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

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

**ANNOUNCEMENT OF GROUP RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately 16.4% to approximately RMB7,410.6 million yuan
- Gross profit increased by approximately 13.2% to approximately RMB1,488.3 million yuan
- Profit attributable to shareholders increased by approximately 62.0% to approximately RMB296.5 million yuan
- Earnings per share was approximately RMB0.08 yuan

**ANNUAL RESULTS**

The board of directors (the “Board”) of Chongqing Machinery & Electric Co., Ltd.\* (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021 and the comparative figures for the corresponding period of 2020 as follows:

\* For identification purposes only

## CONSOLIDATED INCOME STATEMENT

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

Unit: RMB

Items	Notes	For The Year 2021	For The Year 2020
<b>1. Total operating revenue</b>	4.1	<b>7,410,613,529.93</b>	6,366,965,831.92
Including: Operating revenue	4.1	<b>7,342,993,341.26</b>	6,306,226,106.65
Interest income	4.1	<b>67,604,470.05</b>	60,720,320.56
Transaction fees and commission income	4.1	<u><b>15,718.62</b></u>	<u>19,404.71</u>
 <b>2. Total operating cost</b>		 <b>7,325,855,642.48</b>	 6,422,753,750.86
Including: Operating cost	4.1	<b>5,913,009,286.87</b>	5,042,997,530.22
Interest expenses	4.1	<b>9,069,971.91</b>	9,256,054.14
Transaction cost and commission fees	4.1	<b>218,167.83</b>	184,966.84
Business taxes and surcharges		<b>59,349,611.57</b>	59,106,924.79
Selling and distribution expenses	4.2	<b>267,701,560.87</b>	285,384,867.38
Administrative expenses	4.3	<b>602,243,334.02</b>	545,332,994.86
Research and development expenses	4.4	<b>385,084,499.26</b>	354,659,262.93
Financial expenses	4.5	<b>89,179,210.15</b>	125,831,149.70
Including: Interest expenses	4.5	<b>110,440,245.09</b>	113,912,617.77
Interest income	4.5	<b>42,007,575.45</b>	33,898,571.70
Add: Other income	4.6	<b>98,662,362.69</b>	135,561,781.12
Investment income (Loss listed with “-”)	4.7	<b>386,549,217.58</b>	350,090,775.20
Including: Income from investments in associates and joint ventures	4.7	<b>385,333,384.96</b>	348,240,568.55
Gain arising from the changes in fair value (Loss listed with “-”)		<b>-2,576,785.41</b>	-44,793.92
Impairment loss of credit (Loss is listed by “-”)		<b>-283,126,415.59</b>	-105,340,325.10
Impairment loss of assets (Loss is listed by “-”)		<b>-84,934,918.51</b>	-37,434,468.67
Gain on disposal of assets (Loss listed with “-”)	4.8	<u><b>136,621,487.05</b></u>	<u>12,283,826.09</u>
 <b>3. Operating profit (Loss listed with “-”)</b>		 <b>335,952,835.26</b>	 299,328,875.78
Add: Non-operating revenue	4.9	<b>16,504,022.84</b>	16,646,338.96
Less: Non-operating expenses	4.10	<u><b>22,315,395.51</b></u>	<u>48,495,709.15</u>
 <b>4. Total profit (Total loss listed with “-”)</b>		 <b>330,141,462.59</b>	 267,479,505.59
Less: Income tax expenses	4.11	<u><b>12,148,917.17</b></u>	<u>50,651,741.51</u>

Items	<i>Notes</i>	<b>For The Year 2021</b>	For The Year 2020
<b>5. Net profit (Net loss listed with “-”)</b>		<b>317,992,545.42</b>	216,827,764.08
(1) Classification by continuing or discontinued operation		<b>317,992,545.42</b>	216,827,764.08
1. Net profit attributable to continuing operation (Net loss listed with “-”)		<b>317,992,545.42</b>	216,827,764.08
2. Net profit attributable to discontinued operation (Net loss listed with “-”)		-	-
(2) Classification by ownership		<b>317,992,545.42</b>	216,827,764.08
1. Net profit attributable to shareholders of the controlling company		<b>296,511,290.59</b>	182,967,706.60
2. Net profit attributable to non-controlling interests		<b><u>21,481,254.83</u></b>	<u>33,860,057.48</u>
<b>6. Net other comprehensive income after tax</b>		<b>63,640,838.66</b>	15,997,353.49
Net other comprehensive income after tax attributable to shareholders of the Company		<b>63,090,536.31</b>	14,543,855.99
(1). Other comprehensive incomes that cannot be reclassified into profit or loss		<b>65,862,335.13</b>	-120,340.00
1. Changes from recalculation of defined benefit plan		<b>146,610.00</b>	-120,340.00
2. Transfer changes of defined benefit plan to retained earnings		-	-
3. Changes in fair value of other equity instrument investments		<b>65,715,725.13</b>	-
(2). Other comprehensive income that can be reclassified into profit or loss		<b>-2,771,798.82</b>	14,664,195.99
1. Effective part of cash flow hedging		<b>1,437,485.15</b>	4,219,017.50
2. Effective portion of net investment hedging gains and losses		-	3,220,037.26
3. Translation differences of financial statements in foreign currencies		<b>-4,209,283.97</b>	7,225,141.23
Net other comprehensive income after tax attributable to non-controlling interests		<b><u>550,302.35</u></b>	<u>1,453,497.50</u>

Items	<i>Notes</i>	<b>For The Year 2021</b>	For The Year 2020
<b>7. Total comprehensive income</b>		<b>381,633,384.08</b>	232,825,117.57
1. Total comprehensive income attributable to shareholders of the Company		<b>359,601,826.90</b>	197,511,562.59
2. Total comprehensive income attributable to non-controlling interests		<u><b>22,031,557.18</b></u>	<u>35,313,554.98</u>
<b>8. Earnings per share</b>			
1. Basic earnings per share		<b>0.08</b>	0.05
2. Diluted earnings per share		<u><b>0.08</b></u>	<u>0.05</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Unit: RMB

Items	Notes	31 December 2021	31 December 2020
<b>Current assets</b>			
Cash and cash equivalents	4.14	2,178,851,965.55	1,737,526,602.70
Financial assets held for trade		3,303,288.23	219,242.46
Redemptory monetary capital for sale		200,000,000.00	–
Notes receivable	4.15	694,406,169.06	508,675,368.55
Accounts receivable	4.16	2,517,917,402.87	2,623,772,992.86
Receivable financing		681,564,554.57	977,468,569.47
Prepayments		248,162,385.38	218,888,089.37
Other receivables		949,236,551.19	1,098,972,212.13
Including: Dividends receivable		562,427,607.42	482,280,138.64
Loans and advances to customers		802,055,701.48	898,672,611.56
Inventories		2,129,070,494.07	2,292,719,154.54
Contract assets		371,647,306.25	323,250,213.57
Held-for-sale assets		2,922,348.96	–
Non-current assets due within one year		17,400,000.00	17,400,000.00
Other current assets		53,175,046.31	40,755,760.73
<b>Total current assets</b>		<b>10,849,713,213.92</b>	<b>10,738,320,817.94</b>
<b>Non-current assets</b>			
Loans and advances to customers		94,205,605.96	60,527,271.21
Long-term receivables		60,900,000.00	78,300,000.00
Long-term equity investments		1,207,708,236.11	1,103,316,449.72
Other equity instruments investment		139,934,987.72	52,314,020.88
Investment properties		166,912,701.11	55,555,414.08
Property, plant and equipment		2,562,081,567.51	2,753,799,792.80
Construction in progress		141,496,563.68	204,123,781.19
Right-to-use assets		260,066,371.99	296,486,965.36
Intangible assets		562,027,040.56	590,314,813.12
Development expenditures		1,355,649.75	6,305,952.44
Goodwill		131,023,552.79	143,312,435.00
Long-term deferred expenses		108,428,301.90	162,541,861.93
Deferred tax assets		100,196,219.91	117,185,785.25
Other non-current assets		349,335,218.60	261,820,859.07
<b>Total non-current assets</b>		<b>5,885,672,017.59</b>	<b>5,885,905,402.05</b>
<b>Total assets</b>		<b>16,735,385,231.51</b>	<b>16,624,226,219.99</b>

Items	Notes	31 December 2021	31 December 2020
<b>Current liabilities</b>			
Short-term loans		518,976,799.53	802,345,391.39
Due to customers, banks and other financial institutions		939,708,641.17	826,570,999.28
Notes payable	4.17	1,176,743,855.98	1,015,895,479.13
Accounts payable	4.18	1,846,574,174.57	1,785,659,572.44
Contract liabilities		893,509,599.02	1,250,324,181.63
Employee benefits payables		81,501,621.21	90,077,883.60
Taxes and levies payables		168,645,739.36	222,132,567.45
Other payables		460,159,820.62	424,586,757.63
Including: Dividends payable		33,910,296.08	32,120,215.21
Non-current liabilities due within one year		449,529,410.73	586,277,882.55
Other current liabilities		54,281,115.54	90,095,305.15
<b>Total current liabilities</b>		<b>6,589,630,777.73</b>	<b>7,093,966,020.25</b>
<b>Non-current liabilities</b>			
Long-term loans		1,968,258,239.06	1,600,546,574.35
Lease liabilities		5,650,872.92	37,690,483.75
Long-term payables		2,182,769.39	3,068,589.72
Long-term employee benefits payable		6,148,000.00	6,276,000.00
Provisions		37,701,462.30	22,916,284.17
Deferred revenue		240,134,120.88	282,456,486.60
Deferred tax liabilities		71,956,379.75	101,553,480.94
<b>Total non-current liabilities</b>		<b>2,332,031,844.30</b>	<b>2,054,507,899.53</b>
<b>Total liabilities</b>		<b>8,921,662,622.03</b>	<b>9,148,473,919.78</b>

Items	<i>Notes</i>	<b>31 December 2021</b>	31 December 2020
<b>Shareholder's equity</b>			
Share capital		<b>3,684,640,154.00</b>	3,684,640,154.00
Capital reserves		<b>72,556,920.37</b>	67,546,968.20
Other comprehensive income		<b>99,149,032.85</b>	36,058,496.54
Surplus reserves		<b>444,509,347.69</b>	406,895,352.07
Undistributed profit		<b><u>3,048,090,000.17</u></b>	<u>2,826,706,511.09</u>
<b>Total equity attributable to shareholders of the Company</b>		<b><u>7,348,945,455.08</u></b>	<u>7,021,847,481.90</u>
<b>Non-controlling interests</b>		<b><u>464,777,154.40</u></b>	<u>453,904,818.31</u>
<b>Total shareholder's equity</b>		<b><u>7,813,722,609.48</u></b>	<u>7,475,752,300.21</u>
<b>Total liabilities and shareholder's equity</b>		<b><u>16,735,385,231.51</u></b>	<u>16,624,226,219.99</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Unit: RMB

For the year 2021

Items	Equity attributable to the equity holders of the controlling Company										Total equity		
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision		Retained profits	Non-controlling interests
1. Balance at 31 December 2020	3,684,640,154.00	-	-	-	67,546,968.20	-	36,058,496.54	-	406,895,352.07	-	2,826,706,511.09	453,904,818.31	7,475,752,300.21
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Balance at 1 January 2021	3,684,640,154.00	-	-	-	67,546,968.20	-	36,058,496.54	-	406,895,352.07	-	2,826,706,511.09	453,904,818.31	7,475,752,300.21
3. Increase/Decrease for the year (Decrease listed with "-")													
(1) Total comprehensive income	-	-	-	-	5,009,952.17	-	63,090,536.31	-	37,613,995.62	-	221,383,489.08	10,872,336.09	337,970,309.27
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	63,090,536.31	-	-	-	296,511,290.59	22,031,557.18	381,633,384.08
1. Common stock capital contribution from shareholders	-	-	-	-	5,009,952.17	-	-	-	-	-	-	330,000.00	5,339,952.17
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	330,000.00	330,000.00
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	5,009,952.17	-	-	-	-	-	-	-	5,009,952.17
(3) Profit appropriations	-	-	-	-	-	-	-	-	37,613,995.62	-	-75,127,801.51	-11,489,221.09	-49,003,026.98
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	37,613,995.62	-	-37,613,995.62	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-667,404.35	-	-667,404.35
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-36,846,401.54	-11,489,221.09	-48,335,622.63
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-

For the year 2021

Equity attributable to the equity holders of the controlling Company

Other equity instruments

Items	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Balance at 31 December 2021	3,684,640,154.00	-	-	-	72,556,920.37	-	99,149,032.85	-	444,509,347.69	-	3,048,090,000.17	464,777,154.40	7,813,722,609.48

For The Year 2020

Equity attributable to the equity holders of the controlling Company

Other equity instruments

Items	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
<b>1. Balance at 31 December 2019</b>	3,684,640,154.00	-	-	-	50,311,968.20	-	21,514,640.55	-	364,663,370.96	-	2,723,290,866.87	444,669,172.15	7,289,090,172.73
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2020</b>	<b>3,684,640,154.00</b>	-	-	-	<b>50,311,968.20</b>	-	<b>21,514,640.55</b>	-	<b>364,663,370.96</b>	-	<b>2,723,290,866.87</b>	<b>444,669,172.15</b>	<b>7,289,090,172.73</b>
<b>3. Increase/Decrease for the year (Decrease listed with "+")</b>													
(1) Total comprehensive income	-	-	-	-	17,235,000.00	-	14,543,855.99	-	42,231,981.11	-	108,415,644.22	9,235,646.16	186,662,127.48
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	14,543,855.99	-	-	-	182,967,706.60	35,313,554.98	232,825,117.57
1. Common stock capital contribution from shareholders	-	-	-	-	17,235,000.00	-	-	-	-	-	-	-128,478.22	17,106,521.78
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	6,870,000.00	6,870,000.00
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	17,235,000.00	-	-	-	-	-	-	-6,998,478.22	10,236,521.78
(3) Profit appropriations	-	-	-	-	-	-	-	-	42,231,981.11	-	-79,552,062.38	-25,949,430.60	-63,269,511.87
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	42,231,981.11	-	-42,231,981.11	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-473,679.73	-	-473,679.73
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-36,846,401.54	-25,949,430.60	-62,795,832.14
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-

For The Year 2020

Equity attributable to the equity holders of the controlling Company

Other equity instruments

Items	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Used	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>4. Balance at 31 December 2020</b>	<b>3,684,640,154.00</b>	-	-	-	<b>67,546,968.20</b>	-	<b>36,038,496.54</b>	-	<b>406,895,352.07</b>	-	<b>2,826,706,511.09</b>	<b>453,904,818.31</b>	<b>7,475,752,300.21</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

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

Unit: RMB

Items	Notes	For The Year 2021	For The Year 2020
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		<b>6,584,340,897.89</b>	5,925,678,468.27
Net increase in customer deposits and interbank deposits		<b>114,926,987.63</b>	-291,220,418.52
Cash received from interest, surcharges and commission fee		<b>71,661,496.87</b>	65,514,245.32
Net increase in repurchase agreements		-	-49,949,000.00
Cash received from tax refund		<b>23,993,806.84</b>	29,170,901.42
Cash received relating to other operating activities		<b>427,146,088.65</b>	390,216,026.83
<b>Sub-total of cash inflows from operating activities</b>		<b><u>7,222,069,277.88</u></b>	<u>6,069,410,223.32</u>
Cash paid for goods and services		<b>4,743,987,131.93</b>	4,299,981,549.72
Net increase in loans and advances to customers		<b>-64,537,153.61</b>	-81,715,652.12
Net increase in central bank and interbank payments		<b>15,896,449.34</b>	-53,471.07
Cash paid for interest, surcharges and commission fee		<b>11,077,485.48</b>	3,705,297.97
Cash paid to and on behalf of employees		<b>1,082,743,610.35</b>	926,521,134.63
Payments of taxes and surcharges		<b>360,944,428.43</b>	329,998,326.30
Cash paid relating to other operating activities		<b>688,211,664.75</b>	419,448,463.04
<b>Sub-total of cash outflows from operating activities</b>		<b><u>6,838,323,616.67</u></b>	<u>5,897,885,648.47</u>
<b>Net cash flows from operating activities</b>		<b><u>383,745,661.21</u></b>	<u>171,524,574.85</u>
<b>2. Cash flows from investment activities</b>			
Cash received from return of investments		<b>291,653,092.05</b>	154,000,000.00
Cash received from investments income		<b>202,982,812.94</b>	208,479,043.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>439,394,504.44</b>	147,128,215.31
Cash received relating to other investing activities		<b>47,755,458.33</b>	73,016,035.18
<b>Sub-total of cash inflows from investing activities</b>		<b><u>981,785,867.76</u></b>	<u>582,623,293.74</u>

Items	<i>Notes</i>	For The Year 2021	For The Year 2020
Cash paid to acquire fixed assets, intangible assets and other long-term assets		122,162,276.03	101,320,631.22
Cash paid for investments		282,653,092.05	164,120,069.00
Cash paid relating to other investing activities		<u>35,307,476.11</u>	<u>99,937,623.08</u>
<b>Sub-total of cash outflow from investing activities</b>		<u>440,122,844.19</u>	<u>365,378,323.30</u>
<b>Net cash flows from investing activities</b>		<u>541,663,023.57</u>	<u>217,244,970.44</u>
<b>3. Cash flows from financing activities</b>			
Cash received from investments		330,000.00	23,245,000.00
Including: cash received by subsidiaries from investment of non-controlling interests		330,000.00	6,010,000.00
Cash received from loans granted		1,733,011,264.62	1,923,428,455.00
Cash received relating to other financing activities		<u>4,600,000.00</u>	<u>46,843,579.53</u>
<b>Sub-total of cash inflows from financing activities</b>		<u>1,737,941,264.62</u>	<u>1,993,517,034.53</u>
Cash paid for repayment of borrowings		1,738,530,987.50	2,008,195,870.00
Cash paid for dividends, profits or payments of interests		172,376,012.32	174,860,155.48
Including: dividends and profits paid to non-controlling interests by subsidiaries		6,874,345.00	16,083,208.62
Cash paid relating to other financing activities		<u>243,237,965.32</u>	<u>387,939,390.94</u>
<b>Sub-total of cash outflows from financing activities</b>		<u>2,154,144,965.14</u>	<u>2,570,995,416.42</u>
<b>Net cash flows from financing activities</b>		<u>-416,203,700.52</u>	<u>-577,478,381.89</u>
<b>4. Effects of changes in exchange rate on cash and cash equivalents</b>		<u>-8,079,132.99</u>	<u>-21,569,137.30</u>
<b>5. Net increase in cash and cash equivalents</b>		501,125,851.27	-210,277,973.90
Add: opening balance of cash and cash equivalents		<u>1,327,289,120.69</u>	<u>1,537,567,094.59</u>
<b>6. Balance of cash and cash equivalents at the end of this period</b>		<u>1,828,414,971.96</u>	<u>1,327,289,120.69</u>

## NOTES:

### I. GENERAL INFORMATION

Chongqing Machinery & Electric Co., Ltd. (the “Group”) 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”, previously named Chongqing Construction Engineering Group Co., Ltd). The address of the Company’s registered office is No. 60, Huangshan Road Central, Northern New District, Chongqing, the PRC. The Company’s headquarter is located in Chongqing, 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 RMB2,679,740,154 yuan (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 RMB3,684,640,154 yuan.

As of the end of the year, 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 the Group on 24 March 2022.

### 2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

#### (1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance 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”, the Listing Rules of Hong Kong Stock Exchange and based on the accounting policies and accounting estimates for preparation.

#### (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.

### 3. 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: in charge of sales of material;

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.

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

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	-	377,249,520.20	1,793,275,066.02	2,719,399,304.06	107,331,134.22	725,451,314.13	-	47,348,876.31	1,763,661,426.04	-	7,533,716,640.98
Inter-segment revenue	-	-244,319.36	-14,684,725.82	-6,094,635.13	-39,710,945.55	-6,979,128.13	-	-42,620,570.70	-12,766,786.36	-	-123,103,111.05
Revenue from external customers	-	377,005,200.84	1,778,590,340.20	2,713,304,668.93	67,620,188.67	718,472,186.00	-	4,728,305.61	1,750,895,639.68	-	7,410,613,529.93
Operating costs	-	349,651,202.52	1,581,918,220.65	2,127,143,291.73	33,916,536.50	594,947,854.29	-	46,524,130.85	1,283,925,400.70	-	6,018,026,637.24
Inter-segment transaction cost	-	-72,890.79	-14,684,725.82	-3,675,822.09	-24,628,396.76	-1,326,999.64	-	-42,230,134.25	-9,110,241.28	-	-95,729,210.63
External transaction cost	-	349,578,311.73	1,567,233,494.83	2,123,467,469.64	9,288,139.74	593,620,854.65	-	4,293,996.60	1,274,815,159.42	-	5,922,297,426.61
Gross profit rates (%)	-	7.27	11.88	21.74	86.26	17.38	-	9.19	27.19	-	20.08
Operating (loss)/profit	258,904,088.21	-27,148,105.80	93,881,613.52	73,691,863.42	45,465,348.56	-164,729,018.52	80,617,014.43	-110,867,304.40	86,137,335.84	-	335,952,835.26
Interest income	-	475,418.18	191,275.05	1,328,274.22	-	9,130,327.95	-	-48,467.00	30,930,747.05	-	42,007,575.45
Interest costs	-	2,062,547.86	4,014,352.12	9,760,514.39	-	15,347,549.24	-	-16,516.27	79,271,799.75	-	110,440,245.09
Investment income from associates and joint ventures	258,904,088.21	-	-	-	-	2,871,785.05	80,617,014.43	-	42,940,497.27	-	385,333,384.96
Total profit	258,904,088.21	-26,751,786.61	93,000,607.46	76,266,268.12	45,465,348.56	-171,607,907.54	80,617,014.43	-110,743,098.45	84,990,928.41	-	330,141,462.59
Income tax expense	-	-7,997,393.20	7,057,827.63	-894,167.80	13,834,246.50	-12,251,006.65	-	-	12,109,412.69	-	12,148,917.17
Net profit	258,904,088.21	-18,754,393.41	85,962,779.83	76,850,435.92	31,631,102.06	-159,356,898.89	80,617,014.43	-110,743,098.45	72,881,515.72	-	317,992,545.42
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		
Depreciation of Property, plant and equipment and investment property	-	31,724,016.22	14,085,775.09	47,592,406.87	643,311.83	56,512,675.84	1,454,165.40	743,914.48	67,644,539.46	-	221,001,405.19
Amortisation of intangible assets	-	2,065,761.29	797,825.52	25,885,421.78	367,798.81	14,401,334.57	-	-	4,847,661.35	-	48,365,803.31
Provision on inventory	-	-	10,188.60	9,575,922.08	-	1,099,516.65	-	3,315,274.95	5,201,422.02	-	19,202,324.30
Provision for (reversal of) impairment of accounts and other receivables	-	17,562,819.10	146,299.35	108,018,241.09	-	15,845,970.21	-	91,627,852.49	46,466,739.89	-	279,667,922.13
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	-29,354,752.38	-13,699,464.17	-66,363,431.35	5,181,577.70	-97,089,222.24	-	2,982,960.06	6,807,426.28	-	-191,534,907.10

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

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	-	241,724,997.21	1,383,037,345.79	2,340,567,120.41	109,256,267.77	715,678,877.82	-	72,062,363.95	1,637,082,964.42	-	6,500,109,937.37	
Inter-segment revenue	-	-198,285.31	-9,083,861.30	-6,733,893.84	-48,516,542.50	-8,462,041.45	-	-28,338,286.06	-31,811,194.99	-	-133,144,105.45	
Revenue from external customers	-	241,526,711.90	1,373,953,484.49	2,333,833,226.57	60,739,725.27	707,216,836.37	-	43,724,077.89	1,605,971,769.43	-	6,366,965,831.92	
Operating costs	-	221,616,606.83	1,177,129,616.40	1,878,849,533.01	32,299,000.05	571,272,711.83	-	70,043,015.73	1,204,368,502.49	-	5,155,578,986.34	
Inter-segment transaction cost	-	-26,856.74	-9,083,861.30	-7,974,581.74	-22,857,979.07	-4,847,786.02	-	-28,064,542.14	-30,284,828.13	-	-103,140,435.14	
External transaction cost	-	221,589,750.09	1,168,045,755.10	1,870,874,951.27	9,441,020.98	566,424,925.81	-	41,978,473.59	1,174,083,674.36	-	5,052,438,551.20	
Gross profit rates (%)	-	8.25	14.99	19.84	84.46	19.91	-	3.99	26.89	-	20.65	
Operating (loss)/profit	243,097,153.45	-115,941,559.76	103,906,101.92	61,355,238.52	43,908,665.74	-133,017,621.82	50,992,504.87	-66,109,253.85	111,137,646.71	-	299,228,875.78	
Interest income	-	724,107.70	127,898.64	9,292,702.06	-	4,022,581.03	-	-1,061,412.72	20,792,694.99	-	33,898,571.70	
Interest costs	-	2,223,524.01	8,045,100.10	23,112,019.09	-	40,874,717.54	-	99,725.52	39,557,531.51	-	113,912,617.77	
Investment income from associates and joint ventures	243,097,153.45	-	-	-5,663,843.04	-	656,816.40	50,992,504.87	-	59,157,936.87	-	348,240,588.55	
Total profit	243,097,153.45	-115,793,989.70	103,945,121.99	23,245,716.41	43,861,101.74	-132,768,897.51	50,992,504.87	-65,827,796.11	116,728,590.45	-	267,479,505.59	
Income tax expense	-	277,263.28	12,287,479.57	4,174,861.86	5,302,285.79	74,471.52	-	-	28,335,379.49	-	50,651,741.51	
Net profit	243,097,153.45	-116,071,252.98	91,657,642.42	19,070,854.55	38,558,815.95	-132,843,369.03	50,992,504.87	-65,827,796.11	88,193,210.96	-	216,827,764.08	
Other items												
		Engines	Hydroelectric 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	-	-	22,047,152.17	14,728,876.69	38,901,519.66	724,168.00	55,386,101.49	-	2,979.68	42,331,604.32	-	174,122,402.01
Amortisation of intangible assets	-	-	2,251,882.29	676,480.68	26,399,467.09	33,6445.72	13,990,814.33	-	-	4,903,614.74	-	48,558,704.85
Provision on inventory	-	-	-	4,105,805.60	2,691,164.52	-	-972,924.58	-	-	29,156,899.38	-	34,960,944.92
Provision for/(reversal of) impairment of accounts and other receivables	-	-	4,188,151.86	3,091,376.25	-19,950,244.28	1,066,397.03	51,706,072.98	-	-119,861,613.46	193,068,427.64	-	104,932,264.30
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	-	92,813,342.87	-10,898,998.32	-122,667,677.13	-2,781,184.63	-120,649,468.84	-	-755,088.95	16,000,507.41	-	-334,545,253.33

### 3.3 Assets and liabilities of each segment

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

31 Dec 2021	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	397,752,004.30	1,837,776,470.07	1,163,985,285.67	3,658,094,619.30	3,857,422,604.88	2,783,475,894.08	346,836,133.93	102,552,936.30	12,385,565,114.61	-9,797,875,831.63	16,735,385,231.51
Total liabilities	-	1,418,206,097.02	766,059,999.20	2,776,396,025.37	2,925,983,874.80	2,051,391,395.41	-	320,486,676.82	3,872,275,468.30	-5,209,137,424.89	8,921,662,622.03
Investment of associates or joint ventures	397,752,004.30	-	-	-	-	85,618,931.56	346,836,133.93	-	377,501,166.32	-	1,207,708,236.11

(Continued)

31 Dec 2020	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	1,053,513,084.46	4,012,803,842.53	3,350,115,212.53	2,974,178,955.83	274,851,188.78	208,946,436.75	11,344,526,957.87	-8,878,242,170.94	16,624,226,219.99
Total liabilities	-	1,483,294,344.31	694,366,014.68	3,197,140,006.57	2,440,956,768.75	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

## 4.1 OPERATING REVENUE & OPERATING COST

### (1) Operating revenue & operating cost

Items	Amount of the year		Amount of last year	
	Revenue	Cost	Revenue	Cost
Main operations	7,254,832,676.39	5,862,885,451.32	6,193,573,923.87	4,986,576,653.48
Other operations	88,160,664.87	50,123,835.55	112,652,182.78	56,420,876.74
Interest	67,604,470.05	9,069,971.91	60,720,320.56	9,256,054.14
Transaction fees and commission income	15,718.62	218,167.83	19,404.71	184,966.84
Total	<u>7,410,613,529.93</u>	<u>5,922,297,426.61</u>	<u>6,366,965,831.92</u>	<u>5,052,438,551.20</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.

### (2) Income from contracts

Classification of contract	High-end intelligent equipment business	Clean energy equipment business	Industrial service business	Total
Classified by region	1,548,490,732.41	5,781,566,409.73	80,556,387.79	7,410,613,529.93
Including: Mainland of China	1,444,469,320.17	5,729,995,141.37	80,556,387.79	7,255,020,849.33
Others	104,021,412.24	51,571,268.36	–	155,592,680.60
Types of contracts	1,548,490,732.41	5,781,566,409.73	80,556,387.79	7,410,613,529.93
Including: Equipment sales contract	1,300,137,023.72	3,877,781,967.61	–	5,177,918,991.33
Service contract	26,333,747.16	80,012,643.07	74,027,352.62	180,373,742.85
Materials sales contract	222,019,961.53	1,823,771,799.05	6,529,035.17	2,052,320,795.75
Classified by time of revenue recognition	1,548,490,732.41	5,781,566,409.73	80,556,387.79	7,410,613,529.93
Including: Recognizes revenue at a point in time	1,548,490,732.41	5,781,566,409.73	10,413,582.54	7,340,470,724.68
Recognizes revenue over time	–	–	70,142,805.25	70,142,805.25
Classified by sales channel	1,548,490,732.41	5,781,566,409.73	80,556,387.79	7,410,613,529.93
Including: Direct sales	1,453,673,132.22	5,031,641,591.75	80,556,387.79	6,565,871,111.76
Distribution	94,817,600.19	749,208,323.73	–	844,025,923.92
Internet sales	–	716,494.25	–	716,494.25

### **(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.

### **(4) Information about the transaction price allocated to the remaining performance obligations**

The amount of revenue corresponding to the performance obligations of the Group that have signed the contract at the end of this period but have not been fulfilled or not yet fulfilled is RMB2,801,312,166.50 yuan (of which the revenue corresponding to the performance obligations that have been signed but not yet fulfilled is RMB2,073,261,285.23 yuan and the signed but not yet The amount of income corresponding to the performance of performance obligations is RMB728,050,881.27 yuan).

## 4.2 SELLING AND DISTRIBUTION EXPENSES

Items	Amount of the year	Amount of last year
Labor cost	<b>94,123,843.14</b>	78,451,126.06
Transportation expense	–	63,589,858.50
Traveling expenses	<b>38,976,485.07</b>	41,896,650.05
After-sale service fee	<b>32,029,186.82</b>	28,959,812.21
“3-Aspect-Warranty” fee	<b>42,541,659.89</b>	20,858,397.12
Business entertainment fee	<b>9,397,546.08</b>	5,627,354.58
Advertising expense	<b>8,528,079.08</b>	6,569,565.82
Property insurance premium	<b>4,825,370.23</b>	–
General office expenses	<b>2,666,443.39</b>	4,105,177.41
Service fee	<b>3,722,516.41</b>	4,011,581.17
Storage fee	<b>2,600,208.55</b>	3,014,532.11
Others	<b>28,290,222.21</b>	28,300,812.35
Total	<b><u>267,701,560.87</u></b>	<b><u>285,384,867.38</u></b>

## 4.3 ADMINISTRATIVE EXPENSES

Items	Amount of the year	Amount of last year
Labor cost	<b>345,007,444.44</b>	294,746,384.69
Depreciation expenses	<b>59,997,674.07</b>	67,205,772.27
Service fee	<b>12,112,913.67</b>	14,432,430.94
Repair charges	<b>21,530,233.39</b>	11,335,246.26
consulting fee	<b>14,240,133.38</b>	13,519,536.25
Including: – Audit service fees	<b>4,150,214.17</b>	5,334,885.20
– Tax service fees	<b>278,596.11</b>	519,644.09
– Other service fees	<b>9,811,323.10</b>	7,665,006.96
Amortization of intangible assets	<b>37,818,178.24</b>	18,536,473.28
Business entertainment fee	<b>4,483,594.03</b>	4,165,369.21
General office expenses	<b>13,570,776.86</b>	13,223,585.02
Rental fee	<b>2,316,185.44</b>	6,439,891.54
Insurance expenses	<b>1,265,166.35</b>	2,923,487.91
Property management fees	<b>8,732,685.00</b>	10,869,267.35
Staff placement fee	<b>24,339,148.23</b>	12,084,080.47
Transportation expense	<b>3,805,835.34</b>	2,998,743.86
Amortization of long term deferred expenses	<b>368,193.26</b>	1,282,555.03
Travel expenses	<b>5,958,759.12</b>	3,871,728.61
Others	<b>46,696,413.20</b>	67,698,442.17
Total	<b><u>602,243,334.02</u></b>	<b><u>545,332,994.86</u></b>

#### 4.4 RESEARCH AND DEVELOPMENT EXPENSES

Items	Amount of the year	Amount of last year
Labor cost	147,784,548.37	114,778,494.89
Material fee	169,333,613.97	146,698,084.36
Amortization of intangible assets	6,537,456.28	19,246,610.02
power expenses	2,177,007.53	3,077,854.77
Depreciation expenses	10,388,087.68	8,094,636.59
Consulting fee	24,739,477.81	37,371,980.48
Traveling expenses	2,141,152.81	2,439,442.78
General office expenses	1,007,557.36	860,715.28
Design fee	461,333.08	2,178,904.29
Business entertainment fee	349,839.17	276,481.10
Others	<u>20,164,425.20</u>	<u>19,636,058.37</u>
Total	<u>385,084,499.26</u>	<u>354,659,262.93</u>

#### 4.5 FINANCIAL EXPENSES

Items	Amount of the year	Amount of last year
Interest expenditure	133,568,556.05	137,554,522.08
Less: capitalized interest	23,128,310.96	23,641,904.31
Interest expenses	110,440,245.09	113,912,617.77
Less: Interest income	42,007,575.45	33,898,571.70
Add: Exchange loss	3,978,331.76	28,220,606.32
Add: Bill discount expense	5,497,667.70	2,120,492.30
Add: Other expenditure	5,909,088.26	8,816,383.81
Add: Amortization of lease liabilities	<u>5,361,452.79</u>	<u>6,659,621.20</u>
Total	<u>89,179,210.15</u>	<u>125,831,149.70</u>

#### 4.6 OTHER INCOME

Items	Amount of the year	Amount of last year
Innovative development project grants	<b>20,793,648.00</b>	37,990,218.80
Subsidies related to assets are transferred from deferred income	<b>36,441,137.71</b>	44,566,863.54
Amortization of relocation compensation	<b>15,322,896.44</b>	15,344,635.61
Special funds for industry and information technology	<b>4,655,200.00</b>	–
Research and development subsidy	<b>15,112,930.00</b>	13,646,665.00
Job stabilization and social security subsidy	<b>323,347.52</b>	9,516,040.20
Three supplies and one industry	–	7,012,375.89
Various awards related to business operation	<b>4,018,645.00</b>	3,391,775.00
additional tax credit	–	337,775.03
Tax returns	<b>2,000,000.00</b>	186,155.77
Others	<b>-5,441.98</b>	<u>3,569,276.28</u>
Total	<b><u>98,662,362.69</u></b>	<b><u>135,561,781.12</u></b>

#### 4.7 INVESTMENT INCOME

Items	Amount of the year	Amount of last year
Investment income from long-term equity investments under equity method	<b>385,333,384.96</b>	348,240,568.55
Investment income from disposal of trading financial assets	<b>432,616.60</b>	2,954,359.75
Dividends from other equity instruments	<b>735,075.00</b>	1,470,150.00
Gain and loss on debt restructuring	<b>48,141.02</b>	–
Investment income from disposals of long-term equity investments	–	-8,427.50
Others	–	<u>-2,565,875.60</u>
Total	<b><u>386,549,217.58</u></b>	<b><u>350,090,775.20</u></b>

#### 4.8 GAINS ON DISPOSALS OF ASSETS

Items	Amount of the year	Amount of last year	Amount recorded in extraordinary profit and loss
Gains on disposals of non-current assets which are not classified as held for sale	<b>136,621,487.05</b>	12,283,826.09	136,621,487.05
Including: Gains on disposals of PP&E	<b>616,071.09</b>	12,283,826.09	616,071.09
Gains on disposals of intangible assets	<b>-7,245,941.69</b>	–	-7,245,941.69
Gain on disposal of Right-of-use assets	<b>258,034.28</b>	–	258,034.28
Gain on disposal of environmental protection to move assets	<b><u>142,993,323.37</u></b>	–	<u>142,993,323.37</u>
Total	<b><u>136,621,487.05</u></b>	<u>12,283,826.09</u>	<u>136,621,487.05</u>

#### 4.9 NON-OPERATING REVENUE

Items	Amount of the year	Amount of last year	Amount recorded in extraordinary profit and loss
Gains on retirement of non-current assets	<b>509,708.74</b>	–	509,708.74
Penalty incomes, default fine and compensation	<b>6,531,456.40</b>	11,074,696.33	6,531,456.40
Government grants	<b>582,893.07</b>	380,625.78	582,893.07
Unpayable payables	<b>8,115,339.12</b>	2,288,143.03	8,115,339.12
Others	<b><u>764,625.51</u></b>	<u>2,902,873.82</u>	<u>764,625.51</u>
Total	<b><u>16,504,022.84</u></b>	<u>16,646,338.96</u>	<u>16,504,022.84</u>

#### 4.10 NON-OPERATING EXPENSES

Items	Amount of the year	Amount of last year	Amount recorded in extraordinary profit and loss
Donation for Public welfare	<b>90,000.00</b>	1,371,578.00	90,000.00
Loss from damage and Scrapping of non-current assets	<b>13,890,726.06</b>	18,057,081.96	13,890,726.06
Penalty and overdue surcharge	<b>1,873,823.08</b>	1,475,877.72	1,873,823.08
Discount and quality deduction	<b>4,769,142.22</b>	9,026,259.38	4,769,142.22
Lease penalty and compensation	–	16,681,904.47	–
Others	<b>1,691,704.15</b>	1,883,007.62	1,691,704.15
Total	<b><u>22,315,395.51</u></b>	<u>48,495,709.15</u>	<u>22,315,395.51</u>

#### 4.11 INCOME TAX EXPENSE

Items	Amount of the year	Amount of last year
Current income tax calculated according to tax law and provision	<b>47,001,347.23</b>	55,329,055.96
Deferred income tax	<b><u>-34,852,430.06</u></b>	<u>-4,677,314.45</u>
Total	<b><u>12,148,917.17</u></b>	<u>50,651,741.51</u>

#### 4.12 UNDISTRIBUTED PROFIT

Items	31 Dec 2021	31 Dec 2020
<b>Ending balance of last year (before adjustment)</b>	<b>2,826,706,511.09</b>	2,723,290,866.87
Add: Adjustment of beginning balance	–	–
<b>Beginning balance of current year (after adjustment)</b>	<b>2,826,706,511.09</b>	2,723,290,866.87
Add: Net profit attributable to shareholders of the Company	<b>296,511,290.59</b>	182,967,706.60
Less: Appropriation to statutory reserve	<b>37,613,995.62</b>	42,231,981.11
Appropriation to staff bonus and welfare	<b>667,404.35</b>	473,679.73
Declared ordinary share dividends	<b>36,846,401.54</b>	36,846,401.54
<b>Ending Balance</b>	<b><u>3,048,090,000.17</u></b>	<u>2,826,706,511.09</u>

Note 1: According to the Group's 2020 Annual General Meeting held on June 24, 2021, the Group reviewed and approved the Group's 2020 profit distribution plan, namely the distribution of RMB0.01 (including tax) per share, based on 3,684,640,154 shares issued. A dividend of RMB36,846,401.54 yuan was paid. The Group has distributed the above dividends to shareholders in July 2021.

Note 2: According to the “Administrative Measures for the Provision of Provisions for Financial Enterprise Reserves” (Caijin [2012] No. 20) by the Ministry of Finance, Chongqing Mechanical and Electrical Holdings Group Finance Co., Ltd., a subsidiary of the Group, established a general risk reserve on the basis of withdrawing asset impairment provisions. Make up for potential losses related to risky assets that it has not identified. This general risk reserve is treated as profit distribution and is a component of owner’s equity. In principle, it should not be less than 1.5% of the year-end balance of risk assets. At the same time, the method stipulates that: the proportion of the general reserve balance of financial enterprises to the closing balance of risky assets, which is difficult to reach 1.5% at one time, can be divided into years, and in principle should not exceed 5 years. The ending balance of Chongqing Mechanical & Electrical Holdings Group Finance Co., Ltd.’s general risk reserve withdrawal ratio is 1.5% (2020: 1.5%)

On 31 Dec 2021, the Group’s undistributed profit included the amount of RMB47,532,951.38 yuan (2020: 42,518,473.55 yuan) withdrawn by the subsidiary Chongqing Mechanical and Electrical Holdings Group Finance.

#### 4.13 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 in 2021 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 shareholders of the company	296,511,290.59	-	-	-
Amount of weighted average net assets attributable to the parent company	7,170,103,127.20	4.14	-	-
Number of common shares outstanding	3,684,640,154.00	-	0.08	0.08
Amount of non-recurring profit or loss attributable to the parent company	173,537,250.63	-	-	-
Net profit attributable to the shareholders of the Company (excluding: extraordinary profit and loss)	<u>122,974,039.96</u>	<u>1.72</u>	<u>-</u>	<u>-</u>

#### 4.14 CASH AND CASH EQUIVALENTS

##### 1. Cash and Cash Equivalents

Items	31 Dec 2021	31 Dec 2020
Cash in hand	229,324.78	238,170.58
Cash at bank	1,718,264,784.85	1,392,997,944.11
Other monetary assets	459,148,148.11	338,992,966.66
Accrued interest	<u>1,209,707.81</u>	<u>5,297,521.35</u>
Total	2,178,851,965.55	1,737,526,602.70
Including: cash deposited abroad	<u>49,768,194.60</u>	<u>39,208,169.98</u>

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

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

Items	31 Dec 2021
Deposits for bank acceptance bills	211,190,018.27
Deposits for letters of credit	3,534,000.00
Guarantee deposit	105,805,510.72
Statutory reserve	133,461,968.48
Fixed deposit pledge	<u>95,235,788.31</u>
Total	<u>549,227,285.78</u>

#### 4.15 NOTES RECEIVABLE

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

Items	31 Dec 2021	31 Dec 2020
Bank acceptance bills	<b>633,553,443.21</b>	453,963,197.36
Commercial acceptance bills	<b>61,207,309.89</b>	54,912,860.42
Less: provision for bad debts	<b>354,584.04</b>	200,689.23
Total	<b><u>694,406,169.06</u></b>	<b><u>508,675,368.55</u></b>

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

#### 4.16 ACCOUNTS RECEIVABLE

Items	31 Dec 2021	31 Dec 2020
Accounts receivable	<b>3,141,077,120.96</b>	3,084,197,831.23
Less: provision for bad debts	<b>623,159,718.09</b>	460,424,838.37
Carrying amount	<b><u>2,517,917,402.87</u></b>	<b><u>2,623,772,992.86</u></b>

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

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

Aging	31 Dec 2021		
	Book Balance	Provision for bad debts	Percentage (%)
Within 1 year	1,588,844,467.71	31,348,214.98	1.97
1-2 years	621,474,197.87	40,255,791.13	6.48
2-3 years	246,666,531.84	42,687,572.69	17.31
3-4 years	249,766,229.64	120,014,027.24	48.05
4-5 years	145,901,684.37	121,970,364.88	83.60
Over 5 years	288,424,009.53	266,883,747.17	92.53
Total	<u>3,141,077,120.96</u>	<u>623,159,718.09</u>	<u>19.84</u>

  

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>

#### 4.17 ACCOUNTS PAYABLE

##### Notes Payable

Items	31 Dec 2021	31 Dec 2020
Bank acceptance bill	<b>1,164,744,807.98</b>	905,925,289.07
Commercial acceptance bill	<b>11,999,048.00</b>	109,970,190.06
Total	<b><u>1,176,743,855.98</u></b>	<b><u>1,015,895,479.13</u></b>

Note 1: The age of notes payable of the Group at the end of this period is within one year.

Note 2: The Group has no bills payable due and unpaid at the end of this year.

#### 4.18 ACCOUNTS PAYABLE

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

Items	31 Dec 2021	31 Dec 2020
Material payable	<b>1,754,402,010.14</b>	1,716,645,655.72
Freight payable	<b>27,944,139.50</b>	30,236,144.71
Equipment payable	<b>17,169,616.51</b>	9,273,525.45
Project payable	<b>6,252,728.36</b>	–
Others	<b>40,805,680.06</b>	29,504,246.56
Total	<b><u>1,846,574,174.57</u></b>	<b><u>1,785,659,572.44</u></b>

Note: The Group's accounts payable are non-interest bearing.

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

Aging	31 Dec 2021	31 Dec 2020
Within 1 year	<b>1,431,423,553.31</b>	1,230,532,995.21
1-2 years	<b>103,472,961.27</b>	212,031,740.15
2-3 years	<b>107,676,351.34</b>	155,551,256.63
More than 3 years	<b>204,001,308.65</b>	187,543,580.45
Total	<b><u>1,846,574,174.57</u></b>	<b><u>1,785,659,572.44</u></b>

## **CHAIRMAN’S STATEMENT**

On behalf of the Board, I am pleased to announce the annual results of the Group for the year ended 31 December 2021 (the “Period” or the “Year”). The Group’s annual results have been audited by the Company’s auditor, ShineWing Certified Public Accountants (Special General Partnership). It is my pleasure to present the annual results of the Group as well as its sustainable development strategy and outlook to shareholders.

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

Looking back at 2021, with the spread of the highly contagious Delta and Omicron variants of the COVID-19 epidemic, the world economic recovery stutter-stepped. Major developed economies in the world launched easy monetary policies and active fiscal policies to promote economic recovery, but the growth of the economies diverged, and economic growth rate lowered. Within China, faced with complicated international situation as well as the domestic challenges such as rising prices of raw materials, logistics and energy, supply chain shortages, and intensified adjustments in some industries, the Chinese government responded calmly. It coordinated both domestic and international situations, adhered to the general work principle of seeking progress while maintaining stability, balanced epidemic prevention and control and economic and social development, and strengthened cross-cycle adjustment of the macro economy. China became the world leader in terms of economic development and epidemic prevention and control, took new steps in actively building a new development pattern, achieved new results in high-quality development, and got off to a good start for the “14th Five-Year Plan”. The GDP growth rate for the Year was 8.1%, and the total economic output was approximately RMB114.37 trillion.

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

Looking back at 2021, the Group firmly seized market opportunities, and overcame a variety of unfavorable factors such as rising prices of raw materials, shortages of material and energy supply, intensified market competition, and relapse of COVID-19 epidemic, focusing on the two core businesses of clean energy equipment and high-end smart equipment and expanding the industrial services business. The Group seized opportunities such as formulation of new development pattern, focus on expansion of domestic demand, renewal of equipment in the manufacturing industry, and investment in technical transformation to go all out to explore the market. Adhering to the innovation-driven strategy, the Group continued to improve the core competitiveness of enterprises. Overall, the Group achieved results that exceeded expectations, and its operating revenue, total profit and new orders all achieved double-digit growth. The Group made promising progress in market exploration, R&D and innovation, brand building, internal management, and implementation of talent and diversified development strategies. The Group also improved quality and efficiency to promote high-quality development. Its comprehensive strength and core competitiveness were further enhanced, and the annual goals set by the Board have all been completed.

### **III. OUTLOOK FOR INTERNATIONAL AND DOMESTIC SITUATION IN 2022**

Looking forward to 2022, the global economy will continue its uneven and unstable recovery. The repeated fluctuations of the COVID-19 epidemic will remain the main factor affecting the global economy, and will have an impact on the operation and expectations of the global economy. In 2022, geopolitics will face challenges such as the outbreak of war between Russia and Ukraine, international sanctions against Russia, intense fluctuations in energy and commodity prices, bottlenecks in the global industrial chain, and mismatch between labor supply and demand in developed countries. The tightening of international monetary policies and the interest rate hike by the Federal Reserve will become adverse factors restricting the recovery of the global economy. Faced with the triple challenges of shrinking demand, supply shock, and weakening expectations, the Chinese government will adhere to the general work principle of maintaining stability while seeking progress, fully implement the new development concept, accelerate the construction of a new development pattern, comprehensively deepen reform and opening up, adhere to innovation-driven development, and promote high-quality development. It will continue the main task of supply-side structural reform, coordinate epidemic prevention and control and economic and social development, and continue to implement a proactive fiscal policy and a prudent monetary policy. It will unplug the national economic cycle, continue to properly carry out “six stabilities” and “six guarantees”, continue to improve people’s livelihood, focus on stabilizing the macro economy, and keep the economy operating within a reasonable range.

### **IV. DEVELOPMENT STRATEGIES IN 2022**

**Development strategies and work priorities of the Group in 2022 are as follows:**

In 2022, the Group will actively implement the “14th Five-Year Plan” and advance various tasks in an orderly manner. With economic work as the center, high-quality development as the theme, and reform and innovation as the fundamental driving force, the Group will coordinate epidemic prevention and control and operation management, earnestly implement the work requirements of “five focus and five special attentions” (focus on providing direction, managing the overall situation and ensuring implementation, paying special attention to corporate governance; focus on sustainability, paying special attention to industrial development; focus on developing entities, paying special attention to capital operation; focus on adding momentum, paying special attention to R&D and innovation; focus on strengthening mechanisms, paying special attention to task implementation), achieve results in industrial development, capital operation, innovation drive, mechanism construction and corporate governance, promote the high-quality development of the Group, and successfully complete the annual targets.

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

### ***(I) Focus on operational management to improve operational quality***

First, fully focus on the market. The Group will closely follow national strategies such as “carbon peaking and carbon neutralization”, “Chengdu-Chongqing economic circle construction”, industrial machine tools, digital economy, and intelligent manufacturing, and identify the market niche and main direction, so as to achieve growth in the existing market and breakthroughs in the incremental market. Second, focus on refined operation management. The Group will focus on quality control and continue to carry out QCC activities to reduce quality loss and improve customer satisfaction. The Group will strengthen efforts on the special rectification for production safety to ensure that no major safety and environmental protection incidents occur. Third, focus on effective financial management and control. The Group will take various measures to reduce costs and save expenditures, strictly control the “accounts receivable and inventory”, reasonably control the scale of debt, and keep the asset-liability ratio within a reasonable range. It will strengthen the integration of business and finance and the construction of financial informatization to improve the ability and proficiency of financial management and control.

### ***(II) Strengthen innovation drive and gather development momentum***

First, be market and benefit-oriented and increase precision research and development efforts. Second, promote the implementation of key projects, support subsidiaries to fill gaps in the industry, and solve “bottleneck” technical problems. Third, develop an industrial layout focusing on clean energies such as wind energy, nuclear energy and hydrogen energy, promote the extension, supplement and enhancement of the industrial chain, and continue to promote the formation of a new pattern comprising of clean energy industry clustering, industrial chain development synergy and a sound industrial structure system. Fourth, accelerate the development of industrial digitalization and optimize the overall planning for the construction of information systems. Fifth, accelerate the annual innovation patent applications, promote the cultivation of “specialty, excellency, uniqueness and innovation” and “small giant”, and proactively promote the preliminary preparation work of establishment of a national-level technology center.

***(III) Strengthen resource integration and enhance corporate vitality***

First, actively bring in strategic partners with strong synergies in technology, R&D, marketing, management and other aspects in the field of new energy business to carry out cooperation on key projects and demonstration projects, and explore and implement the diversification of such business assets or equity in a timely manner. Second, leverage the Group's resource advantages in the field of clean energy to actively deploy and attempt to promote investment in the field of wind and solar energy. Third, achieve size and chain reduction, business adjustment, personnel optimization and resource sharing for certain subsidiaries through internal absorption and merger, so as to further focus on the main business and enhance sustainable development capability. Fourth, revitalize existing assets and promote the disposal and realization of idle assets.

***(IV) Optimize talent structure aimed at strategic targets***

First, promote the implementation of the Group's "14th Five-Year" talent plan, improve the incentive and restraint as well as assessment and evaluation mechanisms, and promote the Group's performance and efficiency through the tenure system and contract-based management. Second, actively implement the professional manager pilot, and speed up the recruitment of high-caliber talents in key fields, in short supply and in emerging industries. Third, promote the construction of a talent sharing management platform and an integrated human resource information platform to form a new pattern where talent and intelligence convergence integrate with industrial transformation and upgrading together to complement with each other and develop neck and neck.

***(V) Strengthen risk prevention and control to empower enterprise development***

First, strengthen risk prevention and control with focus on the potential risks of the Group and its subsidiaries in terms of investment, operation, finance, law and fraud, endeavor for early identification, early prevention, and early rectification, optimize the risk control system, and properly implement and rectify. Second, further promote law-based governance of the enterprise, tighten legal review, and improve the awareness of rights protection. Third, strengthen the supervision of the board of supervisors, the disclosure of audit risks and the application of results.

*(VI) Strengthen corporate governance to safeguard the development of the Company*

First, continuously optimize the corporate governance system to ensure a governance mechanism where each governance body performs its duties and responsibilities, operates in coordination, and has effective checks and balances. Second, strictly abide by the latest regulatory requirements such as the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), properly carry out training for Directors, supervisors and senior management, strictly disclose information, and properly carry out investor relations management. Third, strengthen the Company’s value management and enhance the Company’s environmental, social and governance (ESG) sustainable development capabilities.

In 2022, the Group will complete new tasks, shoulder new missions, and create a bright future. With the spirit of fully committed and waste no time, the Group will ride the tides and promote the high-quality development of the Group.

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

### **BUSINESS OVERVIEW**

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

### **BUSINESS REVIEW AND OUTLOOK**

In 2021, driven by the acceleration of the dual-carbon economy, the rush to install offshore wind power, and the increase in the construction of infrastructure projects, the Group's clean energy equipment segment saw a rapid growth in market demand. The wind power blades business implemented the strategy of seizing offshore business and stabilizing onshore business, and strengthened cooperation with major customers such as Goldwind, Guodian United Power and Shanghai Electric to increase market share. The industrial pump business made breakthroughs in the nuclear power and alumina markets, improved refined management, enhanced customer satisfaction, and sped up product delivery. The electrical wires and cables business overcame the adverse impact of fluctuations in raw material prices, innovated business models, and vigorously expanded the cable market. The gas compressor business seized the growth opportunities of shale gas market to grasp market share. All these businesses achieved solid growth. Although its overseas market was greatly affected by the international epidemic, the hydroelectric generation equipment business seized the opportunity of recovery of the domestic hydropower market and achieved recovery growth. The overall operating revenue of this segment amounted to approximately RMB5,781.6 million, a year-on-year increase of approximately 22.5%.

During the Period, the gross profit of the clean energy equipment operating segment was approximately RMB1,173.3 million, an increase of approximately RMB203.6 million or approximately 21.0% compared with approximately RMB969.7 million for the same period of 2020, mainly due to the increase in revenue from wind power blades, industrial pumps, industry blowers and gas compressors businesses and the structure adjustment of other products.

During the Period, the results of the clean energy equipment operating segment was approximately RMB228.3 million, an increase of approximately RMB99.5 million or approximately 77.3% compared with results of approximately RMB128.8 million for the same period of 2020, mainly due to the significant increase in revenue and the net gain on disposal of assets in this segment.

In terms of newly developed products, A/B series low-pressure backwash pump, C series high-pressure backwash pump, and C series low-pressure backwash pump for the “HPR1000” third-generation pressurized water reactor nuclear power plant independently developed by the industrial pump business segment passed the national appraisal organized by China Machinery Industry Federation and China General Machinery Industry Association. Four types of new products including “high-temperature and high-pressure centrifugal hydrogenation feeding pump, oil field injection pump, hydraulic diaphragm pump, and ultra-high inlet pressure centrifugal pump” also passed the national appraisal. With respect of industrial compressors business, the Company has achieved breakthroughs in large orders in China’s first million tons of carbon dioxide recycling project, polysilicon field and lithium battery industry respectively. The gas compressor business successfully developed the hydrogen compressor unit at the hydrogen production end. The hydroelectric generation equipment segment vigorously developed new products for wind power towers.

In addition, Chongqing Cummins Engine Company Limited (“Chongqing Cummins”), a joint venture of the Company, is principally engaged in the production of high-horsepower diesel engine. In the second half of 2021, Chongqing Cummins seized the opportunity arising from shortage of power supply and achieved new market breakthroughs in breeding fields such as Wen’s Group and New Hope, as well as in the logistics fields such as YTO and JD, obtaining new orders of nearly RMB300 million, driving the significant improvement in business performance. The high-power engine technology R&D center of Chongqing Cummins has been put into use, and phase two of new plant has officially commence production.

Looking forward to 2022, there are still great uncertainties in the development of the international epidemic. The normal operation of overseas projects of the hydroelectric generation equipment business will face great challenges. Affected by the expiration of offshore wind power subsidies, the growth of the wind power blade business will be under great pressure. However, with the effective control of the COVID-19 epidemic and the support of macro policies in China, the domestic economic quality will maintain a stable and upward momentum, and businesses such as electrical wires and cables and materials, industrial pump, industry blowers, and gas compressor will achieve stable growth, driving the stability of the segment throughout the year.

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

In 2021, in the high-end smart equipment segment of the Group, PTG Company, an overseas subsidiary of the Group, was severely affected by the epidemic. As a result, its market demand was severely insufficient, and the operating results were greatly affected. As the domestic business was driven by the rapid growth of new energy vehicles, the smart machine tool business seized market opportunities to achieve rapid growth in orders for major products, driving rapid growth of operating revenue. Driven by the rapid development of the domestic intelligent manufacturing industry, the smart electronics business actively expanded the customer base, successfully developed incremental projects, and improved the operation quality. The overall operating revenue of this segment amounted to approximately RMB1,548.5 million, a year-on-year increase of approximately 0.8%.

During the Period, the gross profit of the high-end smart equipment operating segment was approximately RMB250.4 million, a decrease of approximately RMB36.9 million or approximately 12.8% compared with approximately RMB287.3 million for the same period of 2020, mainly due to the decrease in gross profit as a result of the decline of the operating revenue of screw machine tools business with the impact of the epidemic.

During the Period, the loss of the high-end smart equipment operating segment was approximately RMB138.0 million, showing an increase in loss of approximately RMB54.3 million or approximately 64.9% as compared with a loss of approximately RMB83.7 million for the same period of 2020, mainly due to the increase in loss as a result of the weak market demand of the overseas subsidiary PTG Company with the impact of COVID-19 epidemic.

In terms of newly developed products, the Company completed the pilot projects of additive manufacturing technologies such as metal powder 3D printing and laser cladding, and gradually expanded the market. The Company also completed the development and design of nine new products such as high-efficiency heavy-cut CNC gear hobbing machine and wind power blade grinding machine, and the trial production and sales of four new products such as CNC gear grinding machine and CNC dry cutting gear hobbing machine that met the needs of the new energy vehicle industry, which promoted the research and development of CNC lathe and turning and grinding.

Looking forward to 2022, the Group will seize the opportunity of rapid development of intelligent manufacturing and use big data and intelligence to drive innovation. The smart electronics business will continue to strengthen cooperation with scientific research institutions, carry out technological innovation centering on intelligent equipment, intelligent testing technology and industrial Internet platform, and intensify market development of new products such as intelligent energy-saving and energy-consumption management and control systems, and smart meters. The PTG Company in the UK will continue to increase the research and development of new products, improve product diversification, enter new markets and new fields, and expand domestic business by seizing the development opportunities of the domestic market. Meanwhile, with the relief from the international epidemic, the market confidence will resume and the market demand will increase and it is anticipated that the Company will achieve recovery growth. The smart machine tool business will seize the opportunity of transformation and upgrade of the traditional manufacturing industry, and continue to develop the automobile, construction machinery, wind power and other markets. The Company will develop energy storage in respect of power generation and power consumption, intelligent air compressor energy-saving system, digital power distribution system and other businesses, and accelerate R&D and manufacturing and the system integration of hydrogen equipment to promote the implementation of projects. Capitalizing on the market growth opportunities brought by new energy vehicles, it will promote the industrialization of new products and continue to promote the high-quality development of the Company. It is expected that the segment will achieve stable growth throughout the year.

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

In 2021, as the digital intelligence procurement management platform was officially launched for trial operation and the centralized procurement model was adjusted, the scale of trading business shrank significantly. The operating revenue amounted to approximately RMB78.2 million, a year-on-year decrease of approximately 28.2%. The gross profit was approximately RMB62.3 million, a year-on-year increase of approximately RMB7.1 million, or approximately 12.9%. The operating performance recorded a loss of approximately RMB69.2 million due to provision of impairment of Shangshe Chemical in full amount.

The industrial empowerment business continued to strengthen research and development, built the empowerment center cloud infrastructure platform, the state-owned asset monitoring platform, and the industrial Internet platform, and studied the methods for integrating the digital transformation plan into the “14th Five-Year Plan”. The independently-developed equipment management cloud platform was established, and the public cloud of hardware equipment was launched and achieved results. The first phase of the financial core business system was fully launched and achieved sound results.

Looking forward to 2022, the industrial empowerment business will achieve greater market breakthroughs in rail BIM projects, smart factories, smart parks, remote operation and maintenance, etc., and accelerate the development and demonstrative application of equipment cloud, big data operation and maintenance system, and supervision and intelligent decision-making platforms. The financial business will strengthen financial services and improve the efficiency of capital use. The centralized procurement business will continue to promote the construction and application of the intelligent procurement platform. The segment is expected to remain stable growth throughout the year.

## **SALES**

For the year ended 31 December 2021, the Group's total operating revenue amounted to approximately RMB7,410.6 million, an increase of approximately RMB1,043.6 million or approximately 16.4% as compared with approximately RMB6,367.0 million for the same period of 2020. Except that the screw machine tools business recorded a year-on-year decline, other business had achieved stable growth.

The Group expects that the operating revenue for 2022 will achieve stable growth.

## **GROSS PROFIT**

The gross profit for 2021 was approximately RMB1,488.3 million, increased by approximately RMB173.8 million or approximately 13.2%, as compared with approximately RMB1,314.5 million for 2020. The gross margin was approximately 20.1%, which basically kept flat with that of the same period of last year, mainly due to the increase in the operating revenue from wind power blades, industrial pumps, industry blowers and gas compressors businesses, which resulted in an increase in the gross profit.

## **OTHER GAINS**

The other gains for 2021 were approximately RMB98.7 million, a decrease of approximately RMB36.9 million or approximately 27.2%, as compared with approximately RMB135.6 million for the same period of 2020, mainly due to the decrease in innovative development project grants and various subsidies as well as employment and social insurance grants from the government during the Period as compared with the same period of last year, respectively. Details are set out in Note 4.6 to the consolidated financial statements.

## **GAIN ON DISPOSAL OF ASSET**

The gain on disposal of asset for 2021 was approximately RMB136.6 million, representing an increase of approximately RMB124.3 million as compared with approximately RMB12.3 million for the same period of 2020, which was mainly attributable to the increase in the gain on disposal of land during the Period. Details are set out in Note 4.8 to the consolidated financial statements.

## **SELLING AND ADMINISTRATIVE EXPENSES**

The selling and administrative expenses for 2021 were approximately RMB869.9 million, an increase of approximately RMB39.2 million or approximately 4.7%, as compared with approximately RMB830.7 million for the same period of 2020. The proportion of the selling and administrative expenses in turnover decreased to approximately 11.7% from approximately 13.0% of the same period of last year, mainly due to an increase in the total revenue during the Period as compared with the same period of last year as a result of the increase in labour cost and "3-Aspect-Warranty" fees caused by the cancellation of policy of social security contributions reduction and exemption for the epidemic and the increase in sales volume.

## **OPERATING PROFIT**

The operating profit for 2021 was approximately RMB336.0 million, representing an increase of approximately RMB36.7 million or approximately 12.3% as compared with approximately RMB299.3 million for the same period of 2020, mainly due to the increase in operating revenue.

## **NET FINANCE COSTS**

The net interest expense for 2021 was approximately RMB89.2 million, representing a decrease of approximately RMB36.6 million or approximately 29.1% as compared with approximately RMB125.8 million for the same period of 2020, mainly due to the fact that the Company coordinated financing, reduced accounts receivable and inventory and increased cash flow, and strengthened cooperation with policy banks to obtain low-cost funds so as to reduce both loans limit and interest rate. Details are set out in Note 4.5 to the consolidated financial statements.

## **INVESTMENT INCOME**

Investment income for 2021 amounted to approximately RMB386.6 million, an increase of approximately RMB36.4 million as compared with approximately RMB350.1 million for the same period of 2020, mainly due to the fact that Chongqing Cummins Engine Company Limited, a joint venture of the Company, seized the opportunity arising from the shortage of power supply and achieved breakthroughs in the new market, driving up the substantial rise of market sales, and Chongqing ABB Power Transformer Co., Ltd., an associate of the Company, recorded an increase in the gain on disposal of lands. Details are set out in Note 4.7 to the consolidated financial statements.

## **INCOME TAX EXPENSES**

The income tax expenses for the year ended 31 December 2021 were approximately RMB12.1 million, a decrease of approximately RMB38.6 million, or approximately 76.1%, as compared with approximately RMB50.7 million for the same period of 2020, mainly due to the decrease in changes in deferred income tax expenses. Details are set out in Note 4.11 to the consolidated financial statements.

## **PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders for the year ended 31 December 2021 amounted to approximately RMB296.5 million, representing an increase of approximately RMB113.5 million or approximately 62.0% as compared with approximately RMB183.0 million for the same period of 2020. Earnings per share amounted to approximately RMB0.08, representing an increase of approximately 60% as compared with approximately RMB0.05 for the same period of 2020.

## **DISTRIBUTABLE RESERVES**

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

As at 31 December 2021, the Company's distributable reserves attributable to shareholders of the Company amounted to approximately RMB2,643.2 million.

## **FINAL DIVIDEND**

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

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

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

The Board has recommended the payment of a final dividend of RMB0.03 per share (tax inclusive) for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB0.01 per share (tax inclusive)), which is calculated based on the total share capital of 3,684,640,154 shares for the year ended 31 December 2021, totaling RMB110,539,204.62 (totaling RMB36,846,401.54 for the year ended 31 December 2020). Subject to the approval by Shareholders at the forthcoming Annual General Meeting to be convened on 23 June 2022, the proposed final dividend will be paid on 28 July 2022 to Shareholders whose names appear on the Register of Members of the Company on 23 June 2022 (the "Record Date").

In order to ascertain the entitlements of the Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Wednesday, 29 June 2022 to Thursday, 7 July 2022 (both days inclusive), during which no transfer of shares will be registered. All transfer documents accompanied by share certificates of the Shareholders of the Company must be lodged with our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 28 June 2022.

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

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

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

If any resident enterprise (as defined in the EIT Law) whose name appears on the H Share Register of Members which is duly incorporated in the PRC or under the laws of a foreign country (or a territory) but with a PRC-based de facto management body does not wish to have the 10% enterprise income tax to be withheld by the Company, it should lodge all transfers with and submit a legal opinion issued by a PRC certified lawyer (with affixation of common seal of the law firm thereto) that establishes its resident enterprise status to the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 28 June 2022. Any natural person investor whose H shares are registered in the name of any such non-individual shareholders and who does not wish to have any enterprise income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her own name and lodging all relevant transfer instruments accompanied by the H share certificates with the Company's H Share Registrars for registration no later than 4:30 p.m. on 28 June 2022. Shareholders are recommended to consult their tax advisors regarding tax issues in respect of the ownership and disposal of H shares in the PRC and Hong Kong and other tax effects.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain the entitlements of the Shareholders to attend and vote in the Annual General Meeting, the register of members of the Company will be closed from Saturday, 18 June 2022 to Thursday, 23 June 2022 (both days inclusive), during which no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 17 June 2022.

## **CASH FLOW**

As at 31 December 2021, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB2,178.9 million (31 December 2020: approximately RMB1,737.5 million), representing a significant increase of approximately RMB441.4 million or approximately 25.4%, mainly due to the increase in net cash flows from operating activities.

During the Period, the Group had a net cash inflow from operating activities of approximately RMB383.7 million (for the year ended 31 December 2020: net cash inflow of approximately RMB171.5 million), a net cash inflow from investing activities of approximately RMB541.7 million (for the year ended 31 December 2020: a net cash inflow of approximately RMB217.2 million), and a net cash outflow from financing activities of approximately RMB416.2 million (for the year ended 31 December 2020: a net cash outflow of approximately RMB577.5 million). Directors believe that the Group is financially sound and has sufficient resources to meet its operating capital needs and fund any predictable capital expenditure.

## **ASSETS AND LIABILITIES**

As at 31 December 2021, the total assets of the Group amounted to approximately RMB16,735.4 million, representing an increase of approximately RMB111.2 million as compared with approximately RMB16,624.2 million as at 31 December 2020. Total current assets amounted to approximately RMB10,849.7 million, representing an increase of approximately RMB111.4 million as compared with approximately RMB10,738.3 million as at 31 December 2020, accounting for approximately 64.8% of total assets. However, total non-current assets amounted to approximately RMB5,885.7 million, representing a decrease of approximately RMB0.2 million as compared with approximately RMB5,885.9 million as at 31 December 2020, accounting for approximately 35.2% of total assets.

As at 31 December 2021, total liabilities of the Group amounted to approximately RMB8,921.7 million, representing a decrease of approximately RMB226.8 million as compared with approximately RMB9,148.5 million as at 31 December 2020. Total current liabilities were approximately RMB6,589.6 million, representing a decrease of approximately RMB504.4 million as compared with approximately RMB7,094.0 million as at 31 December 2021, accounting for approximately 73.9% of total liabilities. However, the total non-current liabilities were approximately RMB2,332.0 million, representing an increase of approximately RMB277.5 million as compared with approximately RMB2,054.5 million as at 31 December 2020, and accounting for approximately 26.1% of total liabilities.

As at 31 December 2021, the net current assets of the Group were approximately RMB4,260.1 million, representing an increase of approximately RMB615.8 million as compared with approximately RMB3,644.3 million as at 31 December 2020.

## **CURRENT RATIO**

As at 31 December 2021, the current ratio (the ratio of current assets to current liabilities) of the Group was 1.65:1 (31 December 2020: 1.51:1).

## **GEARING RATIO**

As at 31 December 2021, calculated as borrowings dividing by the total capital, total capital comprises equity and borrowings as shown in the consolidated balance sheets, the gearing ratio of the Group was 27.0% (31 December 2020: 38.9%).

## **INDEBTEDNESS**

As at 31 December 2021, the Group had an aggregate bank and other borrowings of approximately RMB2,895.9 million, representing a decrease of approximately RMB9.8 million as compared with approximately RMB2,905.7 million as at 31 December 2020.

Borrowings repayable by the Group within one year were approximately RMB927.7 million, representing a decrease of approximately RMB377.4 million as compared with approximately RMB1,305.1 million as at 31 December 2020. Borrowings repayable by the Group after one year were approximately RMB1,968.2 million, representing an increase of approximately RMB367.7 million as compared with approximately RMB1,600.5 million as at 31 December 2020.

## **SECURED ASSETS**

As at 31 December 2021, approximately RMB549.2 million of the Group was deposited with the banks with pledge or restriction for use (31 December 2020: approximately RMB404.9 million). In addition, certain bank borrowings of the Group were secured by certain land use rights, properties, plant and equipment and investment properties of the Group, and other assets of the Group, which had a net book value of approximately RMB282.2 million as at 31 December 2021 (31 December 2020: approximately RMB781.6 million).

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no significant contingent liabilities.

## SIGNIFICANT EVENTS

### Events in the Period

On 24 June 2021, the Company held the 2020 Annual General Meeting to consider and approve the following matters:

#### *(1) Change of Two Executive Directors*

The Board of the Company received resignation letters from Mr. Zhang Yongchao and Mr. Wang Pengcheng, the non-executive directors, respectively, on 12 April 2021. Due to work arrangement, Mr. Zhang Yongchao and Mr. Wang Pengcheng respectively resigned from the position as a non-executive director of the fifth session of the Board of the Company. As the resignation of Mr. Zhang Yongchao and Mr. Wang Pengcheng would neither lead to the number of members of the fifth session of the Board of the Company falling below the required minimum statutory quorum, nor affect the normal operation of the Board of the Company, the resignation of Mr. Zhang Yongchao and Mr. Wang Pengcheng took immediate effect upon the delivery of their resignation letters to the Board. Mr. Zhang Yongchao and Mr. Wang Pengcheng have confirmed that they have no disagreement with the Board or the board of supervisors of the Company and there are no other matters that need to be brought to the attention of the shareholders and creditors of the Company. The Company would like to express its sincere gratitude to Mr. Zhang Yongchao and Mr. Wang Pengcheng for their valuable contributions to the Company during their tenure. As nominated by Chongqing Yufu Capital Operation Group Co., Ltd., a Shareholder of the Company, the Company recommended to appoint Mr. Ma Aijun as a non-executive Director to fill in the vacancy upon Mr. Zhang Yongchao's resignation. As nominated by China Huarong Asset Management Co., Ltd., a Shareholder of the Company, the Company recommended to appoint Mr. Cai Zhibin as a non-executive Director to fill in the vacancy upon Mr. Wang Pengcheng's resignation.

On 24 June 2021, the Company held the 2020 Annual General Meeting to approve Mr. Ma Aijun and Mr. Cai Zhibin to act as the non-executive directors of the fifth session of the Board of the Company.

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

## **SUBSEQUENT EVENTS**

The Group had no significant subsequent events.

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

## **CAPITAL EXPENDITURE**

In 2021, the total capital expenditure of the Group was approximately RMB169.0 million, which was principally used for plant expansion, improvement of production technology and equipment upgrade (2020: approximately RMB58.8 million).

## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group had capital commitments of approximately RMB102.5 million (31 December 2020: approximately RMB94.9 million) in respect of fixed assets and intangible assets.

## **RISK OF FOREIGN EXCHANGE**

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and GBP. Foreign exchange risk arises when future commercial transactions or recognised assets or 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.

As at 31 December 2021, the bank deposits of the Group included HK dollars valued at approximately RMB0.07 million, US dollars valued at approximately RMB34.1 million, GBP valued at approximately RMB71.5 million and EUR valued at approximately RMB0.02 million (as at 31 December 2020: HK dollars valued at approximately RMB0.07 million, US dollars valued at approximately RMB27.1 million and GBP valued at approximately RMB39.2 million). Save as the aforesaid, the Group was not exposed to any significant risk of foreign exchange.

## **EMPLOYEES**

As at 31 December 2021, the Group had a total of 7,692 employees (31 December 2020: 8,233 employees). The Group will continue to upgrade its technical talent base, foster/recruit technical and management personnel possessed with extensive professional experiences, optimise the distribution system that links with the remunerations and performance reviews of the management and employees, improve training on safety and strengthen epidemic prevention measures so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

## **OTHER CORPORATE INFORMATION**

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

For the year ended 31 December 2021, the non-competition agreement entered into between Chongqing Machinery and Electronics Holding (Group) Co., Ltd., the Parent Company, and the Company remained effective. Please refer to the Prospectus for details.

## **CONNECTED TRANSACTIONS**

During the Period, the Company had no connected transactions.

## **CONTINUING CONNECTED TRANSACTIONS**

For the year ended 31 December 2021, the summary of the connected party transactions entered into by the Group is set out in the notes to the consolidated financial statements, where a majority of the transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

## Master Sales Agreement

On 1 April 2019, a master sales agreement (the “Master Sales Agreement”) was renewed and entered between the Company and Chongqing Machinery and Electronics Holding (Group) Co., Ltd. (hereinafter refer to as the “Parent Company”). Pursuant to the Master Sales Agreement, the Company has agreed to sell certain products such as control valves and parts for steering systems, gears and clutch assemblies and the BV series of electric cables (the “Products”) to the Parent Company and its associates.

Additionally, in case where there are material fluctuations in the prices of any or all of the products, the parties shall re-negotiate the terms of the Master Sales Agreement in good faith by way of entering into a supplemental agreement or a new master sales agreement. The Master Sales Agreement is valid for a period of three years from the date of the agreement and can be renewed by the Company for a successive term of three years by giving notice at least three months prior to the expiry of the initial term. Accordingly, the approved annual caps of sales for the year ended 31 December 2021 (as approved at the Annual General Meeting dated 26 June 2019) was set at RMB330.0 million.

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

- (i) The quoted prices in the market through the industry website or enquiry (including the website of Alibaba ([www.1688.com](http://www.1688.com))) with at least two independent third parties in the market (i.e. the price of the same or similar products provided by suppliers (except the Company and its subsidiaries) in the same area under daily operations and on normal commercial terms to independent third parties);
- (ii) If there is no market price determined by an independent third party, the transaction price between the Group with the independent third party;
- (iii) If none of the above is applicable, the cost plus a percentage mark-up (tax-inclusive) which is not less than 10% (i.e.  $\text{price} = \text{cost} \times (1 + \text{percentage mark-up})$ ), whereas the 10% mark-up is determined based on the average gross margin of the Group in the past three years, except that the percentage mark-up for raw materials procured by Shengpu and sold to the Parent Group will be 1%, being the handling fee of the Group.

For the year ended 31 December 2021, the monetary value of sales under the Master Sales Agreement by the Company to the Parent Company and its associates was approximately RMB178.4 million (for the year ended 31 December 2020: approximately RMB221.0 million).

## Master Supplies Agreement

On 1 April 2019, a master supplies agreement (the “Master Supplies Agreement”) was renewed and entered between the Company and the Parent Company. Pursuant to the Master Supplies Agreement, the Parent Company and its associates have agreed to supply the Company with parts and raw materials such as gears, component parts, YB2 series engines, electricity, water, gas and electrolytic copper (the “Supplies”).

Additionally, in case where there are material fluctuations in the prices of any or all of the products, the parties shall re-negotiate the terms of the Master Supplies Agreement in good faith by way of entering into a supplemental agreement or a new master supplies agreement. The Master Supplies Agreement is valid for a period of three years from the date of the agreement and can be renewed by the Company for a successive term of three years by giving notice at least three months prior to the expiry of the initial term. Accordingly, the approved annual caps of supplies for the year ended 31 December 2021 (as approved at the Board meeting dated 20 March 2019) was set at RMB100.0 million.

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

- (i) The quoted prices in the market through the industry website or enquiry with at least two independent third parties (i.e. the price of the same or similar products provided by suppliers (except the Parent Company and its subsidiaries) in the same area under daily operations and on normal commercial terms to independent third parties);
- (ii) If there is no market price determined by an independent third party, the transaction price between the Company and its subsidiaries with the independent third party;
- (iii) If none of the above is not applicable, cost plus a percentage mark-up (tax-inclusive), which shall not exceed 10% (i.e. price = cost x (1 + percentage mark-up)).

For the year ended 31 December 2021, the monetary value of supplies under the Master Supplies Agreement by the Parent Company and its associates to the Company was approximately RMB28.9 million (for the year ended 31 December 2020: approximately RMB33.9 million).

## **Master Leasing Agreement**

On 1 April 2019, a master leasing agreement (the “Master Leasing Agreement”) was entered into between the Company and the Parent Company for the lease of land and buildings by the Parent Company and its associates to the Company for use as offices, production facilities, workshops and staff quarters.

The Parent Group leases land and buildings to the Group as the Group’s offices, production facilities, workshops and staff quarters. Accordingly, the approved annual cap of the lease for the year ended 31 December 2021 (as approved at the Board meeting dated 20 March 2019) was set at RMB45 million.

For the year ended 31 December 2021, the rent paid by the Company to the Parent Company and its associates under the Master Leasing Agreement was approximately RMB21.1 million (for the year ended 31 December 2020: approximately RMB25.7 million).

## **FINANCIAL SERVICES FRAMEWORK AGREEMENT**

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

The Company’s subsidiary Chongqing Electrical Holdings Group Finance Company Limited (the “Finance Company”) and the Parent Company entered into the Financial Service Framework Agreement on 1 April 2019 (the “Parent Group Financial Services Framework Agreement”), under which, (i) the approved proposed annual cap for loan services for the year ended 31 December 2021 (as approved at the Annual General Meeting held on 26 June 2019) was RMB2,474.0 million; (ii) the approved proposed annual cap for guarantee services for the year ended 31 December 2021 (as approved at the Board meeting held on 20 March 2019) was RMB100 million (including corresponding handling fees); (iii) the approved proposed annual cap for other financial services for the year ended 31 December 2021 (as approved at the Board meeting held on 20 March 2019) was RMB33.0 million.

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

#### ***Loan services***

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

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

### ***Guarantee services***

Pursuant to the regulations in the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group set by CBRC, the ratio of guarantee risk exposure to total capital in the Finance Company cannot exceed 100%. The registered capital of the Finance Company is RMB600,000,000. Thus, the maximum limit amount in respect of annual caps of the guarantee services of the Finance Company is RMB600,000,000.

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

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

For the year ended 31 December 2021, pursuant to the Financial Services Framework Agreement, the daily maximum limit amount in respect of the loan services provided by the Finance Company to the Parent Group was approximately RMB1,031.4 million, the transaction amount in respect of guarantee services was approximately RMB0 million and the transaction amount of other financial services was approximately RMB2.2 million (for the year ended 31 December 2020: the daily maximum limit amount in respect of loan services was approximately RMB1,044.05 million, the transaction amount in respect of guarantee services was approximately RMB0 million and the transaction amount of other financial services was approximately RMB0.019 million).

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

The Finance Company entered into a financial services framework agreement (the “Group Financial Services Framework Agreement”) with the Company on 1 April 2019, under which, (i) the approved proposed annual cap for the transactions in respect of the deposit services for the year ended 31 December 2021 (as approved at the Annual General Meeting held on 26 June 2019) was RMB3,313.0 million; (ii) the approved proposed annual cap for the transactions in respect of other financial services for the year ended 31 December 2021 (as approved at the Board meeting held on 20 March 2019) was RMB34 million.

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

### ***Deposit services***

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

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

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

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

For the year ended 31 December 2021, pursuant to the Financial Services Framework Agreement, the daily maximum limit amount in respect of deposit services provided by the Finance Company to the Group was approximately RMB2,005.2 million and the amount of the other financial services was approximately RMB9.7 million (for the year ended 31 December 2020: the daily maximum limit amount in respect of deposit services was approximately RMB1,664.49 million and the amount of other financial services was approximately RMB0.5 million).

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

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

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

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

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

For the purpose of continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules from time to time, and the value and the transaction terms of the transactions for the year ended 31 December 2021 have been determined in accordance with the pricing policies and guidelines set out in the Stock Exchange's Guidance Letter HKEx-GL73-14.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2021 in compliance with the code provisions under the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

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

## **REMUNERATION COMMITTEE**

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

During the Year, the Remuneration Committee was responsible for reviewing the performance of the senior management of the Company and determining their remuneration packages which were approved by the Board.

## **NOMINATION COMMITTEE**

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

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

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

## **STRATEGIC COMMITTEE**

In response to the Company's needs of strategic development, the Board of the Company has established the Strategic Committee. The committee has written terms of reference which are available on the websites of the Stock Exchange and the Company. The Strategic Committee of the Company currently consists of 3 executive Directors (namely Mr. Zhang Fulun, Ms. Chen Ping and Mr. Yang Quan), 1 non-executive Director (namely Mr. Huang Yong) and 3 independent non-executive Directors (namely Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei). Mr. Zhang Fulun is the chairman of the Strategic Committee. The major responsibilities of the Strategic Committee are to carry out research and propose suggestions on the Company's long-term development strategies and material investment decisions for the Board's reference in decision-making.

## **SUPERVISORY COMMITTEE**

The Supervisory Committee of the Company comprises five supervisors, namely Mr. Sun Wenguang, Ms. Wu Yi, Mr. Wang Haibing, Mr. Xia Hua and Mr. Li Fangzhong. Mr. Sun Wenguang acts as the chairman of the Supervisory Committee. To safeguard the interests of the Shareholders, the Company's Supervisory Committee is responsible for the supervision of the Company's financial activities and duty fulfillment of the Board, its members and senior management. In 2021, the Supervisory Committee has reviewed the legality of the Company's financial situation and business. Through convening the meetings of the Supervisory Committee and attending the Board meetings, general meetings and other important meetings and establishing archives, etc., the Supervisory Committee conducted the due diligence on senior management personnel. The Supervisory Committee carefully and thoroughly performed their duties according to the principle of prudence.

## **SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Individual confirmation has been obtained from all Directors to confirm compliance with the Model Code during the year ended 31 December 2021.

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

During the year ended 31 December 2021, none of the Group and its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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

The annual results announcement has been published on the Company's website (<http://www.chinacqme.com>) and the Stock Exchange's website. The annual report will also be available at the Company's and the Stock Exchange's websites on or around 14 April 2022 and will be dispatched to Shareholders of the Company thereafter according to the means they choose to receive communications.

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

Chongqing, the PRC  
24 March 2022

*As at the date of this announcement, the executive Directors 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.*