

CHONGQING MACHINERY & ELECTRIC CO. , LTD.

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2012

(All amounts in RMB Yuan unless otherwise stated)

| ASSETS | JUNE 30,2012 | DECEMBER 31,2011 |
|-------------------------------------|----------------|------------------|
| Current assets | | |
| Cash at bank and on hand | 2,854,994,919 | 2,777,144,418 |
| Notes receivable | 699,848,639 | 933,270,928 |
| Accounts receivable | 1,951,712,151 | 1,651,302,795 |
| Advances to suppliers | 320,805,197 | 197,760,631 |
| Dividends receivable | 2,387,456 | 236,201,079 |
| Other receivables | 213,440,873 | 136,446,223 |
| Inventories | 2,024,703,054 | 1,916,969,291 |
| Other current assets | 7,445,511 | 8,276,152 |
| Total current assets | 8,075,337,800 | 7,857,371,517 |
| Non-current assets | | |
| Available-for-sale financial assets | 3,528,851 | 3,528,851 |
| Long-term equity investments | 956,124,813 | 716,432,933 |
| Investment properties | 139,659,143 | 141,763,307 |
| Fixed assets | 1,612,724,960 | 1,677,994,752 |
| Construction in progress | 203,730,557 | 168,624,305 |
| Construction materials | 315,957 | 43,735 |
| Intangible assets | 540,178,423 | 399,438,480 |
| Goodwill | 143,018,492 | 143,018,489 |
| Long-term prepaid expenses | 63,427,266 | 56,208,843 |
| Deferred tax assets | 78,218,057 | 68,722,079 |
| Other non-current assets | 63,945,186 | 204,667,718 |
| Total non-current assets | 3,804,871,705 | 3,580,443,492 |
| TOTAL ASSETS | 11,880,209,505 | 11,437,815,009 |

CHONGQING MACHINERY & ELECTRIC CO. , LTD.

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2012
(All amounts in RMB Yuan unless otherwise stated)

| LIABILITIES AND OWNERS' EQUITY | JUNE 30,2012 | DECEMBER 31,2011 |
|---|----------------|------------------|
| Current liabilities | | |
| Short-term borrowings | 853,284,000 | 952,899,695 |
| Notes payable | 621,863,196 | 250,343,759 |
| Accounts payable | 1,320,550,539 | 1,304,611,088 |
| Advances from customers | 636,156,511 | 739,685,346 |
| Employee benefits payable | 144,815,828 | 197,822,215 |
| Taxes payable | 145,503,482 | 145,906,093 |
| Interest payable | 57,937,823 | 24,740,000 |
| Dividends payable | 255,573,427 | 40,183,764 |
| Other payables | 323,695,805 | 320,352,610 |
| Current portion of non-current liabilities | 389,495,905 | 212,692,196 |
| Total current liabilities | 4,748,876,516 | 4,189,236,766 |
| Non-current liabilities | | |
| Long-term borrowings | 244,348,759 | 445,087,711 |
| Debentures payable | 994,051,000 | 993,451,000 |
| Long-term payables | 91,704,084 | 96,605,841 |
| Payables for specific projects | 5,411,629 | 5,566,629 |
| Other non-current liabilities | 452,319,335 | 442,982,076 |
| Deferred tax liabilities | 30,703,843 | 32,120,377 |
| Total non-current liabilities | 1,818,538,650 | 2,015,813,634 |
| Total liabilities | 6,567,415,166 | 6,205,050,400 |
| Owners' equity | | |
| Paid-in capital | 3,684,640,154 | 3,684,640,154 |
| Capital surplus | 53,273,019 | 53,273,019 |
| Surplus reserve | 170,312,259 | 170,312,259 |
| Undistributed profits | 1,355,331,666 | 1,282,060,081 |
| Difference on translation of foreign currency financial statements | 626,508 | 522,052 |
| Total equity attributable to equity holders of the Company | 5,264,183,606 | 5,190,807,565 |
| Minority interest | 48,610,733 | 41,957,044 |
| Total owners' equity | 5,312,794,339 | 5,232,764,609 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | 11,880,209,505 | 11,437,815,009 |

CHONGQING MACHINERY & ELECTRIC CO., LTD.

CONSOLIDATED INCOME STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2012

(All amounts in RMB Yuan unless otherwise stated)

| Items | Six months ended June 30 | |
|---|--------------------------|-----------------|
| | 2012 | 2011 |
| Revenue | 4,490,852,112 | 4,248,218,178 |
| Less: Cost of sales | (3,915,843,365) | (3,564,025,347) |
| Taxes and surcharges | (11,388,879) | (10,638,553) |
| Selling and distribution expenses | (145,579,637) | (156,966,934) |
| General and administrative expenses | (308,332,691) | (280,835,982) |
| Financial expenses – net | (76,254,584) | (42,173,335) |
| Asset impairment losses | (8,072,985) | (20,580,348) |
| Add: Investment income | 260,340,437 | 242,905,438 |
| Including: Share of profit of associates and joint ventures | 243,931,038 | 235,185,885 |
| Operating profit | 285,720,408 | 415,903,117 |
| Add: Non-operating income | 35,953,063 | 40,162,474 |
| Less: Non-operating expenses | (1,623,880) | (5,107,288) |
| Including: Losses on disposal of non-current assets | (329,519) | (381,645) |
| Total profit | 320,049,591 | 450,958,303 |
| Less: Income tax expenses | (19,045,908) | (69,698,612) |
| Net profit | 301,003,683 | 381,259,691 |
| Attributable to equity holders of the Company | 294,349,994 | 378,606,159 |
| Minority interest | 6,653,689 | 2,653,532 |
| Earnings per share | | |
| Basic earnings per share | 0.08 | 0.11 |
| Diluted earnings per share | 0.08 | 0.11 |
| Other comprehensive income | 104,456 | (311,209) |
| Total comprehensive income | 301,108,139 | 380,948,482 |
| Attributable to equity holders of the Company | 294,454,450 | 378,294,950 |
| Minority interest | 6,653,689 | 2,653,532 |

CHONGQING MACHINERY & ELECTRIC CO., LTD.

CONSOLIDATED CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2012

(All amounts in RMB Yuan unless otherwise stated)

| Items | Six months ended June 30 | |
|---|--------------------------|-----------------|
| | 2012 | 2011 |
| Cash flows from operating activities | | |
| Cash received from sales of goods or rendering of services | 5,085,055,516 | 4,997,508,101 |
| Cash received relating to other operating activities | 15,774,931 | 57,202,347 |
| Sub-total of cash inflows | 5,100,830,447 | 5,054,710,448 |
| Cash paid for goods and services | (4,082,198,655) | (4,209,346,365) |
| Cash paid to and on behalf of employees | (480,485,931) | (431,837,718) |
| Payments of taxes and surcharges | (174,981,010) | (170,244,692) |
| Cash paid relating to other operating activities | (330,923,806) | (331,868,237) |
| Sub-total of cash outflows | (5,068,589,402) | (5,143,297,012) |
| Net cash flows from operating activities | 32,241,045 | (88,586,564) |
| Cash flows from investing activities | | |
| Cash received from disposal of investments | 3,382,034,377 | 2,127,720,000 |
| Cash received from returns on investments | 238,427,803 | 340,234,477 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 47,505,409 | 4,557,325 |
| Cash received relating to other investing activities | 33,800,400 | 13,310,000 |
| Sub-total of cash inflows | 3,701,767,989 | 2,485,821,802 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | (135,862,137) | (108,015,803) |
| Cash paid to acquire investments | (3,366,000,000) | (2,120,000,000) |
| Sub-total of cash outflows | (3,501,862,137) | (2,228,015,803) |
| Net cash flows from investing activities | 199,905,852 | 257,805,999 |
| Cash flows from financing activities | | |
| Cash received from borrowings | 538,364,373 | 643,431,000 |
| Sub-total of cash inflows | 538,364,373 | 643,431,000 |
| Cash repayments of borrowings | (661,239,211) | (578,661,000) |
| Cash payments for interest expenses and distribution of dividends or profits | (58,747,979) | (69,312,000) |
| Including: Cash payments for dividends or profit to minority shareholders of subsidiaries | (5,696,505) | (13,899,953) |
| Cash payments relating to other financing activities | (676,100) | (45,810,689) |
| Sub-total of cash outflows | (720,663,290) | (693,783,689) |
| Net cash flows from financing activities | (182,298,917) | (50,352,689) |
| Effect of foreign exchange rate changes on cash and cash equivalents | 432,566 | 810,934 |
| Net increase in cash and cash equivalents | 50,280,546 | 119,677,680 |
| Add: Cash and cash equivalents at beginning of year | 2,482,570,858 | 1,679,369,818 |
| Cash and cash equivalent at end of year | 2,532,851,404 | 1,799,047,498 |