

Items	January-June, 2021	January-June, 2020	Amount recorded in extraordinary profit and loss
Gains on disposals of non-current assets which are not classified as held for sale	926,599.75	10,496,278.63	926,599.75
Including: Gains on disposals of PP&E	<u>926,599.75</u>	<u>10,496,278.63</u>	<u>926,599.75</u>
Total	<u>926,599.75</u>	<u>10,496,278.63</u>	<u>926,599.75</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

59. Non-operating income

Items	January-June, 2021	January-June, 2020	Amount recorded in extraordinary profit and loss
Penalty incomes, default fine and compensation	1,099,846.53	1,617,032.72	1,099,846.53
Unpayable payables	3,822,182.39	2,980,862.12	3,822,182.39
Income from damage and scrapping of non-current assets	4,445,317.93	–	4,445,317.93
Others	607,365.91	1,475,274.97	607,365.91
Total	<u>9,974,712.76</u>	<u>6,073,169.81</u>	<u>9,974,712.76</u>

60. Non-operating expenses

Items	January-June, 2021	January-June, 2020	Amount recorded in extraordinary profit and loss
Debt Restructuring	–	1,340,400.00	–
Donation for Public welfare	–	1,340,400.00	–
Loss from damage and Scrapping of non-current assets	2,623,199.17	936,293.91	2,623,199.17
Penalty and overdue surcharge	1,014,270.80	413,838.00	1,014,270.80
Others	769,890.27	1,981,090.44	769,890.27
Total	<u>4,407,360.24</u>	<u>4,671,622.35</u>	<u>4,407,360.24</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

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

61. Income tax expense

Items	January-June, 2021	January-June, 2020
Current income tax calculated according to tax law and provision	28,826,608.83	19,503,996.61
Deferred income tax	(12,532,251.81)	106,132.23
Total	<u>16,294,357.02</u>	<u>19,610,128.84</u>

62. Other comprehensive income

Please refer to VI. 45 Other comprehensive income for details.

63. Cash flow statement

(1) Supplementary information to the consolidated cash flows statement

Items	January-June, 2021	January-June, 2020
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	153,824,404.02	123,094,378.75
Add: Provisions for asset impairment	1,744,938.80	15,129,662.29
Add: Impairment loss on credit	83,686,903.19	304,567.97
Depreciation of fixed assets, depreciation of investment real estate and use right asset assets	109,192,619.27	121,114,616.12
Amortization of intangible assets	25,051,205.36	24,959,012.78
Amortization of long-term deferred expenses	20,931,778.48	32,224,636.42
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets (gain listed as "-")	(926,599.75)	(10,496,278.63)
Losses on retirement of property, plant and equipment (gain listed as "-")	(1,822,118.76)	36,293.91

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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)

(1) Supplementary information to the consolidated cash flows statement (continued)

Items	January-June, 2021	January-June, 2020
Gains or losses on changes in fair value (gain listed as "-")	(469,411.15)	19,856.97
Financing expenses (gain listed as "-")	42,160,922.72	61,427,515.92
Investment losses (gain listed as "-")	(169,685,043.25)	(168,218,313.21)
Decrease in deferred tax assets (increase listed as "-")	(4,483,490.75)	4,473,410.68
Increase in deferred tax liabilities (decrease listed as "-")	(8,048,761.06)	(4,579,542.91)
Increase in deferred income (reduced in "-")	(7,352,313.64)	(16,300,628.26)
Decrease in inventories (increase listed as "-")	23,905,266.20	(94,071,582.38)
Decrease in contractual assets (increase listed as "-")	14,360,996.49	43,056,807.07
Decrease in operating receivables (increase listed as "-")	174,570,065.73	178,233,615.29
Increase in operating payables (decrease listed as "-")	(129,678,175.01)	(269,478,259.65)
Increase in Contractual liabilities (decrease listed as "-")	(455,423,742.44)	(196,197,316.07)
Others	-	-
Net cash flows from operating activities	(128,460,555.55)	(154,367,546.94)
2. Significant non-cash investing and financing activities:	-	-
PP&E acquired under bill receivable endorsement	-	-
3. Changes in cash and cash equivalents:	-	-
Ending balance of cash	1,340,780,182.72	1,368,838,276.41
Less: Beginning balance of cash	1,327,289,120.69	1,537,567,094.59
Add: Ending balance of cash equivalents	-	-
Less: Beginning balance of cash equivalents	-	-
Net increase in cash and cash equivalents	<u>13,491,062.03</u>	<u>(168,728,818.18)</u>

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(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	January-June, 2021	January-June, 2020
Cash	1,340,780,182.72	1,368,838,276.41
Including: Cash in hand	521,195.40	654,715.09
Bank deposits available for use on demand	1,334,548,215.84	1,368,183,561.32
Other monetary funds that can be used at any time	5,710,771.48	-
Cash equivalents	-	-
Including: Bond investment due within three months	-	-
Balance of cash and cash equivalents on 30 June 2021	1,340,780,182.72	1,368,838,276.41
Including: Restricted cash and cash equivalent in parent company or subsidiaries of the Company	-	-

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

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

64. Assets with restricted ownership or use rights on 30 June 2021

Items	Carrying amount	Limited reason
Cash and cash equivalents	480,746,921.44	Deposits for bank acceptance bills, Deposits for letters of credit, Guarantee deposit, Statutory reserve, Restricted term deposits
Bill receivable	12,260,628.29	Bill pledge bank opens acceptance bill
Receivable financing	54,802,478.60	Bill pledge bank opens acceptance bill
Buildings	3,524,674.95	Note

Note: Chongqing Second Machine Tool Factory of Chongqing Machine Tool (Group) Co., Ltd., a subsidiary of the Group, borrowed RMB14,400,000 yuan from China CITIC Bank Chongqing Branch (2021.2.2-2024.2.1). Chongqing Second Machine Tool Factory will be located on the 1-2 floors, Ping Street, Nanping East Road, South Bank District, Chongqing to China CITIC Bank Chongqing Branch. The original value of the mortgaged house building is RMB6,481,350.59 (book value: RMB3,524,674.95).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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	Foreign currency balance	30-Jun-2021	
		Exchange rate	CNY balance
Cash in hand	–	–	22,888.96
GBP	2,560.00	8.9410	22,888.96
Cash at bank	–	–	87,021,143.64
USD	564,813.82	6.4601	3,648,753.74
HKD	87,524.61	0.8321	72,827.48
GBP	9,316,582.00	8.9410	83,299,559.66
CHF	0.39	7.0134	2.76
Accounts receivable	–	–	48,622,326.23
USD	1,784,886.15	6.4601	11,530,543.02
GBP	4,148,505.00	8.9410	37,091,783.21
Other receivable	–	–	7,121,335.13
HKD	4,705.46	0.8321	3,915.32
GBP	796,042.93	8.9410	7,117,419.81
Contract assets	–	–	26,705,495.75
USD	3,425,794.35	6.4601	22,130,974.11
GBP	514,552.00	8.8903	4,574,521.64
Other noncurrent assets-Contract assets	–	–	213,442,999.87
USD	33,040,200.60	6.4601	213,442,999.87
Short-term loans	–	–	167,260,913.07
GBP	18,707,181.87	8.9410	167,260,913.07
Accounts payable	–	–	27,886,086.99
GBP	3,091,881.17	8.9410	27,644,509.54
USD	37,395.31	6.4601	241,577.45
Other payables	–	–	25,700,572.49
GBP	2,874,462.87	8.9410	25,700,572.49
Long-term loans	–	–	125,174,000.00
GBP	14,000,000.00	8.9410	125,174,000.00

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	10,124,150.00	Deferred revenue	421,633.33
R & D grants	7,760,000.00	Other income	7,760,000.00
Special funds for industry and informatization	3,756,500.00	Other income	3,756,500.00
Various rewards related to business operations	2,660,000.00	Other income	2,660,000.00
Tax return	2,000,000.00	Other income	2,000,000.00
Employment Grants	90,796.00	Other income	90,796.00
Others	84,060.78	Other income	84,060.78
Total	<u>26,475,506.78</u>		<u>16,772,990.11</u>

(2) Return of government grants happened during this period.

NIL.

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

None.

4. There were no change of consolidation scope due to other reasons During this period.

Nil

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	
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	23,280.00	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)	Nan'an district, Chongqing	Nan'an 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)	Nan'an district, Chongqing	Nan'an district, Chongqing	Processing Electronic Products	5,431.24	-	66.26	Business combinations under common control
2.2	Chongqing Mechanical and Electrical Additive Manufacturing Co., Ltd.	Limited liability company	Nan'an 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	
3	Chongqing Machine Tools (Group) Co., Ltd.	Limited liability company (sole legal person)	Nanan district, Chongqing	Nanan 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	Nanan district, Chongqing	Automation, intelligent equipment and accessories production and sales	10,000.00	-	40.00	Invest
3.2	Fu-Baodian 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 owned by legal person)	Jiangjin district, Chongqing	Jiangjin district, Chongqing	Cutting tool	5,500.00	-	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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	
3.5	Chongqing Yime 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 Holroyd Precision Rotors Manufacturing Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Nan'an district, Chongqing	Nan'an 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	GBP20 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	GBP1	-	100.00	Business combination not under common control

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	
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	GBP2	-	100.00	Business combination not under common control
4.3	Milnrow Investments Ltd.	limited liability company	United Kingdom	United Kingdom	Leasing of properties	GBP198	-	100.00	Business combination not under common control
4.4	PTG Deutschland GmbH	limited liability company	Germany	Germany	Machine Tool Production and Sales	EUR25,000	-	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	GBP100	-	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	GBP1	-	100.00	Invest

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	
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
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	32,800.00	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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	
7.1	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
7.2	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
7.2.1	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
7.2.2	Gansu Chongtong Chengfei New Material Co., Ltd.	Limited Liability Company (Wholly-owned legal person invested or controlled by a non-natural person)	Wuwei City, Gansu Province	Wuwei City, Gansu Province	Manufacturing of wind-power equipment	5,000.00	-	100.00	Invest
7.2.3	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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	
7.2.4	Xilinacoe Cherifei Wind-Power 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
7.3	Chongqing Shunchang General Electrical Equipment Co., Ltd.	Limited liability company (sole legal person)	Nan'an district, Chongqing	Nan'an district, Chongqing	Network products, environmental products and gas products sales	100.00	-	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	Nan'an district, Chongqing	Nan'an 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	
11	Chongqing Shengou 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	2,140.50	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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2020 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 2021 of non-controlling interest
Pigeon Electric Wire and Cable Co., Ltd.	26.00	86,109,603.72	16,091,428.79	(807,998.10)	11,489,221.09	89,903,813.32
Jilin Chongtong Chengfei New Material Co., Ltd	3.9733	24,545,484.02	(16,410,961.84)	-	-	8,134,522.18
CMEFC	30.00	266,753,533.17	6,266,287.96	-	-	273,019,821.13

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pigeon Electric Wire and Cable Co., Ltd.	950,845,955.47	208,558,324.17	1,159,404,279.64	800,530,217.22	10,400,119.78	810,930,337.00
Jilin Chongtong Chengfei New Material Co., Ltd	1,724,474,749.75	690,852,814.67	2,415,327,564.42	1,998,279,442.07	212,318,497.71	2,210,597,939.78
CMEFC	2,895,222,466.88	29,169,980.71	2,924,392,447.59	2,014,326,377.17	-	2,014,326,377.17

(Continued)

Name of subsidiaries	31 Dec 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pigeon Electric Wire and Cable Co., Ltd.	837,675,701.18	215,837,383.28	1,053,513,084.46	682,563,282.01	11,802,732.67	694,366,014.68
Jilin Chongtong Chengfei New Material Co., Ltd	2,052,104,874.76	764,278,818.42	2,816,383,693.18	2,077,077,636.15	546,885,465.92	2,623,963,102.07
CMEFC	3,256,891,181.35	73,224,031.18	3,330,115,212.53	2,440,931,308.49	5,460.26	2,440,936,768.75

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	January-June, 2021			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Pigeon Electric Wire and Cable Co., Ltd.	918,066,125.08	36,623,869.75	33,516,184.75	(39,251,128.99)
Jilin Chongtong Chengfei New Material Co., Ltd	1,115,440,540.12	12,309,033.53	12,309,033.53	25,457,804.52
CMEFC	51,794,821.46	20,887,626.64	20,887,626.64	(361,959,927.46)

(Continued)

Name of subsidiaries	January-June, 2020			
	Operating revenue	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)

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**

NIL.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	
Associates—							
Chongqing cummins engine company limited ("CQ 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
Joint ventures—							
ABB chongqing transformer company limited ("ABB chongqing")	Limited liability company (Sino-foreign joint venture)	Huayan, Jiulongpo District, Chongqing	Huayan, Jiulongpo 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	Yufu, Jiangbei District, Chongqing	Yufu, 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in Joint Ventures or Associates (continued)

(1) Significant joint ventures or associates (continued)

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	
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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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 2021/ January-June 2021	30 June 2020/ January-June, 2020
Current assets	1,734,145,504.69	1,946,941,191.54
Including: cash and cash equivalents	330,482,281.09	779,208,348.18
Non-current assets	1,490,988,376.48	1,083,772,227.32
Total assets	3,225,133,881.17	3,030,713,418.86
Current liabilities	1,983,874,809.74	1,827,751,742.45
Non-current liabilities	204,455,477.11	168,747,991.32
Total liabilities	2,188,330,286.85	1,996,499,733.77
Non-controlling interest	–	–
Total equity attributable to shareholders of the Company	1,036,803,594.31	1,034,213,685.09
Net assets calculated based on shareholding ratio	518,401,797.16	517,106,842.55
Adjustments	(4,223,046.01)	(4,223,046.49)
Goodwill	–	–
Unrealized profit in internal transactions	–	–
Others	(4,223,046.01)	(4,223,046.49)
Book value of the equity investment in the equity joint venture	514,178,751.15	512,883,796.05
Fair value of an associate investment with a public quotation	–	–
Operating revenue	1,481,459,065.32	1,380,294,535.26
Financial expenses	1,987,211.21	(3,847,698.04)
Income tax expense	1,987,211.21	48,822,106.41
Net profit	263,921,984.28	281,176,740.58
Net profit attributable to the parent company	263,921,984.28	281,176,740.58
Total comprehensive income	263,921,984.28	281,176,740.58
Recognized dividends from joint ventures	–	–
Received dividends from joint ventures	81,611,187.07	93,686,375.56

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2021/ January-June 2021	30 June 2020/ January-June, 2020	30 June 2021/ January-June 2021	30 June 2020/ January-June, 2020	30 June 2021/ January-June 2021	30 June 2020/ January-June, 2020
Current assets	1,473,049,353.32	1,344,361,021.44	556,258,179.74	464,507,537.50	259,313,136.69	262,498,563.68
Including: cash and cash equivalents	328,251,111.74	136,045,661.61	22,057,926.56	9,059,452.98	7,599,530.13	6,564,485.32
Non-current assets	326,214,070.01	200,970,092.05	226,817,087.01	155,089,291.91	143,467,121.68	157,242,506.55
Total assets	1,799,263,423.33	1,545,331,113.49	783,075,266.75	619,596,829.41	402,780,258.37	419,741,070.23
Current liabilities	1,126,643,056.75	980,927,033.85	384,224,587.79	281,009,392.65	73,130,329.66	96,313,738.83
Non-current liabilities	44,451,333.46	31,487,103.99	3,567,699.00	4,360,521.00	500,000.00	-
Total liabilities	1,171,094,390.21	1,012,414,137.84	387,792,286.79	285,369,913.65	73,630,329.66	96,313,738.83
Non-controlling interest	-	-	25,418,286.51	20,011,103.64	-	-
Total equity attributable to shareholders of the Company	628,169,033.12	532,916,975.65	369,864,693.45	314,215,812.12	329,149,928.71	323,427,331.40
Net assets calculated based on shareholding ratio	237,447,894.52	201,442,616.80	162,740,465.12	138,254,957.33	88,870,480.75	87,325,379.48
Adjustments	29,821,204.51	30,468,452.32	(15,691,816.68)	(15,691,814.56)	(8,463,829.23)	(9,311,153.65)
- goodwill	-	-	-	-	-	-
- Internal transactions are not profitable	-	-	-	-	-	-
- Other	29,821,204.51	30,468,452.32	(15,691,816.68)	(15,691,814.56)	(8,463,829.23)	(9,311,153.65)
Carrying amount of equity investment in associates	267,269,099.02	231,911,069.12	147,048,648.44	122,563,142.77	80,406,651.53	78,014,225.83

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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)

Items	ABB chongqing		Hongyan fangda		EXEDY (Chongqing) Co., Ltd	
	30 June 2021/ January-June 2021	30 June 2020/ January-June, 2020	30 June 2021/ January-June 2021	30 June 2020/ January-June, 2020	30 June 2021/ January-June 2021	30 June 2020/ January-June, 2020
Fair value of investment in associates with public offer	-	-	-	-	-	-
Operating revenue	525,691,029.01	463,229,722.08	519,404,713.61	406,847,930.68	178,907,698.56	161,516,843.55
Financial expenses	(887,066.62)	1,074,473.00	115,264.16	592,403.92	781,497.53	1,663,287.54
Income tax expense	2,393,476.60	4,329,551.57	4,251,773.90	2,358,346.34	3,505,351.81	560,238.84
Net profit	2,777,723.61	24,714,896.47	28,558,282.88	20,486,128.30	(3,267,198.92)	(1,738,656.79)
Net profit attributable to the parent company	2,777,723.61	24,714,896.47	25,793,213.46	18,069,041.08	(3,115,858.09)	(1,913,152.44)
Total comprehensive income	2,777,723.61	24,714,896.47	28,558,282.88	20,486,128.30	(3,267,198.92)	(1,738,656.79)
The Group confirms the dividends declared by the joint venture	8,632,069.28	349,003.40	-	-	789,638.54	706,103.68
Dividends received by the Group during this period	8,632,069.28	349,003.40	-	-	789,638.54	706,103.68

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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)

Items	Knorr		Chongqing Jiangbei Machinery		Shenjian	
	30 June 2021/ January-June 2021	30 June 2020/ January-June, 2020	30 June 2021/ January-June 2021	30 June 2020/ January-June, 2020	30 June 2021/ January-June 2021	30 June 2020/ January-June, 2020
Current assets	632,522,292.53	541,112,322.92	193,156,328.58	167,851,953.02	315,145,917.64	265,343,086.02
Including: cash and cash equivalents	28,414,742.81	6,642,694.23	6,788,436.83	4,568,462.13	14,849,901.46	5,052,213.74
Non-current assets	71,469,756.00	62,150,138.62	143,614,683.48	157,101,634.45	362,190,013.90	340,258,653.53
Total assets	703,992,048.53	603,262,461.54	336,771,012.06	324,953,587.47	677,335,931.54	605,601,739.55
Current liabilities	484,931,391.38	392,896,676.43	231,450,960.62	227,167,545.32	412,620,717.74	341,816,590.64
Non-current liabilities	13,763,282.77	-	7,770,000.00	9,274,000.00	40,473,794.15	57,062,692.93
Total liabilities	498,694,674.15	392,896,676.43	239,220,960.62	236,441,545.32	453,094,511.89	398,879,283.57
Non-controlling interest	-	-	-	-	-	-
Total equity attributable to shareholders of the Company	205,297,374.38	210,365,785.11	97,550,051.44	88,512,042.15	224,241,419.65	206,722,455.98
Net assets calculated based on shareholding ratio	69,801,107.29	71,524,366.94	39,995,521.09	36,289,937.28	78,484,496.88	72,352,859.59
Adjustments	8,080,673.18	8,068,879.42	20,230,364.87	19,406,612.51	8,667,779.39	9,420,169.29
- goodwill	-	-	-	-	-	-
- Internal transactions are not profitable	-	-	-	-	-	-
- Other	8,080,673.18	8,068,879.42	20,230,364.87	19,406,612.51	8,667,779.39	9,420,169.29
Carrying amount of equity investment in associates	77,881,780.47	79,593,246.36	60,225,885.96	55,696,549.79	87,152,276.27	81,773,028.88
Fair value of investment in associates with public offer	-	-	-	-	-	-
Operating revenue	508,384,245.12	388,520,310.00	105,628,534.78	64,885,104.49	259,812,381.80	172,571,379.46
Financial expenses	690,562.67	900,968.31	2,639,627.58	2,765,040.57	4,777,707.27	5,555,458.46
Income tax expense	9,054,809.84	6,657,492.00	(43,268.99)	(85,897.50)	67,596.90	(1,732,115.37)
Net profit	61,866,258.87	41,776,215.72	(4,628,771.91)	(7,218,787.85)	15,366,677.69	1,321,491.68
Net profit attributable to the parent company	61,866,258.87	41,776,215.72	(4,628,771.91)	(7,218,787.85)	15,366,677.69	1,321,491.68
Total comprehensive income	61,866,258.87	41,776,215.72	(4,628,771.91)	(7,218,787.85)	15,366,677.69	1,321,491.68
The Group confirms the dividends declared by the joint venture	28,560,000.00	-	-	-	-	-
Dividends received by the Group during this period	28,560,000.00	-	-	-	-	-

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.**

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.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS ***(CONTINUED)***

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 30 June 2021, the Group didn't sign any contracts mentioned above.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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 2021					Total
	USD	HKD	GBP	CHF	EUR	
Foreign currency financial assets	-	-	-	-	-	-
Cash and cash equivalents	3,648,753.74	72,827.48	83,322,448.62	2.76	-	87,044,032.60
Accounts receivable	11,530,543.02	-	37,091,783.21	-	-	48,622,326.23
Other receivables	-	3,915.32	7,117,419.81	-	-	7,121,335.13
Contractual assets	22,130,974.11	-	4,574,521.64	-	-	26,705,495.75
Other non-current assets- contractual assets	213,442,999.87	-	-	-	-	213,442,999.87
Total	250,753,270.74	76,742.80	132,106,173.28	2.76	-	382,936,189.58
Foreign currency financial liabilities	-	-	-	-	-	-
Short-term loans	-	-	167,260,913.07	-	-	167,260,913.07
Accounts payable	241,577.45	-	27,644,509.54	-	-	27,886,086.99
Other payables	-	-	25,700,572.49	-	-	25,700,572.49
Long-term borrowing	-	-	125,174,000.00	-	-	125,174,000.00
Total	241,577.45	-	345,779,995.10	-	-	346,021,572.55

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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)

Items	31 Dec 2020					Total
	USD	HKD	GBP	CHF	EUR	
Foreign currency financial assets	-	-	-	-	-	-
Cash and cash equivalents	27,077,166.00	73,657.12	39,230,935.19	-	-	66,381,758.31
Accounts receivable	116,481,575.48	-	54,768,168.62	-	-	171,249,744.10
Prepayments	-	-	2,500,261.74	-	-	2,500,261.74
Other receivables	-	3,960.12	4,805,837.38	-	10,052.92	4,819,850.42
Contractual assets	-	-	9,917,680.85	-	-	9,917,680.85
Other non-current assets - contractual assets	198,611,580.00	-	-	-	-	198,611,580.00
Total	342,170,321.48	77,617.24	111,222,883.78	-	10,052.92	453,480,875.42
Foreign currency financial liabilities	-	-	-	-	-	-
Short-term loans	71,068,000.00	-	207,143,990.00	-	-	278,211,990.00
Accounts payable	244,000.66	-	34,294,635.32	-	-	34,538,635.98
Other payables	-	-	1,934,787.10	-	-	1,934,787.10
Contract liabilities	-	-	11,651,022.64	-	-	11,651,022.64
Non-current liabilities due within one year	-	-	-	-	-	-
Total	71,312,000.66	-	255,024,435.06	-	-	326,336,435.72

**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 2021	31 Dec 2020
Borrowings at floating rates	2,239,434,913.07	1,973,065,400.00
Borrowings at fixed rates	795,000,000.00	932,626,565.74
Total	<u>3,034,434,913.07</u>	<u>2,905,691,965.74</u>

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

In addition, for accounts receivable, other receivables and bills receivable, the Group sets relevant policies to control credit risk exposures. 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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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 2021 2-5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	1,721,538,877.78	-	-	110,389,749.71	1,831,928,627.49
Trading financial assets	1,307,085.05	-	-	-	1,307,085.05
Buy and resale financial assets	30,020,712.33	-	-	-	30,020,712.33
Notes receivable	265,054,584.14	-	-	-	265,054,584.14
Accounts receivable	3,485,391,729.27	-	-	-	3,485,391,729.27
Receivable financing	549,148,503.07	-	-	-	549,148,503.07
Other receivables	1,001,452,451.61	76,048,698.69	241,071,609.43	-	1,318,572,759.73
Non-current assets due within one year	17,458,349.59	-	-	-	17,458,349.59
Other current assets	-	-	-	-	-
Loans and advances	1,028,104,762.84	19,008,450.00	-	-	1,047,113,212.84
Long-term receivables	-	17,666,577.53	54,271,696.44	-	71,938,273.97
Other equity instruments investment	-	-	-	135,326,056.80	135,326,056.80
Total	8,099,477,055.68	112,723,726.22	295,343,305.87	245,715,806.51	8,753,259,894.28
Financial liabilities					
Short-term loans	772,025,408.17	-	-	-	772,025,408.17
Receipt of deposits and deposits from other banks	610,853,099.29	10,248,246.58	-	-	621,101,345.87
Notes payable	1,020,101,169.43	-	-	-	1,020,101,169.43
Accounts payable	2,036,067,031.41	-	-	-	2,036,067,031.41
Other payables	427,023,132.74	-	-	-	427,023,132.74
Non-current liabilities due within one year	903,128,455.79	-	-	-	903,128,455.79
Long-term loans	-	628,748,019.18	865,683,931.18	92,015,858.63	1,586,447,808.98
Lease liabilities	-	1,307,103.32	-	-	1,307,103.32
Long-term payables	-	-	1,520,486.14	-	1,520,486.14
Total	5,769,198,296.83	640,303,369.08	867,204,417.32	92,015,858.63	7,368,721,941.86

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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)

Items	Within 1 year	1-2 years	31 Dec 20 2-5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	1,579,291,359.06	44,900,000.00	-	117,565,519.14	1,741,756,878.20
Trading financial assets	219,242.46	-	-	-	219,242.46
Notes receivable	508,876,057.78	-	-	-	508,876,057.78
Accounts receivable	3,084,197,831.23	-	-	-	3,084,197,831.23
Receivable financing	977,468,569.47	-	-	-	977,468,569.47
Other current assets	10,220,081.97	-	-	-	10,220,081.97
Other receivables	874,289,070.02	-	-	-	874,289,070.02
Non-current assets due					
within one year	17,457,777.53	-	-	-	17,457,777.53
Loans and advances	953,637,804.10	63,603,777.00	-	-	1,017,241,581.10
Long-term receivables	-	27,356,232.33	53,729,388.49	-	81,085,620.82
Other equity instruments investment	-	-	-	52,314,020.88	52,314,020.88
Total	8,005,657,793.62	135,860,009.33	53,729,388.49	169,879,540.02	8,365,126,731.46
Financial liabilities					
Short-term loans	823,390,541.16	-	-	-	823,390,541.16
Receipt of deposits and deposits from other					
banks	818,823,815.95	10,147,333.33	-	-	828,971,149.28
Notes payable	1,015,895,479.13	-	-	-	1,015,895,479.13
Accounts payable	1,785,659,572.44	-	-	-	1,785,659,572.44
Other payables	392,466,542.42	-	-	-	392,466,542.42
Non-current liabilities due					
within one year	603,160,690.33	-	-	-	603,160,690.33
Long-term loans	-	705,785,750.00	846,259,775.00	103,085,000.00	1,655,130,525.00
Lease liabilities	-	38,583,885.27	-	-	38,583,885.27
Long-term payables	-	-	2,058,589.72	-	2,058,589.72
Total	5,439,396,641.43	754,516,968.60	848,318,364.72	103,085,000.00	7,145,316,974.75

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 2021		31 Dec 2020	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Exchange rate up 5%	12,525,584.66	12,525,584.66	13,542,916.04	13,542,916.04
USD	Exchange rate down 5%	(12,525,584.66)	(12,525,584.66)	(13,542,916.04)	(13,542,916.04)
GBP	Exchange rate up 5%	(10,683,691.09)	(10,683,691.09)	(7,190,077.56)	(7,190,077.56)
GBP	Exchange rate down 5%	10,683,691.09	10,683,691.09	7,190,077.56	7,190,077.56

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

2. Sensitivity analysis

(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	30 Jun 2021		31 Dec 2020	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Borrowings with floating interest rate	Increase by 1%	(771,487.44)	(771,487.44)	(658,151.43)	(658,151.43)
Borrowings with floating interest rate	Decrease by 1%	771,487.44	771,487.44	658,151.43	658,151.43

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 30 Jun 2021:

Amounts of assets and liabilities measured at fair value at the 30 Jun 2021 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	300,568.78	1,006,516.27	–	1,307,085.05
Including: Stock investment	300,568.78	–	–	300,568.78
MMFs- money market funds	–	1,006,516.27	–	1,006,516.27
Buy and resale financial assets	–	–	30,000,000.00	30,000,000.00
Receivable financing	–	–	519,148,503.07	519,148,503.07
Other equity instruments investment	135,326,056.80	–	–	135,326,056.80
Total	135,626,625.58	1,006,516.27	549,148,503.07	685,781,644.92

The table above presents the fair value of the Group's financial instruments measured at the 30 Jun 2021 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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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 30 Jun 2021 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. A the 30 Jun 2021 this period, the Group had no financial instruments included in the second level.

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 and non-observable parameter sensitivity analysis between the book value of December 31,2020 and June 30,2021.

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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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

Controlling shareholder and ultimate controlling party	Place of Registration	Business nature	Registered capital (RMB'0000)	Shareholding proportion (%)	Voting rights (%)
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%.

(2) Registered capital of the controlling shareholder (Unit: RMB'0000)

Controlling shareholder	31 Dec 2020	Increase this year	Decrease this year	30 June 2021
CQMEHG	184,288.50	–	–	184,288.50

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

(I) Related Parties *(continued)*

1. Controlling Shareholder and Ultimate-controlling Party *(continued)*

(3) Shareholdings attributable to controlling shareholders (Unit: RMB'0000)

	Number of shareholding shares		Shareholding proportion (%)	
	Balance of 30 June 2021	Balance 31 Dec 2020	Proportion 30 June 2021	Proportion 31 Dec 2020
Controlling shareholder				
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 Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

<u>Joint venture or associates</u>	<u>Relationship with the Group</u>
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

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

(I) RELATED PARTIES (continued)

4. Other Related Parties

Other related parties	Relationship with the Group
Qijiang Gear Transmission Co. Ltd.	A subsidiary of parent company
Chongqing Standard Parts Industry Co., Ltd. Chongqing Standard Parts Material Reform Factory Branch	Under the same control of parent company
Chongqing speculative Electric Parts Industry Group 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 Standard Parts Industry Co., Ltd. Sales Branch	A subsidiary of parent company
Chongqing Standard Parts Industry Co., Ltd. Chongqing Standard Parts Factory Branch	A subsidiary of parent company
Chongqing Standard Parts Industry Co., Ltd. Huazhan Metal Material Reform Branch	A subsidiary of parent company
Chongqing Electromechanical Holding Group Xinbo Investment Management Co., Ltd	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
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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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>
Chongqing Standard Parts Industry Co., Ltd. Chongqing High Strength Standard Parts Factory Branch	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 Heavy Auto Group Carver Auto Parts Co., Ltd	Under the same control of parent company
Chongqing Panlian Transmission Technology 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 Sailimeng Electric 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
Chongqing Anji Hongyan Logistics Co., Ltd	An affiliate of the parent company
Chongqing CRRC Changke Rail Vehicle Co., Ltd	An affiliate of the parent company

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(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>
Chongqing Robot Co., Ltd	An affiliate of the parent company
SAIC-Iveco Hongyan Axle Co., Ltd.	Subsidiary of parent company associate
SAIC Fiat Red Rock Powertrain 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 General Aviation Industry Group Avionics System Co., Ltd	Subsidiary of parent company associate
Chongqing Xitong Electric Co., Ltd.	Subsidiary of parent company associate

(II) RELATED PARTY TRANSACTIONS

1. Procurement of goods

Unit type	January-June, 2021	January-June, 2020
Parent company, Affiliated companies and affiliated companies' associates	6,706,728.89	6,493,249.05
Associated Company	-	347,302.37
Total	6,706,728.89	6,840,551.42

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

(II) RELATED PARTY TRANSACTIONS (continued)

2. Accepting labor or services

Unit type	January-June, 2021	January-June, 2020
Parent company, Affiliated companies and affiliated companies' associates	<u>6,475,786.65</u>	<u>9,694,575.03</u>
Total	<u>6,475,786.65</u>	<u>9,694,575.03</u>

3. Deposit Service Expenditure

Unit type	January-June, 2021	January-June, 2020
Parent company, Affiliated companies and affiliated companies' associates	<u>4,136,253.45</u>	<u>5,160,361.51</u>
Final control party	<u>97,549.59</u>	<u>–</u>
Joint Venture	<u>1,244.28</u>	<u>1,576.12</u>
Associated Company	<u>4.49</u>	<u>1,062.20</u>
Total	<u>4,235,051.81</u>	<u>5,162,999.83</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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	January-June, 2021	January-June, 2020
Parent company, Affiliated companies and affiliated companies' associates	5,462,229.81	10,064,043.92
Final control party	5,448,642.93	-
Total	10,910,872.74	10,064,043.92

5. Sale of goods

Unit type	January-June, 2021	January-June, 2020
Parent company, Affiliated companies and affiliated companies' associates	134,997,512.17	90,295,919.94
joint venture	10,040,771.94	6,166,692.52
Associated Company	-	72,513.45
Total	145,038,284.11	96,535,125.92

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

(II) RELATED PARTY TRANSACTIONS (continued)

6. Utility service

Unit type	January-June, 2021	January-June, 2020
Final control party	481,132.06	–
Parent company, Affiliated companies and affiliated companies' associates	184,905.56	–
Associated Company	9,163.71	–
Total	675,201.33	–

7. Interest income from loans and advances

Unit type	January-June, 2021	January-June, 2020
Parent company, Affiliated companies and affiliated companies' associates	18,978,731.31	21,966,226.86
Final control party	1,836,215.93	–
Associated Company	94.34	311,239.39
joint venture	9,668.66	–
Total	20,824,710.24	22,277,466.25

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

(II) RELATED PARTY TRANSACTIONS (continued)

8. 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
Chongqing Mechanical and Electrical Holding Group Asset Management Co., Ltd.* COMEHQ*	Chongqing CAFF Automotive Braking & Steering Systems Co., Ltd.	Building	1 Jan 2020	31 Dec 2020	10,588,817.64	5,294,408.81	5,294,408.81	5,291,465.66
COMEHQ*	Chongqing electromechanical holding group finance co. LTD	Building	1 Dec 2018	30 Nov 2021	6,910,926.33	1,151,821.08	5,940,789.02	1,022,534.97
COMEHQ*	Chongqing Industrial Enabling Innovation Center Co., Ltd.	Building	1 Feb 2019	31 Jan 2022	4,362,496.16	727,082.70	3,029,511.23	1,395,314.79
COMEHQ*	Chongqing Machine Tools Group Shengpu Machinery Complete Plant Co., Ltd.	Building	1 Aug 2018	31 Jul 2021	2,205,606.65	367,601.10	2,144,339.77	65,089.45
COMEHQ*	Chongqing electromechanical holding group finance co. LTD	Building	1 Jan 2020	31 Dec 2021	17,506,993.44	2,917,832.24	14,589,161.20	4,058,626.36
Total					41,574,840.22	10,458,745.93	30,998,210.03	11,833,031.23

(2) The Group has no associated leasing

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

(II) RELATED PARTY TRANSACTIONS (continued)

9. Guarantees

(1) The Group has no guarantee as a guarantor.

(2) The Group as guaranteed party

Guarantor	Guaranteed party	Guaranteed amount	Starting date	Due date	Whether guarantee has been fulfilled
CQMEHQ	Chongqing Machinery & Electric Co., Ltd.	46,000,000.00	14 Mar 2016	14 Mar 2031	No
CQMEHQ	Chongqing Machinery & Electric Co., Ltd.	87,000,000.00	14 Mar 2016	14 Mar 2026	No
Total		133,000,000.00			

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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 2021	31 Dec 2020
Associated Company	24,713,920.41	44,118,201.45
Affiliated companies and affiliated companies' associates	175,221,985.17	142,864,639.35
Total	199,935,905.58	186,982,840.80

(2) Other receivables

Items	30 June 2021	31 Dec 2020
Associated Company	96,056,826.21	96,419,050.46
Affiliated companies and affiliated companies' associates	32,911,791.53	35,470,175.57
Joint venture	819,039.68	1,301,192.69
Final Controller	163,130.74	370,900.00
Total	129,950,788.16	133,561,318.72

(3) Prepayments

Items	30 June 2021	31 Dec 2020
Affiliated companies and affiliated companies' associates	1,386,421.10	596,533.61
Total	1,386,421.10	596,533.61

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

(III) BALANCES WITH RELATED PARTIES (continued)

(4) Dividends receivable

Items	30 June 2021	31 Dec 2020
Joint venture	398,731,495.19	480,342,682.26
Associated Company, Affiliated companies and affiliated companies' associates	1,937,456.38	1,937,456.38
Total	400,668,951.57	482,280,138.64

(5) Contract assets

Items	30 June 2021	31 Dec 2020
Joint venture	266,003.08	532,006.15
Affiliated companies and affiliated companies' associates	150,000.00	1,310,000.00
Total	416,003.08	1,842,006.15

(6) Non-current assets due within one year

Related parties	30 June 2021	31 Dec 2020
Associated Company	17,400,000.00	17,400,000.00
Total	17,400,000.00	17,400,000.00

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(All amounts are presented in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION *(CONTINUED)*

(III) BALANCES WITH RELATED PARTIES *(continued)*

(7) Long-term receivables

Related parties	30 June 2021	31 Dec 2020
Associated Company	69,600,000.00	78,300,000.00
Total	69,600,000.00	78,300,000.00

(8) Loans and advances to customers

Related parties	30 June 2021	31 Dec 2020
Affiliated companies and affiliated companies' associates	919,993,713.03	878,214,425.67
Final Controller	100,106,944.44	100,106,944.44
Joint venture	–	5,458,150.11
Total	1,020,100,657.47	983,779,520.22

(9) Accounts payable

Item	30 June 2021	31 Dec 2020
Affiliated companies and affiliated companies' associates	25,882,256.34	25,867,237.79
Associated Company	18,037.87	18,037.87
Total	25,900,294.21	25,885,275.66

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION (CONTINUED)

(III) BALANCES WITH RELATED PARTIES (continued)

(10) Other payables

Item	30 June 2021	31 Dec 2020
Affiliated companies and affiliated companies' associates	65,005,975.42	42,058,591.70
Final Controller	32,573,251.65	31,665,581.31
Associated Company	81,901.39	766,562.43
Total	97,661,128.46	74,490,735.44

(11) Deposits from banks and other financial institutions

Item	30 June 2021	31 Dec 2020
Affiliated companies and affiliated companies' associates	615,326,566.80	761,574,091.39
Associated Company	2,433,451.09	4,078,448.70
Final Controller	1,610,122.29	60,915,899.09
Joint venture	2,361.43	2,456.94
Total	619,372,501.61	826,570,896.12

(12) Contractual liabilities

Item	30 June 2021	31 Dec 2020
Associated Company	10,085,148.59	7,532,189.59
Affiliated companies and affiliated companies' associates	234.00	52,849.57
Total	10,085,382.59	7,585,039.16

XI. RELATED PARTIES AND RELATED-PARTY TRANSACTION
(CONTINUED)**(III) BALANCES WITH RELATED PARTIES (continued)****(13) Non-current liabilities due within one year**

Item	30 June 2021	31 Dec 2020
Final Controller	10,484,583.22	5,977,640.25
Affiliated companies and affiliated companies' associates	—	4,379,412.85
Total	<u>10,484,583.22</u>	<u>10,357,053.10</u>

(14) 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	January-June, 2021	January-June, 2020
Salaries and allowances	2,195,958.00	2,213,703.00
Social Insurance, Housing Fund and Retirement Pension Costs	511,960.63	252,131.27
Bonus	3,550,381.00	630,000.00
Total	<u>6,258,299.63</u>	<u>3,095,834.27</u>

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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.

XII. CONTIGENCIES

As of June 30,2021, the Group as a defendant is as follows:

(1) Litigation matters of Hydraulic wheel Company and CVA

On 31 July 2009, Water Wheels worked with Water Gen Power S.r.l. (hereinafter referred to as "WGP Company") Signed a supply contract, WGP purchased the impeller manufactured by Water Wheels; on September 16,2009, Compagnia Valdostana delle AcqueS.p.A. ("CVA Company") signed a contract with WGP, which sold the impeller it purchased from Water Wheels to CVA.

In October 2018, CVA filed a lawsuit in the Osta Court, Italy based on the serious defects of the impeller, claiming joint liability for damages (3,961,642.57 euros for its four impeller purchased from WGP).

The first hearing on the proceedings occurred on March 18,2021, where the court specifically concerned the statute of limitations and issued a special order: a second hearing on the statute of limitations before October 16,2021.As of the report date, the case has not been substantially trial.

The management of the Group believe that the lawsuit has been expired and void and expect the lawsuit is lost and the possibly of compensation is minimal.

XII. CONTIGENCIES (CONTINUED)**(2) Water Wheel Company and Central Construction Litigation Matters**

As the Employer, the Company signed the Civil Engineering Construction Contract with Chongqing Central Construction Co., Ltd. (hereinafter referred to as Laos South Coconut (Nam Ngiep) 2 A Hydropower Station on December 1, 2016. The Parties agree that Central Company shall undertake the first hub, water diversion system, plant hub and other civil works of Laos South Coconut (Nam Ngiep) 2A Hydropower Station. In March 2021, Central Construction filed a lawsuit to Chongqing No.5 Intermediate People's Court for the delay of payment of the Company, requiring the Company to pay the remaining project payment of 17.6126 million yuan and related interest, compensate the loss of 13 million yuan, and bear the case of lawyer's fees, legal costs, preservation costs and other related expenses. The case has not yet been adjudicated as of June 30, 2021.

The management of the Group make judgment that the plaintiff demanded several compensation of 13 million yuan is not reasonable. The management expect the lawsuit is lost and the possibly of compensation is minimal.

XIII. COMMITMENTS

Capital expenditure contracted during the reporting period but not yet incurred by the Group:

Item	30 June 2021	31 Dec 2020
House, building and equipment	2,052,831.86	44,933,684.00
Mould	—	37,598,712.73
Invisible capital	—	12,333,420.00
Total	<u>2,052,831.86</u>	<u>94,865,816.73</u>

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XIV. EVENTS AFTER THE REPORTING PERIOD

- 1. Important non adjustment items:none**
- 2. The Group has no significant sales returns after the balance sheet date.**
- 3. 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. Establishment of the Group annuity plan**

According to the minutes and resolutions of the first Board of Directors of the Group in 2021, the Company agrees to establish enterprise annuity since 2021 and manage it in accordance with the Rules for the Implementation of Chongqing Mechanical and Electrical Co., Ltd. (this Part). As of June 30,2021, the number of headquarters and subsidiaries participating in the annuity plan was 48 and 3,007, respectively.

- 5. The Group has not ceased operations during the year;**
- 6. No new guidelines to be implemented;**

XV. OTHER SIGNIFICANT EVENTS *(CONTINUED)*

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;

Material Sales Division: responsible for material sales;

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 Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

8. Financial information of reportable segments

Financial Information for January-June 2021

Items	Hydroelectric							Total			
	Engines	Hydroelectric generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers		Materials sales	Other segments	Offset
Total segment revenue	-	151,818,454.86	918,066,125.08	1,376,562,432.73	51,794,821.46	372,392,207.09	-	18,687,926.80	944,768,336.08	-	3,834,390,304.10
Intersegment revenue	-	(1,407,395.71)	(3,141,172.61)	(2,140,897.31)	(24,099,574.74)	(3,456,535.37)	-	(17,104,381.01)	(3,040,300.65)	-	(54,390,257.40)
Revenue from external customers	-	150,411,059.15	914,924,952.47	1,374,711,535.42	27,695,246.72	368,855,671.72	-	1,568,545.79	941,728,035.43	-	3,779,990,046.70
Operating costs	-	121,375,645.43	811,635,833.79	1,060,111,639.00	16,125,441.22	301,996,297.51	-	18,178,925.99	698,455,222.38	-	3,027,879,015.32
Intersegment transaction cost	-	(1,321,681.42)	(3,141,172.61)	(4,754,855.84)	(11,752,771.49)	(682,365.82)	-	(16,683,504.82)	(3,040,300.65)	-	(41,376,652.45)
External transaction cost	-	120,053,964.01	808,494,661.18	1,055,556,783.36	4,372,669.73	301,313,931.69	-	1,495,421.17	695,414,831.73	-	2,986,502,362.87
Gross profit rates (%)	-	20.18	11.63	23.23	84.21	18.33	-	5.57	26.16	-	20.99
Operating (loss)/profit	131,960,992.14	(11,624,568.57)	46,324,037.02	15,253,719.97	16,879,196.37	(86,465,044.91)	1,049,979.52	(9,448,529.72)	60,651,626.70	-	164,551,408.52
Interest income	-	634,691.58	227,588.28	775,951.87	-	1,396,893.26	-	59,841.62	6,794,691.64	-	9,859,656.25
Interest costs	-	(4,586,828.58)	5,078,393.57	7,071,723.75	-	21,410,502.42	-	5,877,610.43	8,268,437.79	-	43,119,839.38
Investment income from associates and joint ventures	131,960,992.14	-	-	-	-	4,610,105.84	1,049,979.52	-	31,002,297.35	-	168,623,374.85
Total profit	131,960,992.14	(11,333,603.85)	45,274,715.07	19,478,757.81	16,879,196.37	(85,572,487.09)	1,049,979.52	(9,403,118.02)	61,794,329.09	-	170,118,761.04
Income tax expense	-	(7,453,905.30)	6,182,402.86	(1,562,792.69)	10,860,314.07	2,057,239.49	-	-	6,221,099.59	-	16,294,357.02
Net profit	131,960,992.14	(8,879,698.55)	39,092,312.21	21,041,550.50	6,028,882.30	(87,525,726.58)	1,049,979.52	(9,403,118.02)	55,563,230.50	-	153,824,404.02

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

8. Financial information of reportable segments (continued)

Financial Information for January-June 2021 (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	-	14,743,783.49	7,476,484.76	22,833,112.60	335,417.09	24,116,299.41	727,082.70	369,323.65	38,591,115.57	-	109,192,619.27
Amortisation of intangible assets	-	1,030,136.75	371,647.16	13,449,322.25	177,424.67	7,539,515.97	-	-	2,483,136.56	-	25,051,205.36
Asset impairment loss	-	1,250,540.12	-	(63,454.66)	-	228,949.72	-	-	329,004.62	-	1,744,938.80
Credit impairment loss	-	331,144.99	24,736.18	55,816,892.24	(1,589,062.10)	(590,249.28)	-	1,218,843.39	28,474,597.77	-	83,686,903.19
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	1,791,466.81	(7,248,768.11)	(106,060,610.83)	(1,153,569.50)	(27,358,113.17)	-	(369,323.65)	5,697,541.05	-	(134,701,377.40)

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

8. Financial information of reportable segments (continued)

Financial Information for January-June 2020

Items	Hydroelectric						Machinery tools	High-voltage transformers	Materials sales	Other segments	Offset	Total
	Engines	Hydroelectric generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools						
Total segment revenue	-	90,968,545.04	550,344,568.11	914,884,014.94	50,279,759.36	346,639,168.74	-	34,905,440.75	839,916,501.54	-	-	2,866,127,988.48
Inter-segment revenue	-	6,437,437.67	(5,159,289.28)	(3,239,026.56)	(26,726,338.97)	(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	-	-	2,788,285,266.75
Operating costs	-	94,039,434.67	460,076,849.12	770,531,315.73	15,862,639.83	286,147,297.67	-	33,655,139.40	612,783,408.91	-	-	2,273,096,145.33
Inter-segment transaction cost	-	(9,334.62)	(5,159,289.28)	(4,046,324.99)	(11,912,765.97)	(792,949.33)	-	(20,527,524.89)	(25,531,691.31)	-	-	(67,979,880.39)
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	587,251,777.60	-	-	2,205,116,254.94
Gross profit rates (%)	-	10.78	16.56	15.92	88.23	47.96	-	3.58	27.82	-	-	20.05
Operating (loss)/profit	140,568,370.29	(28,787,828.95)	42,378,238.01	(9,751,494.60)	18,136,757.19	(85,605,221.10)	8,052,365.21	(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	140,568,370.29	-	-	-	-	92,660.94	8,052,365.21	-	18,364,794.03	-	-	167,098,200.47
Total profit	140,568,370.29	(28,965,982.72)	42,230,954.55	(7,523,555.08)	18,136,757.19	(85,781,314.62)	8,052,365.21	(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	140,568,370.29	(29,897,192.51)	36,144,769.08	(9,874,668.89)	17,124,329.30	(86,231,850.40)	8,052,365.21	(6,041,144.33)	52,169,381.00	-	-	123,094,378.75

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(All amounts are presented in RMB except otherwise stated)

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

8. Financial information of reportable segments (continued)

Financial Information for January-June 2020 (continued)

	Hydroelectric							Total			
	Other items	Engines	Hydroelectric generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools		High-voltage transformers	Materials sales	Other segments
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	19,986,046.17	-	91,286,838.77
Amortisation of intangible assets	-	1,022,013.94	338,240.34	14,548,837.75	163,125.27	6,671,154.06	-	-	2,215,641.43	-	24,959,012.78
Asset impairment loss	-	-	-	10,656,058.37	-	(2,130,364.55)	-	-	6,603,968.47	-	15,129,662.29
Credit impairment loss	-	(2,779,891.47)	(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)	5,239,120.24	(1,298,604.65)	(77,825,486.07)	-	(367,575.53)	(58,649,066.82)	-	(150,158,312.70)

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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-Jun-21	Hydroelectric							Total			
	Engines	Hydroelectric generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers		Materials sales	Other segments	Offset
Total assets	514,170,751.15	1,900,083,463.05	1,159,404,279.64	3,601,679,010.92	2,924,392,447.59	2,979,820,598.97	267,269,099.02	194,912,357.26	11,714,154,919.88	(8,796,520,106.19)	16,459,374,741.29
Total liabilities	-	1,471,545,631.26	810,930,337.00	2,773,697,454.96	2,014,326,377.17	2,173,225,197.58	-	311,615,368.31	3,664,736,233.04	(4,442,925,812.59)	8,777,150,766.73
Investment of associates or joint ventures	514,170,751.15	-	-	-	-	87,132,276.27	267,269,099.02	-	365,562,966.40	-	1,234,163,092.84

(Continued)

31-Dec-20	Hydroelectric							Total			
	Engines	Hydroelectric generation equipment	Electrical wire and cable	General machinery	Financial services	Machinery tools	High-voltage transformers		Materials sales	Other segments	Offset
Total assets	382,217,759.01	1,921,314,953.17	1,053,510,084.46	4,012,803,842.53	3,330,115,212.53	2,974,178,955.83	274,851,188.78	209,946,436.75	11,344,526,957.87	(8,878,242,170.94)	16,624,226,219.99
Total liabilities	-	1,463,294,344.31	694,366,014.68	3,197,140,006.57	2,440,936,768.75	2,077,447,154.40	-	316,655,411.79	3,385,247,275.57	(4,446,613,056.29)	9,148,473,919.78
Investment of associates or joint ventures	382,217,759.01	-	-	-	-	82,337,194.34	274,851,188.78	-	363,910,307.59	-	1,103,316,449.72

XV. OTHER SIGNIFICANT EVENTS *(CONTINUED)*

9. Other significant transactions and events that have impact on investor decisions.

The Impact of Shangshe Chemical Co., Ltd

From October 2017 to September 2019, the Group carried out rubber trade business with Chongqing Shangshe Chemical Co., Ltd., a wholly-owned subsidiary of Chongqing Commercial Society (Group) Co., Ltd.). In September 2019, Pang Qingjun, chairman and legal representative of Shanghe Chemical, was suspected of committing crimes, resulting in 285.327 million receivables generated by the Group and its transactions have not been recovered.

Since the Commercial Chemical incident, the Group has been communicating with Chongqing Commercial Agency (Group) Co., Ltd. and relevant institutions. Shanghe Chemical issued the Letter on Loan Description and Repayment Plan to the Group on December 31, 2019, and the letter promises that Commercial Chemical will repay the above arrears to the Group in June 2020. In view of the wholly-owned enterprise of Shanghe Chemical, the non-default transactions and the special case in Chongqing to coordinate and handle the emergency, on December 31, 2019, the management of the Group estimated the future loss rate of 30.00%, with 85.5981 million provision.

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021

(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)*

The Impact of Shangshe Chemical Co., Ltd *(continued)*

In 2020, because the case investigation was not over, and failed to repay the arrears under the Letter on Loan Instructions and Repay Plan, the Group filed a lawsuit to Chongqing First Intermediate People's Court on November 6, 2020, requiring the company to repay the amount owed and Chongqing Commercial Society (Group) Co., Ltd. as the second defendant, requiring it to bear joint and several liability.

On August 25, 2021. Shangshe chemical was sentenced to repay the above amount and relevant interest within 10 days after the judgment takes effect, and to bear legal costs and Attorney's fee, according to the judicial decision by Chongqing First Intermediate People's Court. Other litigation claims of the group has been rejected. For those litigation claims which have been rejected by Chongqing First Intermediate People's Court, The Group reserves the right to appeal to the Chongqing Higher People's court.

The management of the Group expects that there is no radical change in the estimation of the payment collection. The future loss rate is still expected to be 60.00%. As of June 30, 2021, the balance of Shanghe Chemical still owed the Group was 287,967,900 yuan (interest 964,100 yuan). The Group raised a bad debt provision of 172,780,800 yuan, with a net of 115,187,2 million yuan.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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 2021	31 Dec 2020
Dividend receivables	506,514,510.07	530,745,519.64
Other receivables	297,033,490.74	1,143,114,052.97
Less: Provision for bad debts	89,298,014.99	89,298,014.99
Total	<u>714,249,985.82</u>	<u>1,584,561,557.62</u>

1.1 Dividend receivables

Items	30 June 2021	31 Dec 2020	Reasons for not yet recovered	Whether impaired and criterion
Within 1 year	208,213,723.93	281,640,201.20	-	-
Including:Chongqing Cummins Gas Compressor	151,563,633.13	233,174,820.20	-	-
Chongqing Water Turbine Plant Co., Ltd	-	31,930,000.00	-	-
Chongqing Electromechanical Intelligent Manufacturing Co., Ltd	-	14,150,000.00	-	-
Chongqing Pigeon Cable and Cable Co., Ltd	1,140,000.00	2,385,381.00	-	-
Chongqing Water Pump Plant Co., Ltd	32,700,090.80	-	-	-
Over 1 year	22,810,000.00	-	-	-
	295,185,318.44	249,105,318.44	-	-

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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)

1.1 Dividend receivables (continued)

Items	30 June 2021	31 Dec 2020	Reasons for not yet recovered	Whether impaired and criterion
Including: Chongqing Hongyan Changli	1,937,456.38	1,937,456.38	Not yet been paid	The company operates normally and has the ability to pay
Chongqing Cummins	247,167,862.06	247,167,862.06	Payment as agreed by the resolution of the Board	The company operates normally and has the ability to pay
Chongqing Water Turbine Plant Co., Ltd	14,150,000.00	-	-	-
Chongqing Gas Compressor Plant Co., Ltd	31,930,000.00	-	-	-
Total	503,399,042.37	530,745,519.64		

1.2 Other receivables

Items	30 June 2021	31 Dec 2020
Other receivables	297,033,490.74	1,143,114,052.97
Less: provision for bad debts	89,298,014.99	89,298,014.99
Carrying amount	207,735,475.75	1,053,816,037.98

Notes to the Interim Condensed Consolidated Financial Statements *(Continued)*

From 1 January 2021 to 30 June 2021
(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)*

1) Aging analysis

Aging	30 June 2021	31 Dec 2020
Within one year	143,285,766.60	970,162,757.00
1 -2 years	30,000,000.00	136,772,276.04
2-3 years	87,568,704.21	–
3-4 years	–	4,996,395.93
4-5 years	4,996,395.93	31,182,624.00
More than 5 years	31,182,624.00	–
Total	297,033,490.74	1,143,114,052.97
Less: Provision for impairment	89,298,014.99	89,298,014.99
Carrying amount	207,735,475.75	1,053,816,037.98

2) Classification of other receivables by nature

Nature	30 June 2021	31 Dec 2020
Other receivables related party	202,285,689.45	1,051,232,707.96
For external borrowing and interest	88,531,658.42	88,531,658.42
Petty cash	20,207.78	–
Others	6,195,935.09	3,349,686.59
Total	297,033,490.74	1,143,114,052.97
Less: Provision for impairment	89,298,014.99	89,298,014.99
Carrying amount	207,735,475.75	1,053,816,037.98

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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) Provisions of bad debt provision for other receivables

Bad debt provision	stage I	stage II	phase III	Total
	Expect credit loss for the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance of 1 January 2021	-	-	89,298,014.99	89,298,014.99
The book balance of other receivables on January 1, 2021 is in this period	-	-	-	-
- Transfer to Phase 2	-	-	-	-
- Transfer to Phase 3	-	-	-	-
- Go Back to Phase 2	-	-	-	-
- Go Back to Phase 1	-	-	-	-
Withvision for this period	-	-	-	-
This period	-	-	-	-
Respin in this period	-	-	-	-
Write-off of this period	-	-	-	-
Other changes	-	-	-	-
Balance of 30 June 2021	-	-	<u>89,298,014.99</u>	<u>89,298,014.99</u>

4) There are no actual other receivables cancelled by the Company in this period

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021
(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) Top 5 other receivables at the end of the year

Name of debtors	Nature	30 June 2021	Aging	Percentage of other receivables ending balance (%)	Ending balance of bad debt provision
Chongqing Shangshe Chemical Co., Ltd	Loan and interest	88,531,658.42	Within 1 year, 2-3 years	29.81	52,541,222.53
Chongqing Jiangbei Machinery Co., Ltd	Employee resettlement payment and loan	61,213,147.59	For the 1-2 years, From 4-5 years, More than 5 years	20.61	31,213,147.59
Qijiang Qijiang Transmission Co., Ltd	Loan and interest	19,325,365.24	Within 1 year	6.51	-
Chongqing hao Smelting Co., Ltd	Loan and interest	3,264,844.35	From 4-5 years	1.10	3,264,844.35
Chongqing Water Turbine Plant Co., Ltd	Loan and interest	2,130,272.50	Within 1 year	0.72	-
Total		174,465,288.10		58.74	87,019,214.47

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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 2021			31 Dec 2020		
	Book balance	Impairment	Carrying amount	Book balance	Impairment	Carrying amount
Investment in subsidiaries	3,858,406,273.05	88,741,458.00	3,769,664,815.05	3,798,406,273.05	88,741,458.00	3,709,664,815.05
Investment in associates and joint ventures	1,129,854,651.21	-	1,129,854,651.21	1,003,823,090.02	-	1,003,823,090.02
Total	4,988,260,924.26	88,741,458.00	4,899,519,466.26	4,802,229,363.07	88,741,458.00	4,713,487,905.07

(2) Investments in subsidiaries

Investee	31 Dec 2020	Increase this year	Decrease this year	30 June 2021	Provision for impairment this year	Balance of impairment
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	60,000,000.00	-	161,375,113.00	-	-
Total	3,798,406,273.05	60,000,000.00	-	3,858,406,273.05	-	88,741,458.00

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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)

(3) Investment in associates and joint ventures

Investee	Cost of investment	31 Dec 2019	Additional investment	Reduced investment	Investment recognized under equity method	Charges in the year Adjustment of other comprehensive income	Other equity changes	Cash dividends declared in current period	Provision for impairment this year	Balance of impairment	30 June 2020
1. Joint venture											
CO Cummins	370,189,551.00	382,217,759.01	-	-	131,960,992.14	-	-	-	-	-	514,178,751.15
Sub Total	370,189,551.00	382,217,759.01	-	-	131,960,992.14	-	-	-	-	-	514,178,751.15
2. Associates											
Chongqing ABB	236,651,166.00	274,651,166.78	-	-	1,049,979.52	-	8,632,069.28	-	-	-	267,269,099.02
Hongqian Fangda	51,306,166.00	135,699,634.62	-	-	11,349,013.92	-	-	-	-	-	147,948,648.44
Emperor Ece	16,880,157.00	82,037,571.75	-	-	(841,261.68)	-	789,638.54	-	-	-	80,406,651.53
Kraai	44,231,369.00	65,407,262.45	-	-	21,094,526.02	-	28,560,000.00	-	-	-	77,981,780.47
Chongqing Jiangbei Machinery	57,933,968.00	43,609,883.51	-	-	(539,962.91)	-	-	-	-	-	43,069,720.60
WPG Italy	6,058,193.00	-	-	-	-	-	-	-	-	-	-
Sub Total	413,061,019.00	621,605,331.01	-	-	32,052,276.87	-	37,981,707.82	-	-	-	615,675,900.06
Total	783,250,570.00	1,003,823,090.02	-	-	164,013,269.01	-	37,981,707.82	-	-	-	1,129,854,651.21

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

From 1 January 2021 to 30 June 2021

(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	January-June, 2021		January-June, 2020	
	Revenue	Cost	Revenue	Cost
Other operations	616,990.65	—	634,675.69	—
Total	616,990.65	—	634,675.69	—

4. Investment income

Items	January-June, 2021	January-June, 2020
Investment income from long-term equity investments in equity method	164,013,269.01	167,005,549.53
Investment income of long-term equity investments in cost method	56,644,709.80	47,670,000.00
Investment income from Capital - guaranteed financing	—	2,870,000.00
Investment income from Other equity instruments investment	735,467.70	1,470,150.00
Total	221,393,446.51	219,015,699.53

Notes: No significant restriction of investment income of the Group.

The financial statements have been approved by the Board of Directors on 26 August 2021.

Supplementary Information to the Condensed Consolidated Financial Statements

From 1 January 2021 to 30 June 2021

(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	926,599.75
Government grants included in the profit or loss for the period	33,827,820.42
Fund occupation fees collected from non-financial enterprises included in the current profits and losses	958,916.66
Employee resettlement compensation	(14,382,397.93)
Impairment reversal of receivables that were individually tested for impairment	1,855,571.00
Investment income generated during the holding period of financial assets	735,467.70
Profit and loss from changes in fair value of trading financial assets	795,611.85
Other non-operating income and expenses apart from the above	5,567,352.52
Sub-total	30,284,941.97
Impact on income tax	4,542,741.30
Impact on non-controlling interest (after tax)	308,168.18
Total	25,434,032.49

Supplementary Information to the Condensed Consolidated Financial Statements *(continued)*

From 1 January 2021 to 30 June 2021

(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	138,391,342.55	–	–	–
Amount of weighted average net assets attributable to the parent company	7,091,043,153.18	1.95	–	–
Number of common shares outstanding	3,684,640,154.00	–	0.04	0.04
Amount of non-recurring profit or loss attributable to the parent company	25,434,032.49	–	–	–
Net profit attributable to the shareholders of the Company (excluding: extraordinary profit and loss)	112,957,310.06	1.60	–	–

Chongqing Machinery & Electric Co., Ltd.

26 August 2021



重慶機電股份有限公司
CHONGQING MACHINERY & ELECTRIC CO., LTD.*