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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 with limited liability)

(Stock Code: 02722)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

Chongqing Machinery & Electric Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") announce the highlights of the consolidated financial information set out below.

- Revenue of the Group for the six months ended 30 June 2012 amounted to approximately RMB5,475.1 million, representing an increase of around 4.9% over the corresponding period last year.
- Gross profit of the Group for the six months ended 30 June 2012 amounted to approximately RMB897.1 million, representing a decrease of around 9.6% from the corresponding period last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2012 was approximately RMB303.7 million, representing a decrease of around 21.5% from the corresponding period last year.
- Basic earnings per share for the six months ended 30 June 2012 was approximately RMB0.08.

The board of directors (the "Board") of the Company is pleased to announce the interim results of the Group for the six months ended 30 June 2012 (the "Period"). The Group's interim results have not been audited but have been reviewed by the audit committee and the Company's auditor, PricewaterhouseCoopers.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Note	Unaudited Six months ended 30 June	
		2012 RMB '000	2011 RMB '000
Revenue	4	5,475,116	5,219,028
Cost of sales		(4,578,004)	(4,227,166)
Gross profit		897,112	991,862
Distribution costs		(146,672)	(146,902)
Administrative expenses		(369,189)	(356,773)
Other gains, net		28,345	30,058
Other income		24,281	17,393
Operating profit		433,877	535,638
Finance income		15,300	14,607
Finance costs		(85,968)	(50,714)
Share of post-tax profits of associates		9,189	8,823
Profit before income tax		372,398	508,354
Income tax expense	11	(62,089)	(118,637)
Profit for the period		310,309	389,717
Other comprehensive income:			
Fair value gains on available-for-sale financial assets		—	47
Income tax relating to available-for-sale financial assets		—	346
Currency translation differences		105	(704)
Other comprehensive income for the period, net of tax		105	(311)
Total comprehensive income for the period		310,414	389,406

Unaudited
Six months ended 30 June

	<i>Note</i>	2012 <i>RMB '000</i>	2011 <i>RMB '000</i>
Profit attributable to:			
— Owners of the Company		303,656	387,063
— Non-controlling interests		6,653	2,654
		310,309	389,717
Total comprehensive income attributable to:			
— Owners of the Company		303,761	386,752
— Non-controlling interests		6,653	2,654
		310,414	389,406
Earnings per share for profit attributable to owners of the Company <i>(expressed in RMB per share)</i>			
- Basic and diluted	12	0.08	0.11

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

		Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,033,327	2,194,838
Investment properties	5	34,419	36,007
Lease prepayments	5	440,887	301,674
Intangible assets	5	268,943	268,520
Investments in associates		402,604	397,655
Deferred income tax assets		94,183	83,482
Available-for-sale financial assets		3,529	3,529
Other non-current assets		16,165	14,260
		<hr/>	<hr/>
Total non-current assets		3,294,057	3,299,965
		<hr/>	<hr/>
Current assets			
Inventories		1,876,280	1,788,669
Trade and other receivables	6	3,610,374	3,302,678
Amounts due from customers for contract work		293,308	283,991
Restricted cash		327,219	295,099
Cash and cash equivalents		2,826,354	2,789,570
		<hr/>	<hr/>
Total current assets		8,933,535	8,460,007
		<hr/>	<hr/>
Total assets		12,227,592	11,759,972
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,684,640	3,684,640
Other reserves		(826,901)	(827,006)
Retained earnings		2,149,844	2,067,267
		<hr/>	<hr/>
		5,007,583	4,924,901
Non-controlling interests		48,611	41,958
		<hr/>	<hr/>
Total equity		5,056,194	4,966,859
		<hr/>	<hr/>

		Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	7	1,258,268	1,458,533
Deferred income		560,839	556,000
Deferred income tax liabilities		30,704	32,120
Long-term employee benefit obligations	8	71,925	76,781
		<hr/>	<hr/>
Total non-current liabilities		1,921,736	2,123,434
Current liabilities			
Trade and other payables	9	3,585,708	3,281,339
Dividends payable		255,573	40,184
Amounts due to customers for contract work		2,748	7,852
Current income tax liabilities		63,537	63,976
Borrowings	7	1,273,779	1,211,158
Current portion of long-term employee benefit obligations	8	12,554	12,554
Provision for warranty		55,763	52,616
		<hr/>	<hr/>
Total current liabilities		5,249,662	4,669,679
Total liabilities		7,171,398	6,793,113
Total equity and liabilities		12,227,592	11,759,972
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		3,683,873	3,790,328
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		6,977,930	7,090,293
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

		Unaudited					
		Attributable to owners of the Company					
	<i>Note</i>	Share capital RMB '000	Other reserves RMB '000	Retained earnings RMB '000	Total RMB '000	Non-controlling interests RMB '000	Total equity RMB '000
Balance at 1 January 2012		3,684,640	(827,006)	2,067,267	4,924,901	41,958	4,966,859
Profit for the period		—	—	303,656	303,656	6,653	310,309
Other comprehensive income							
Currency translation differences		—	105	—	105	—	105
Total comprehensive income for the period		—	105	303,656	303,761	6,653	310,414
Transactions with owners in their capacity as owners							
Dividends relating to 2011	13	—	—	(221,079)	(221,079)	—	(221,079)
Transactions with owners		—	—	(221,079)	(221,079)	—	(221,079)
Balance at 30 June 2012		3,684,640	(826,901)	2,149,844	5,007,583	48,611	5,056,194

Unaudited

	Attributable to owners of the Company						
	Note	Share capital RMB '000	Other reserves RMB '000	Retained earnings RMB '000	Total RMB '000	Non- controlling interests RMB '000	Total equity RMB '000
Balance at 1 January 2011		3,684,640	(847,198)	1,672,554	4,509,996	64,212	4,574,208
Profit for the period		—	—	387,063	387,063	2,654	389,717
Other comprehensive income							
Changes in fair value of available-for-sale financial assets, net of tax		—	393	—	393	—	393
Currency translation differences		—	(704)	—	(704)	—	(704)
Total comprehensive income for the period		—	(311)	387,063	386,752	2,654	389,406
Transactions with owners in their capacity as owners							
Dividends relating to 2010		—	—	(294,771)	(294,771)	(1,444)	(296,215)
Changes in ownership interests in subsidiaries without change of control		—	(24,617)	—	(24,617)	(16,777)	(41,394)
Transactions with owners		—	(24,617)	(294,771)	(319,388)	(18,221)	(337,609)
Balance at 30 June 2011		3,684,640	(872,126)	1,764,846	4,577,360	48,645	4,626,005

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
Note	2012	2011
	RMB '000	RMB '000
Cash flows from operating activities		
Cash generated from operations	358,760	136,003
Income tax paid	(53,660)	(66,985)
Interest paid	(83,897)	(55,412)
	<u>221,203</u>	<u>13,606</u>
Net cash generated from operating activities		
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss	(3,366,000)	(2,120,000)
Proceeds from the maturity of financial assets at fair value through profit or loss	3,382,034	2,127,720
Proceeds from government grants related to assets	33,800	—
Purchases of property, plant and equipment	(147,244)	(115,603)
Proceeds on disposal of property, plant and equipment	49,285	4,486
Purchase of intangible assets	(8,290)	(2,613)
Increase in lease prepayments	(4,221)	(1,147)
Dividends received	4,165	35,036
Interest received	15,300	13,310
	<u>(41,171)</u>	<u>(58,811)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from borrowings	538,364	643,431
Repayments of borrowings	(675,332)	(578,661)
Payments of finance lease obligations	(676)	(4,417)
Dividends paid to non-controlling interests	(5,697)	(13,900)
Transactions with non-controlling interests	—	(41,394)
	<u>(143,341)</u>	<u>5,059</u>
Net cash (used in)/generated from financing activities		
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	2,789,570	2,118,810
Exchange gains	93	937
	<u>2,826,354</u>	<u>2,079,601</u>
Cash and cash equivalents at end of the period		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

1. GENERAL INFORMATION

Chongqing Machinery & Electric Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in manufacturing and sales of commercial vehicle parts and components, general machinery, machinery tools and power equipment. The Group has operations mainly in the People’s Republic of China (the “PRC” or “China”).

The Company was established in the PRC on 27 July 2007 as a joint stock company with limited liability as part of the reorganisation of Chongqing Machinery and Electronic Holding (Group) Co., Ltd. (“CQMEHG”) in preparation for a listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited. CQMEHG is a state-owned enterprise established in the PRC and has been directly under the administration and control of the State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government. The address of the Company’s registered office is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing 401123, the PRC.

The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 June 2008.

This condensed consolidated interim financial information is presented in Chinese Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 24 August 2012.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with HKAS 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with HKFRSs.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

(a) Change in accounting policy

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended 30 June 2012 and there is no impact on the financial statements as the Group does not have any investment properties measured at fair value.

(b) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group .

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group did not recognise any such gains in other comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12 ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess HKFRS 12’s full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 13 ‘Fair value measurement’ aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The group is yet to assess HKFRS 13’s full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

HKAS 19 (Amendment) ‘Employee benefits’ eliminate the corridor approach and calculate finance costs on a net funding basis. The group is yet to assess the amendments to HKAS 19’s impact.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the operating management committee that are used to make strategic decisions.

The operating management committee considers the business from a product perspective. From a product perspective, management assesses the performance of engines, gear boxes, hydroelectric generation equipment, electrical wires and cables, general machinery, machinery tools, high-voltage transformers and materials sales. The results of other products operations are included in the “all other segments” column.

The operating management committee assesses the performance of the operating segments based on a measure of operating profit. Interest income and expenditure are not included in the result for each operating segment that is reviewed by operating management committee. Other information provided, except as noted below, to the operating management committee is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out in the ordinary course of business and in accordance with the term of the underlying agreements. The revenue from external parties reported to the operating management committee is measured in a manner consistent with that in profit or loss in the condensed consolidated statement of comprehensive income.

The segment results for the six months ended 30 June 2012 are as follows:

	Engines	Gear boxes	Hydroelectric generation equipment	Electrical wires and cables	General machinery	Machinery tools	High-voltage transformers	Material sales	All other segments	Total Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenue	984,264	382,840	215,051	1,252,536	242,733	554,437	—	1,117,116	1,104,062	5,853,039
Inter-segment revenue	—	—	—	(814)	—	—	—	(376,593)	(516)	(377,923)
Revenue from external customers	984,264	382,840	215,051	1,251,722	242,733	554,437	—	740,523	1,103,546	5,475,116
Operating profit	281,148	17,377	29,473	47,262	17,899	44,344	—	3,004	(6,630)	433,877
Finance income	4,113	254	1,196	491	1,190	1,219	—	47	6,790	15,300
Finance costs	(349)	(4,129)	(2,415)	(14,691)	(1,721)	(12,365)	—	(27)	(50,271)	(85,968)
Share of post-tax profits of associates	—	(157)	—	—	8,227	—	811	—	308	9,189
Profit before income tax										372,398
Income tax expense	(43,633)	(4,200)	(2,807)	(7,881)	(1,291)	(5,537)	—	(119)	3,379	(62,089)
Profit for the period										310,309
Other items										
Depreciation on property, plant and equipment and investment properties	5,072	15,264	4,527	8,866	7,103	20,970	—	12	21,276	83,090
Amortisation of lease prepayments and intangible assets	1,533	1,603	492	355	2,168	3,429	—	—	1,960	11,540
Write down/ (write back) of inventories	(207)	803	—	(3,571)	—	—	—	—	5,526	2,551
Provision for/ (reversal of) impairment on trade and other receivables	27	—	1,289	6	—	(2,902)	—	—	6,911	5,331
Additions to non-current assets (other than financial instruments and deferred tax assets)	9,577	18,470	4,274	4,167	14,088	54,107	—	43	23,713	128,439

The segment results for the six months ended 30 June 2011 are as follows:

	Hydroelectric									Total Group RMB'000
	Engines RMB'000	Gear boxes RMB'000	Hydroelectric generation equipment RMB'000	Electrical wires and cables RMB'000	General machinery RMB'000	Machinery tools RMB'000	High-voltage transformers RMB'000	Material sales RMB'000	All other segments RMB'000	
Total segment revenue	970,810	479,335	174,002	1,193,341	578,087	769,123	—	340,278	720,676	5,225,652
Inter-segment revenue	—	—	—	(4,594)	—	—	—	—	(2,030)	(6,624)
Revenue from external customers	970,810	479,335	174,002	1,188,747	578,087	769,123	—	340,278	718,646	5,219,028
Operating profit	274,384	50,948	14,934	60,471	34,035	77,114	—	(26)	23,778	535,638
Finance income	3,814	116	951	2,588	1,809	1,115	—	4	4,210	14,607
Finance costs	700	(4,406)	(2,328)	(19,648)	(3,918)	(9,907)	—	—	(11,207)	(50,714)
Share of post-tax profits of associates	—	—	—	—	(2,943)	—	6,893	—	4,873	8,823
Profit before income tax										508,354
Income tax expense	(48,938)	(7,134)	(2,435)	(7,530)	(25,447)	(20,450)	—	—	(6,703)	(118,637)
Profit for the period										389,717
Other items										
Depreciation on property, plant and equipment and investment properties	5,374	12,777	3,982	9,032	15,643	16,988	—	15	13,087	76,898
Amortisation of lease prepayments and intangible assets	1,520	1,603	457	670	3,271	3,344	—	—	205	11,070
Write down of inventories	42	—	—	—	—	—	—	—	14,243	14,285
Provision for/ (reversal of) impairment on trade and other receivables	342	—	3,061	781	5,438	(3,039)	—	—	(35)	6,548
Additions to non-current assets (other than financial instruments and deferred tax assets)	11,994	11,359	10,287	6,506	33,748	58,761	—	—	21,027	153,682

The segment assets as at 30 June 2012 and 31 December 2011 are as follows:

	Engines RMB'000	Gear boxes RMB'000	Hydroelectric generation equipment RMB'000	Electrical wires and cables RMB'000	General machinery RMB'000	Machinery tools RMB'000	High-voltage transformers RMB'000	Material sales RMB'000	All other segments RMB'000	Total Group RMB'000
30 June 2012	<u>1,008,405</u>	<u>1,369,302</u>	<u>895,365</u>	<u>1,099,439</u>	<u>1,262,189</u>	<u>2,157,120</u>	<u>162,026</u>	<u>115,948</u>	<u>4,157,798</u>	<u>12,227,592</u>
Total assets include:										
Investments in associates	<u>—</u>	<u>913</u>	<u>—</u>	<u>—</u>	<u>82,747</u>	<u>—</u>	<u>162,026</u>	<u>—</u>	<u>156,918</u>	<u>402,604</u>
31 December 2011	<u>984,520</u>	<u>1,325,898</u>	<u>802,320</u>	<u>970,819</u>	<u>2,721,436</u>	<u>2,357,180</u>	<u>161,215</u>	<u>91,600</u>	<u>2,344,984</u>	<u>11,759,972</u>
Total assets include:										
Investments in associates	<u>—</u>	<u>1,070</u>	<u>—</u>	<u>—</u>	<u>74,902</u>	<u>—</u>	<u>161,215</u>	<u>—</u>	<u>160,468</u>	<u>397,655</u>

5. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LEASE PREPAYMENTS AND INTANGIBLE ASSETS

The movement of property, plant and equipment, investment properties, lease prepayments and intangible assets are as follows:

	Property, plant and equipment RMB'000	Investment properties RMB'000	Lease prepayments RMB'000	Intangible assets RMB'000
Six months ended				
30 June 2012				
Opening net book amount				
at 1 January 2012	2,194,838	36,007	301,674	268,520
Transfers	(138,666)	—	138,666	—
Additions	115,929	—	4,220	8,290
Disposals	(57,272)	—	—	—
Depreciation/amortisation	<u>(81,502)</u>	<u>(1,588)</u>	<u>(3,673)</u>	<u>(7,867)</u>
Closing net book amount				
at 30 June 2012	<u>2,033,327</u>	<u>34,419</u>	<u>440,887</u>	<u>268,943</u>

Six months ended**30 June 2011****Opening net book amount**

at 1 January 2011	1,812,713	21,718	270,516	274,467
Transfers	(17,266)	17,266	—	—
Additions	149,922	—	1,147	2,613
Investment in an associate	(25,234)	—	—	(54)
Disposals	(3,484)	—	—	—
Depreciation/amortisation	<u>(75,525)</u>	<u>(1,373)</u>	<u>(3,480)</u>	<u>(7,590)</u>

Closing net book amount

at 30 June 2011	<u>1,841,126</u>	<u>37,611</u>	<u>268,183</u>	<u>269,436</u>
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Note:

- (a) As at 30 June 2012, bank borrowings amounting to approximately RMB161,800,000 (31 December 2011: RMB203,081,000) were secured by certain of the Group's property, plant and equipment, investment properties and land use rights with an aggregate carrying value of approximately RMB101,851,000, RMB18,152,000 and RMB64,342,000, respectively, (31 December 2011: RMB203,081,000, RMB19,327,000 and RMB75,067,000, respectively).

6. TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade and bills receivable	3,316,464	3,197,968
Less: provision for impairment of trade receivables	(254,001)	(247,554)
Trade and bills receivable - net	<u>3,062,463</u>	<u>2,950,414</u>
Other receivables	576,426	382,035
Less: provision for impairment of other receivables	(28,515)	(29,771)
Other receivables - net	<u>547,911</u>	<u>352,264</u>
	<u>3,610,374</u>	<u>3,302,678</u>

The general credit period granted to customers is up to 90 days. As at 30 June 2012 and 31 December 2011, the ageing analysis of the trade and bills receivables were as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade and bills receivable		
Less than 30 days	945,350	787,037
31 days to 90 days	756,892	920,947
91 days to 1 year	1,110,858	1,023,290
1 year to 2 years	242,109	234,619
2 years to 3 years	81,607	62,563
Over 3 years	179,648	169,512
	<u>3,316,464</u>	<u>3,197,968</u>

7. BORROWINGS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Non-current		
Long-term bank borrowings	244,347	445,087
Corporate bonds	994,051	993,451
Finance lease liabilities	19,870	19,995
	<u>1,258,268</u>	<u>1,458,533</u>
Current		
Short-term bank borrowings	1,273,552	1,210,906
Finance lease liabilities	227	252
	<u>1,273,779</u>	<u>1,211,158</u>
Total borrowings	<u>2,532,047</u>	<u>2,669,691</u>

Movements in borrowings are analysed as follows:

	<i>RMB'000</i>
Six months ended 30 June 2012	
Opening amount at 1 January 2012	2,669,691
Additions	538,364
Deductions	(676,008)
	<hr/>
Closing amount as at 30 June 2012	2,532,047
	<hr/> <hr/>
Six months ended 30 June 2011	
Opening amount at 1 January 2011	1,542,951
Additions	643,431
Deductions	(587,360)
	<hr/>
Closing amount as at 30 June 2011	1,599,022
	<hr/> <hr/>

Interest expense on borrowings for the six months ended 30 June 2012 is approximately RMB86,061,000 (2011: RMB55,412,000).

The Group had the following undrawn borrowing facilities:

	30 June 2012	31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate		
— expiring within 1 year	354,195	152,982
— expiring beyond 1 year	117,806	122,683
	<hr/>	<hr/>
	472,001	275,665
	<hr/> <hr/>	<hr/> <hr/>

8. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

The amounts of retirement and termination benefit obligations recognised in the balance sheet were as follows:

	30 June 2012	31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Present value of defined benefits obligations	87,642	90,974
Unrecognised actuarial loss	(3,163)	(1,639)
	<hr/>	<hr/>
Liability in the balance sheet	84,479	89,335
Less: current portion	(12,554)	(12,554)
	<hr/>	<hr/>
	71,925	76,781
	<hr/> <hr/>	<hr/> <hr/>

The movements of retirement and termination benefit obligations are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Audited
At beginning of the period	89,335	145,866
For the period		
— Interest costs	1,456	1,874
— Actuarial loss	408	1,517
— Payment	(6,720)	(6,501)
— Deduction (a)	—	(47,630)
	<hr/>	<hr/>
At end of the period	84,479	95,126
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) Pursuant to the notice jointly issued by Chongqing Human Resources and Social Security Bureau and Chongqing Finance Bureau (Yu Ren She Fa [2010] No. 290), part of the Group's obligations arising from certain defined benefit plan has been reduced effective from 1 January 2011, which resulted in a decrease of long-term employee benefit obligations of approximately RMB47,630,000. Such decrease was credited into profit or loss during the six months ended 30 June 2011 (Note 10).

9. TRADE AND OTHER PAYABLES

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Trade and bills payable	2,279,811	1,867,930
Other taxes payables	114,047	101,652
Other payables	340,365	328,005
Interest payables	57,938	24,740
Accrued payroll and welfare	151,452	206,986
Advances from customers	636,683	746,459
Advances from government	5,412	5,567
	<hr/>	<hr/>
	3,585,708	3,281,339
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2012 and 31 December 2011, the ageing analysis of the trade and bills payable (including amounts due to related parties of trading in nature) were as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade and bills payable		
Less than 30 days	911,261	659,123
31 days than 90 days	788,726	662,431
91 days to 1 year	446,496	473,773
1 year to 2 years	57,646	37,343
2 years to 3 years	43,787	13,461
Over 3 years	31,895	21,799
	2,279,811	1,867,930

10. OPERATING PROFIT

The following items have been (credited)/charged to the operating profit during the period:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Inventory write-down (a)	2,511	14,285
Provision for impairment on trade and other receivables (b)	5,331	6,548
Gains on investment in an associate	—	(16,402)
Gains on financial assets at fair value through profit or loss	(16,409)	(7,720)
Reversal of expenses arising from decrease in long-term employee benefit obligations (<i>Note 8</i>)	—	(47,630)
Gains on disposal of property, plant and equipment	(7,353)	(1,002)

Notes:

- (a) The inventory write-down of RMB2,511,000 mainly relates to some products which are not likely to recover its carrying value through sales.
- (b) The impairment charge of RMB5,331,000 on trade and other receivables mainly relates to certain customers which are in difficult financial situations.

11. INCOME TAX EXPENSE

The amount of income tax expense charged to the profit or loss represents:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current income tax	73,760	83,092
Deferred income tax	(11,671)	35,545
	<u>62,089</u>	<u>118,637</u>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

On 27 July 2011, the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation of the PRC jointly issued Cai Shui [2011] No. 58 (the "Notice") in respect of favourable corporate income tax policy applicable to qualified enterprises located in western China. The directors of the Company are of the opinion that those group entities previously entitled to the 15% preferential income tax rate during the period from 2001 to 2010, will continue to be qualified under the new policy for the 15% preferential income tax rate from 2011 to 2020.

12. EARNINGS PER SHARE

	Six months ended 30 June	
	2012	2011
Profit attributable to owners of the Company (RMB'000)	303,656	387,063
Weighted average number of ordinary shares in issue (thousand)	<u>3,684,640</u>	<u>3,684,640</u>
Basic and diluted earnings per share (RMB per share)	<u>0.08</u>	<u>0.11</u>

Diluted earnings per share is the same as basic earnings per share as there are no potential dilutive shares outstanding for all periods presented.

13. DIVIDENDS

A dividend that relates to the year ended 31 December 2011 of approximately RMB221,079,000 (RMB0.06 per share) was approved at the Annual General Meeting on 18 June 2012 and was recorded as a liability as at 30 June 2012 in this condensed consolidated interim financial information.

The Company's Board of Director did not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS (INCLUDING FINANCIAL REVIEW)

RESULTS OVERVIEW

SALES

For the six months ended 30 June 2012, the Group's total revenue amounted to approximately RMB5,475.1 million, representing an increase of approximately 4.9% as compared with approximately RMB5,219.0 million for the same period last year.

Overall, revenue of the commercial vehicle parts and components segment was approximately RMB1,574.1 million (approximately 28.8% of total revenue), a decrease of approximately 13.7%; revenue of the power equipment segment was approximately RMB1,962.2 million (approximately 35.8% of total revenue), an increase of approximately 15.0%; revenue of the general machinery segment was approximately RMB643.9 million (approximately 11.8% of total revenue), an increase of approximately 11.4%; and revenue of the CNC machine tools segment was approximately RMB1,294.9 million (approximately 23.6% of total revenue), an increase of approximately 16.7%.

The continued growth in sales of power equipment, general machinery and CNC machine tools during the Period was mainly boosted by our accelerated product mix adjustment and successful expansion of new markets, which ensured the steady growth in the revenue of such business segments as compared with the same period last year. However, the sales of commercial vehicle parts and components declined for the first time due to softening demands resulting from the overall slowdown in the growth rate of the automobile industry in the PRC.

GROSS PROFIT

The gross profit for the six months ended 30 June 2012 was approximately RMB897.1 million, a decrease of approximately RMB94.8 million or approximately 9.6%, as compared with approximately RMB991.9 million for the same period last year, accounting for approximately 16.4% of revenue. Overall gross profit margin decreased by 2.6 percentage points as compared with the same period last year, which was mainly for general machinery and CNC machine tools business due to decrease in orders, falling selling prices and higher labour costs resulted from European debt crisis and China's slower economic growth. On the contrary, the gross profit margin of commercial vehicle parts and components business remained at the same level as the corresponding period last year, as driven by the steady growth of the diesel engine business; the gross profit margin of power equipment business recorded a slight increase as a result of higher sales volume and lower unit cost. We expect that the raw material prices will continue to rise in the second half of 2012 on the whole, and the gross profit margin of the Group will be managed at a stable level.

OTHER INCOME AND GAINS

The other income and gains for the six months ended 30 June 2012 were approximately RMB52.6 million, an increase of approximately RMB5.1 million or approximately 10.7%, as compared with approximately RMB47.5 million for the same period last year. Such increase was mainly attributable to higher government subsidies income.

SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses for the six months ended 30 June 2012 were approximately RMB515.9 million, an increase of approximately RMB12.2 million or approximately 2.4%, as compared with approximately RMB503.7 million for the same period last year. The selling and administrative expenses accounted for approximately 9.4% of sales, a decrease from approximately 9.7% for the same period last year, mainly due to the growth in revenue during the Period, which diluted the percentage of selling and administrative expenses.

During the Period, our selling costs decreased by approximately RMB0.23 million as compared with the same period last year, mainly due to the effective control on sales costs. In addition, the administrative expenses increased by approximately RMB12.4 million as compared with the same period last year, mainly due to higher expenditure of salary for administrative staff and increased rentals for the office premises of our new headquarters.

OPERATING PROFIT

The operating profit for the six months ended 30 June 2012 was approximately RMB433.9 million, a decrease of approximately RMB101.7 million or approximately 19.0%, as compared with approximately RMB535.6 million for the same period last year. Eliminating the one-off gains included in other income and gains, operating profit decreased by approximately RMB106.8 million, or approximately 21.9%, from the corresponding period last year.

NET FINANCE COSTS

The net interest expense for the six months ended 30 June 2012 was approximately RMB70.7 million, a substantial increase of approximately RMB34.6 million or approximately 95.8%, as compared with approximately RMB36.1 million for the same period last year. This was mainly due to the interest accrued in the first half of this year on the bonds issued by the Company last year.

SHARE OF PROFITS OF ASSOCIATES

The Company's share of profits of associates for the six months ended 30 June 2012 was approximately RMB9.2 million, an increase of approximately RMB0.4 million or approximately 4.5%, as compared with approximately RMB8.8 million for the same period last year.

INCOME TAX EXPENSES

The corporate income tax expenses for the six months ended 30 June 2012 were approximately RMB62.1 million, a decrease of approximately RMB56.5 million, or approximately 47.6%, as compared with approximately RMB118.6 million for the same period last year, mainly due to the declining profit and changes to deferred income tax.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the Period was approximately RMB303.7 million, a decrease of approximately RMB83.4 million or approximately 21.5% as compared with approximately RMB387.1 million for the same period last year. Earnings per share decreased from RMB0.11 to approximately RMB0.08 per share as compared with the same period last year.

BUSINESS PERFORMANCE

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

	Revenue		Gross Profit		Segment Results	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2012	2011	2012	2011	2012	2011
<i>(RMB in millions, except for percentage)</i>						
Commercial vehicle parts and components						
Domestic						
Engines	984.3	970.8	341.2	335.0	281.1	274.4
Gear boxes	382.8	479.3	74.8	114.6	17.4	50.9
Other products	207.0	374.8	21.5	58.4	(4.6)	31.9
Total	1,574.1	1,824.9	437.5	508.0	293.9	357.2
% of total	28.8%	35.0%	48.8%	51.2%	67.7%	66.7%
Power equipment						
Domestic						
Hydroelectric generation equipment	215.1	174.0	67.7	47.4	29.5	14.9
Electrical wires and cables	1,251.7	1,188.7	81.5	56.5	47.2	60.5
Other products	495.4	343.9	(2.6)	7.5	(12.7)	0.8
Total	1,962.2	1,706.6	146.6	111.4	64.0	76.2
% of total	35.8%	32.7%	16.3%	11.2%	14.7%	14.2%
General machinery						
Domestic						
Total	643.9	578.1	153.6	164.0	31.5	34.0
Total	643.9	578.1	153.6	164.0	31.5	34.0
% of total	11.8%	11.1%	17.1%	16.5%	7.3%	6.3%
CNC machine tools						
Domestic						
Overseas	1,174.8	989.6	114.0	161.9	39.6	73.5
Total	120.1	119.8	45.4	46.5	7.7	3.5
Total	1,294.9	1,109.4	159.4	208.4	47.3	77.0
% of total	23.6%	21.2%	17.8%	21.1%	10.9%	14.4%
Headquarters						
Total	—	—	—	0.1	(2.8)	(8.8)
% of total	—%	—%	—%	—%	(0.6%)	(1.6%)
Total	5,475.1	5,219.0	897.1	991.9	433.9	535.6

Commercial vehicle parts and components

Revenue from the commercial vehicle parts and components segment for the six months ended 30 June 2012 was approximately RMB1,574.1 million, a decrease of approximately RMB250.8 million or approximately 13.7%, as compared with approximately RMB1,824.9 million for the same period last year. As compared with the same period last year, revenue from the diesel engine business increased by approximately RMB13.5 million or approximately 1.4%, and revenue from the gear box business decreased by approximately RMB96.5 million or approximately 20.1%, while revenue from other products also decreased by approximately RMB167.8 million or approximately 44.8%.

During the Period, gross profit for the commercial vehicle parts and components segment was approximately RMB437.5 million, a decrease of approximately RMB70.5 million or approximately 13.9% as compared with approximately RMB508.0 million for the six months ended 30 June 2011. Gross profit margin was approximately 27.8%, unchanged as compared with the same period last year.

Overall, the result for the commercial vehicle parts and components segment for the six months ended 30 June 2012 was approximately RMB293.9 million, a decrease of approximately RMB63.3 million or approximately 17.7%, as compared with approximately RMB357.2 million for the six months ended 30 June 2011.

Power equipment

Revenue from the power equipment segment for the six months ended 30 June 2012 was approximately RMB1,962.2 million, an increase of approximately RMB255.6 million or approximately 15.0%, as compared with approximately RMB1,706.6 million for the six months ended 30 June 2011, primarily due to a substantial increase of approximately RMB41.1 million, or approximately 23.6% in revenue from hydroelectric generation equipment business. Another contributor was the revenue growth of other products by approximately RMB151.5 million or approximately 44.1%.

During the Period, gross profit for the power equipment segment was approximately RMB146.6 million, an increase of approximately RMB35.2 million or approximately 31.6% as compared with approximately RMB111.4 million for the six months ended 30 June 2011. Gross profit margin slightly increased to 7.5% for the six months ended 30 June 2012 from 6.5% for the six months ended 30 June 2011, primarily due to higher sales volume and lower unit cost which resulted in an increase of 1 percentage point in the gross profit margin of this segment as compared with the same period last year.

Overall, the result for the power equipment segment for the six months ended 30 June 2012 was approximately RMB64.0 million, a decrease of approximately RMB12.2 million or approximately 16.0% as compared with approximately RMB76.2 million for the six months ended 30 June 2011.

General machinery

Revenue from the general machinery segment for the six months ended 30 June 2012 was approximately RMB643.9 million, an increase of approximately RMB65.8 million or approximately 11.4% as compared with approximately RMB578.1 million for the six months ended 30 June 2011, primarily due to the rapid increase in orders for wind power rotor blades and refrigeration machines, as well as product breakthroughs and new orders secured in new oil and petrochemical markets, which drove the continuous and steady growth in revenue of this segment.

During the Period, gross profit for the general machinery segment was approximately RMB153.6 million, a decrease of approximately RMB10.4 million or approximately 6.3% as compared with approximately RMB164.0 million for the six months ended 30 June 2011. Gross profit margin decreased to approximately 23.9% for the six months ended 30 June 2012 from approximately 28.4% for the six months ended 30 June 2011, primarily due to lower selling prices which resulted in a decrease of 4.5 percentage points in gross profit margin as compared with the same period last year.

Overall, the result for the general machinery segment for the six months ended 30 June 2012 was approximately RMB31.5 million, a decrease of approximately RMB2.5 million or approximately 7.4%, as compared with approximately RMB34.0 million for the six months ended 30 June 2011.

CNC machine tools

Revenue from the CNC machine tools segment for the six months ended 30 June 2012 was approximately RMB1,294.9 million, an increase of approximately RMB185.5 million or approximately 16.7% as compared with approximately RMB1,109.4 million for the six months ended 30 June 2011, primarily due to remarkable increases in revenue from low-price aluminum ingot products of Chongqing Shengpu Materials Co., Ltd.. Meanwhile, revenue from our British PTG's subsidiary for the Period was approximately RMB120.1 million, an increase of approximately RMB0.3 million or approximately 0.3% as compared with approximately RMB119.8 million for the six months ended 30 June 2011, which also drove the steady growth in revenue of this business segment.

During the Period, gross profit for the CNC machine tools segment was approximately RMB159.4 million, a decrease of approximately RMB49.0 million or approximately 23.5% as compared with approximately RMB208.4 million for the six months ended 30 June 2011. Gross profit margin decreased to 12.3% for the six months ended 30 June 2012 from 18.8% for the six months ended 30 June 2011, primarily due to significant declines in the sales revenue from businesses with high gross profit, rising unit costs, and excessive growth of business with low gross profit, which resulted in a decrease of 6.5 percentage points in gross profit margin as compared with the same period last year.

Overall, the result for the CNC machine tools segment for the six months ended 30 June 2012 was approximately RMB47.3 million, a decrease of approximately RMB29.7 million or approximately 38.6% as compared with approximately RMB77.0 million for the six months ended 30 June 2011.

CASH FLOW

The Group's cash and bank deposits (including the restricted cash) aggregated to approximately RMB3,153.6 million as at 30 June 2012 (31 December 2011: approximately RMB3,084.7 million), an increase of approximately RMB68.9 million or approximately 2.2%.

During the Period, the Group had a net cash inflow from operating activities of approximately RMB221.2 million (30 June 2011: a net cash inflow of approximately RMB13.6 million), a net cash outflow from investing activities of approximately RMB41.2 million (30 June 2011: a net cash outflow of approximately RMB58.8 million), and a net cash outflow from financing activities of approximately RMB143.3 million (30 June 2011: a net cash inflow of approximately RMB5.1 million).

ASSETS AND LIABILITIES

As at 30 June 2012, the Group had total assets of approximately RMB12,227.6 million, an increase of approximately RMB467.6 million as compared with approximately RMB11,760.0 million as at 31 December 2011. The total current assets were approximately RMB8,933.5 million, increased by approximately RMB473.5 million as compared with approximately RMB8,460.0 million as at 31 December 2011, accounting for approximately 73.1% of the total assets (31 December 2011: approximately 71.9%). However, total non-current assets were approximately RMB3,294.1 million, representing a decrease of approximately RMB5.9 million as compared with approximately RMB3,300.0 million as at 31 December 2011, and accounting for approximately 26.9% of the total assets (31 December 2011: approximately 28.1%).

As at 30 June 2012, total liabilities of the Group amounted to approximately RMB7,171.4 million, an increase of approximately RMB378.3 million as compared with approximately RMB6,793.1 million as at 31 December 2011. Total current liabilities were approximately RMB5,249.7 million, representing an increase of approximately RMB580.0 million as compared with approximately RMB4,669.7 million as at 31 December 2011, and accounting for 73.2% of the total liabilities (31 December 2011: approximately 68.7%). However, total non-current liabilities were approximately RMB1,921.7 million, representing a decrease of approximately RMB201.7 million as compared with approximately RMB2,123.4 million as at 31 December 2011, and accounting for approximately 26.8% of the total liabilities (31 December 2011: approximately 31.3%).

As at 30 June 2012, net current assets of the Group amounted to approximately RMB3,683.8 million, a decrease of approximately RMB106.5 million as compared with approximately RMB3,790.3 million as at 31 December 2011.

CURRENT RATIO

Current ratio (the ratio of current assets over current liabilities) of the Group as at 30 June 2012 was 1.70:1 (31 December 2011: 1.81:1).

INDEBTEDNESS

As at 30 June 2012, the Group had an aggregate bank and other borrowings of approximately RMB2,532.0 million, representing a decrease of approximately RMB137.7 million as compared with approximately RMB2,669.7 million as at 31 December 2011.

Borrowings repayable by the Group within one year were approximately RMB1,273.8 million, representing an increase of approximately RMB62.6 million as compared with approximately RMB1,211.2 million as at 31 December 2011. Borrowings repayable after one year were approximately RMB1,258.3 million, representing a decrease of approximately RMB200.2 million as compared with approximately RMB1,458.5 million as at 31 December 2011.

SIGNIFICANT EVENTS

(I) EVENTS WITHIN THE PERIOD

- (1) At the general meeting of the Company held on 18 June 2012, it was resolved to approve the appointment of Mr. Jin Jingyu as an independent non-executive Director of the second Board of the Company for a term of office till expiration of the current Board. Until then, the number of Board members was twelve, including four executive Directors, four non-executive Directors and four independent non-executive Directors.
- (2) As approved by the Board of the Company, on 25 June 2012, the Company entered into the amended land and buildings lease agreement with the Parent Company, and revised the annual caps for the connected transactions in relation to land and buildings lease for 2012 and 2013 to RMB35.0 million and RMB38.0 million respectively. For details, please refer to the announcement of the Board of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 25 June 2012.

Save as disclosed above, the Company did not have any other significant discloseable events during the Period.

(II) SUBSEQUENT EVENTS

- (1) Four subsidiaries of the Company (namely, Chongqing Water Turbine Works Co., Ltd., Chongqing Tool Factory Co., Ltd., Chongqing Shenjian Automotive Drive Part Co., Ltd. and Chongqing Yinhe Forging & Founding Co., Ltd.) entered into an investment agreement with the Luohuang Industrial Park in Jiangjin District, Chongqing (中國重慶市江津區珞璜工業園), under which a land with a total area of 1,169 mu was proposed for environmental relocation of the four enterprises. For details, please refer to the announcement of the Board of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 11 July 2012.
- (2) The Company and some of its subsidiaries entered into a JV agreement with the Parent Company and some of its subsidiaries to establish a microlending company. The registered capital of the microlending company was RMB200.0 million to which the Company and its said subsidiaries contributed RMB90.0 million in total, representing 45.0% of all contributions. For details, please refer to the announcement of the Board of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 25 July 2012.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no significant contingent liabilities.

CAPITAL EXPENDITURE

During the Period, the total capital expenditure of the Group was approximately RMB128.4 million, which was principally used for expansion of plants, enhancement of production technologies, upgrading of production equipment and improvement on production capacity (for the six months ended 30 June 2011: approximately RMB153.7 million).

RISK OF FOREIGN EXCHANGE

The Group uses Renminbi as the reporting currency. The Chinese government has implemented the RMB foreign exchange reform for a more flexible mechanism, which is expected to increase the competitiveness of our export products and benefit the Group in material import which is expected to lower our production cost.

EMPLOYEES

As at 30 June 2012, the Group had 18,061 employees (30 June 2011:17,031 employees). The Group will continue to facilitate upgrading of technology-based talents, foster and recruit professionals with rich experience in technology and management, establish a differentiated remuneration-plus-performance allocation system, and strengthen safety training and monitoring to ensure employee safety and a harmonious relationship between employees and the employer.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has complied with and adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code for securities transactions by all directors of the Company. The Company has obtained the respective confirmations by all its directors that they have strictly complied with the provisions set out in the Model Code for the six months ended 30 June 2012.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2012, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividends.

AUDIT COMMITTEE

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

THE BOARD OF DIRECTORS AND THE SUPERVISORY COMMITTEE

As at the date of this announcement, the executive Directors of the Company are Mr. Xie Hua Jun, Mr. Yu Gang, Mr. Liao Shaohua, Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Liu Liangcai, Mr. Yang Jingpu; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Kong Weiliang and Mr. Jin Jingyu.

As at the date of this announcement, the members of the Supervisory Committee of the Company are Mr. Duan Rongsheng, Mr. Zhang Xinzhi, Ms. Wang Rongxue, Mr. Liu Xing, Mr. Wang Xuqi and Mr. Chen Qing.

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

The interim results announcement has been published on the websites of the Company (<http://www.chinacqme.com>) and the Stock Exchange (<http://www.hkex.com.hk>). The interim report will also be available at the Company's and the Stock Exchange's websites on or about 29 August 2012 and will be dispatched to shareholders of the Company thereafter by the means of receipt of corporate communication they selected.

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Xie Hua Jun
Executive Director Chairman

Chongqing, the PRC
24 August 2012

As at the date of this announcement, the executive Directors are Mr. Xie Hua Jun, Mr. Yu Gang, Mr. Liao Shaohua and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Liu Liangcai and Mr. Yang Jingpu; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Kong Weiliang and Mr. Jin Jingyu.

* *For identification purposes only*