

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**RESULTS HIGHLIGHTS**

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

- Revenue of the Group for the six months ended 30 June 2016 amounted to approximately RMB4,793.5 million, representing an increase of approximately 10.2% from the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2016 amounted to approximately RMB499.4 million, representing a decrease of approximately 2.6% from the corresponding period of last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2016 amounted to approximately RMB172.8 million, representing a decrease of approximately 6.7% from the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2016 amounted to approximately RMB0.05.

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 2016 (the “Period”). The Group’s interim results have not been audited but have been reviewed by the audit and risk management committee and the Company’s auditor, PricewaterhouseCoopers.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Unaudited	
		Six months ended 30 June	
	Note	2016 RMB'000	2015 RMB'000
Revenue	4	4,793,500	4,350,470
Cost of sales		<u>(4,294,119)</u>	<u>(3,837,877)</u>
<b>Gross profit</b>		<b>499,381</b>	512,593
Distribution costs		(119,801)	(117,573)
Administrative expenses		(391,068)	(614,190)
Other gains – net		140,558	331,793
Other income		<u>23,435</u>	<u>24,995</u>
<b>Operating profit</b>	5	<b>152,505</b>	137,618
Finance income		8,025	14,823
Finance costs		(56,345)	(65,998)
Share of post-tax profits of associates		18,950	15,348
Share of post-tax profit of joint venture		<u>120,086</u>	<u>134,274</u>
<b>Profit before income tax</b>		<b>243,221</b>	236,065
Income tax expense	6	<u>(28,858)</u>	<u>(31,123)</u>
<b>Profit for the period</b>		<u><b>214,363</b></u>	<u>204,942</u>
<b>Other comprehensive income:</b>			
Items that will not be reclassified subsequently to profit or loss			
– Remeasurements of retirement benefit obligations	12	(20)	(1,170)
– Income tax relating to remeasurements of retirement benefit obligations		10	91
– Share of other comprehensive income of investments accounted for using the equity method		<u>157</u>	<u>–</u>
		<u><b>147</b></u>	<u>(1,079)</u>

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
<i>Note</i>	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Items that may be reclassified subsequently to profit or loss		
– Fair value losses on available-for-sale financial assets	(599)	–
– Income tax relating to available-for-sale financial assets	90	–
– Currency translation differences	<u>6,602</u>	<u>2,307</u>
	<u>6,093</u>	<u>2,307</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>6,240</u>	<u>1,228</u>
<b>Total comprehensive income for the period</b>	<u>220,603</u>	<u>206,170</u>
<b>Profit attributable to:</b>		
– Owners of the Company	172,839	185,161
– Non-controlling interests	<u>41,524</u>	<u>19,781</u>
	<u>214,363</u>	<u>204,942</u>
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	179,079	186,389
– Non-controlling interests	<u>41,524</u>	<u>19,781</u>
	<u>220,603</u>	<u>206,170</u>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>		
– Basic and diluted	7 <u>0.05</u>	<u>0.05</u>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	<i>Note</i>	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>3,690,501</b>	3,715,249
Investment properties	8	<b>7,875</b>	25,958
Lease prepayments	8	<b>531,706</b>	616,515
Intangible assets	8	<b>297,481</b>	297,956
Investments in associates		<b>554,332</b>	484,977
Investment in joint venture		<b>447,076</b>	326,990
Trade and other receivables	9	<b>40,995</b>	41,985
Deferred income tax assets		<b>81,045</b>	86,574
Available-for-sale financial assets		<b>7,164</b>	7,763
Other non-current assets		<b>56,493</b>	23,613
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>5,714,668</b>	5,627,580
<b>Current assets</b>			
Inventories		<b>1,604,396</b>	1,880,756
Amounts due from customers for contract work		<b>577,467</b>	527,389
Trade and other receivables	9	<b>4,877,214</b>	4,301,327
Dividend receivable		<b>129,090</b>	428,645
Restricted cash		<b>456,291</b>	457,399
Cash and cash equivalents		<b>1,390,581</b>	1,543,975
		<hr/>	<hr/>
<b>Total current assets</b>		<b>9,035,039</b>	9,139,491
		<hr/>	<hr/>
<b>Total assets</b>		<b>14,749,707</b>	14,767,071

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
	<i>Note</i>	<b>2016</b>	2015
		<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		3,684,640	3,684,640
Other reserves		(672,160)	(678,400)
Retained profits		<u>3,180,890</u>	<u>3,100,167</u>
		<b>6,193,370</b>	6,106,407
<b>Non-controlling interests</b>		<u>490,280</u>	<u>448,395</u>
<b>Total equity</b>		<u><b>6,683,650</b></u>	<u>6,554,802</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	819,138	668,779
Deferred income		398,250	411,518
Deferred income tax liabilities		68,134	75,940
Long-term employee benefit obligations	12	<u>164,904</u>	<u>186,974</u>
<b>Total non-current liabilities</b>		<u><b>1,450,426</b></u>	<u>1,343,211</u>
<b>Current liabilities</b>			
Trade and other payables	10	4,346,458	4,588,696
Dividend payable		106,239	24,190
Amounts due to customers for contract work		6,094	4,535
Current income tax liabilities		55,389	56,559
Borrowings	11	2,017,903	2,101,047
Deferred income		32,743	38,605
Current portion of long-term employee benefit obligations	12	36,389	39,907
Provision for warranty		<u>14,416</u>	<u>15,519</u>
<b>Total current liabilities</b>		<u><b>6,615,631</b></u>	<u>6,869,058</u>
<b>Total liabilities</b>		<u><b>8,066,057</b></u>	<u>8,212,269</u>
<b>Total equity and liabilities</b>		<u><b>14,749,707</b></u>	<u>14,767,071</u>

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Unaudited						
	Attributable to owners of the Company				Non-controlling interests	Total equity	
	Share capital	Other reserves	Retained profits	Total			
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2016</b>		<u>3,684,640</u>	<u>(678,400)</u>	<u>3,100,167</u>	<u>6,106,407</u>	<u>448,395</u>	<u>6,554,802</u>
<b>Comprehensive income</b>							
Profit for the period		<u>-</u>	<u>-</u>	<u>172,839</u>	<u>172,839</u>	<u>41,524</u>	<u>214,363</u>
<b>Other comprehensive income</b>							
Remeasurements of retirement benefit obligations, net of tax		<u>-</u>	<u>(10)</u>	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>(10)</u>
Changes in fair value of available-for-sales financial assets, net of tax		<u>-</u>	<u>(509)</u>	<u>-</u>	<u>(509)</u>	<u>-</u>	<u>(509)</u>
Share of other comprehensive income of investments accounted for using the equity method		<u>-</u>	<u>157</u>	<u>-</u>	<u>157</u>	<u>-</u>	<u>157</u>
Currency translation differences		<u>-</u>	<u>6,602</u>	<u>-</u>	<u>6,602</u>	<u>-</u>	<u>6,602</u>
<b>Total other comprehensive income</b>		<u>-</u>	<u>6,240</u>	<u>-</u>	<u>6,240</u>	<u>-</u>	<u>6,240</u>
<b>Total comprehensive income for the period ended 30 June 2016</b>		<u>-</u>	<u>6,240</u>	<u>172,839</u>	<u>179,079</u>	<u>41,524</u>	<u>220,603</u>
<b>Total transactions with owners, recognised directly in equity</b>							
Dividends relating to 2015	13	<u>-</u>	<u>-</u>	<u>(92,116)</u>	<u>(92,116)</u>	<u>-</u>	<u>(92,116)</u>
Effects of changes in subsidiaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>361</u>	<u>361</u>
<b>Total transactions with owners, recognised directly in equity</b>		<u>-</u>	<u>-</u>	<u>(92,116)</u>	<u>(92,116)</u>	<u>361</u>	<u>(91,755)</u>
<b>Balance at 30 June 2016</b>		<u><u>3,684,640</u></u>	<u><u>(672,160)</u></u>	<u><u>3,180,890</u></u>	<u><u>6,193,370</u></u>	<u><u>490,280</u></u>	<u><u>6,683,650</u></u>

Unaudited

	Attributable to owners of the Company					Total equity <i>RMB'000</i>
	Share capital <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	
<b>Balance at 1 January 2015</b>	<u>3,684,640</u>	<u>(723,987)</u>	<u>2,883,825</u>	<u>5,844,478</u>	<u>406,491</u>	<u>6,250,969</u>
<b>Comprehensive income</b>						
Profit for the period	<u>–</u>	<u>–</u>	<u>185,161</u>	<u>185,161</u>	<u>19,781</u>	<u>204,942</u>
<b>Other comprehensive income</b>						
Remeasurements of retirement benefit obligations, net of tax	<u>–</u>	<u>(1,079)</u>	<u>–</u>	<u>(1,079)</u>	<u>–</u>	<u>(1,079)</u>
Currency translation differences	<u>–</u>	<u>2,307</u>	<u>–</u>	<u>2,307</u>	<u>–</u>	<u>2,307</u>
<b>Total other comprehensive income</b>	<u>–</u>	<u>1,228</u>	<u>–</u>	<u>1,228</u>	<u>–</u>	<u>1,228</u>
<b>Total comprehensive income for the period ended 30 June 2015</b>	<u>–</u>	<u>1,228</u>	<u>185,161</u>	<u>186,389</u>	<u>19,781</u>	<u>206,170</u>
<b>Total transactions with owners, recognised directly in equity</b>						
Dividends relating to 2014	<u>–</u>	<u>–</u>	<u>(169,493)</u>	<u>(169,493)</u>	<u>–</u>	<u>(169,493)</u>
<b>Total transactions with owners, recognised directly in equity</b>	<u>–</u>	<u>–</u>	<u>(169,493)</u>	<u>(169,493)</u>	<u>–</u>	<u>(169,493)</u>
<b>Balance at 30 June 2015</b>	<u><u>3,684,640</u></u>	<u><u>(722,759)</u></u>	<u><u>2,899,493</u></u>	<u><u>5,861,374</u></u>	<u><u>426,272</u></u>	<u><u>6,287,646</u></u>

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2016*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>		
Cash used in operations	(408,865)	(51,145)
Income tax paid	(36,881)	(31,277)
Interest paid	(34,902)	(47,943)
	<hr/>	<hr/>
<b>Cash flows from operating activities – net</b>	<b>(480,648)</b>	<b>(130,365)</b>
<b>Cash flows from investing activities</b>		
Purchase of financial assets at fair value through profit or loss	–	(70,000)
Proceeds from the disposal of financial assets at fair value through profit or loss	–	196,463
Proceeds from government grants related to assets	9,909	3,837
Purchases of property, plant and equipment	(303,597)	(340,655)
Proceeds on disposal of property, plant and equipment, investment properties and lease prepayment	197,876	200,037
Purchase of intangible assets	(7,171)	(11,189)
Increase in lease prepayments	(3,923)	(38,363)
Dividends received	299,100	7,337
Interest received	8,025	13,236
Gain on disposal of subsidiary, net of cash disposed	62,934	–
Investments in associates	(15,273)	–
	<hr/>	<hr/>
<b>Cash flows from investing activities – net</b>	<b>247,880</b>	<b>(39,297)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	392,862	949,371
Repayments of borrowings	(279,898)	(899,198)
Proceeds from finance lease obligations	–	150,000
Payments of finance lease obligations	(11,248)	(903)
Dividends paid to non-controlling interests	(7,334)	(11,648)
	<hr/>	<hr/>
<b>Cash flows from financing activities – net</b>	<b>94,382</b>	<b>187,622</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(138,386)</b>	<b>17,960</b>
Cash and cash equivalents at the beginning of the period	1,543,975	1,203,508
Exchange (losses)/gains	(15,008)	2,252
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b><u>1,390,581</u></b>	<b><u>1,223,720</u></b>



# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

## 1. GENERAL INFORMATION

Chongqing Machinery & Electric Co., Ltd. (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in manufacturing and sales of 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 interim condensed consolidated financial information is presented in Chinese Renminbi (“RMB”), unless otherwise stated.

This interim condensed consolidated financial information has not been audited.

### **Key event**

In February 2016, the Company sold 59% equity interest in Chongqing Jiangbei Machinery Co., Ltd. (“Chongqing Jiangbei Machinery”), a wholly owned subsidiary of the Group, at the consideration of RMB77,529,000. After the disposal, the Group holds 41% equity interest in Chongqing Jiangbei Machinery, and is accounted as an associate. A gain on disposal of the equity interest of RMB45,814,000 and a gain on retained interest of RMB17,156,000 were resulted and had been recognised in profit or loss.

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with HKFRSs.

### 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

- (a) Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

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

#### (b) Impact of standards issued but not yet applied by the Group

##### (i) *HKFRS 9 Financial instruments*

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing whether it should adopt HKFRS 9 before its mandatory date.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include

- equity instruments currently classified as AFS for which a FVOCI election is available; and
- equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under HKFRS 9.

Accordingly the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

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 new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

**(ii) *HKFRS 15 Revenue from contracts with customers***

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.

**(iii) HKFRS 16 Leases**

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases' and related interpretations. The Group is currently assessing the impact of HKFRS 16.

There are no other amended standards or interpretations that are not 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, transmission systems, hydropower equipment, electrical wires and cables, general machinery, financial services, machinery tools, high-voltage transformers and materials sales. The results of other products operations are included in the "all other segments" column.

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

The segment results for the six months ended 30 June 2016 are as follows:

	Engines RMB'000	Transmission systems RMB'000	Hydropower equipment RMB'000	Electrical wires and cables RMB'000	General machinery RMB'000	Financial services RMB'000	Machinery tools RMB'000	High- voltage transformers RMB'000	Material sales RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	-	190,509	201,462	627,101	915,378	44,780	306,619	-	2,381,602	428,085	5,095,536
Inter-segment revenue	-	-	(16)	(1,263)	(2,674)	(22,698)	(1,240)	-	(274,145)	-	(302,036)
Revenue from external customers	-	190,509	201,446	625,838	912,704	22,082	305,379	-	2,107,457	428,085	4,793,500
Operating profit/(loss)	-	(38,227)	1,346	152,314	36,241	10,712	(40,963)	-	(1,144)	32,226	152,505
Finance income	-	94	285	1,322	984	-	980	-	44	4,316	8,025
Finance costs	-	(256)	-	(8,301)	(2,404)	-	(15,883)	-	(789)	(28,712)	(56,345)
Share of post-tax profits/ (losses) of associates and joint venture	120,086	6	-	-	1,764	(4,641)	-	4,563	-	17,258	139,036
<b>Profit before income tax</b>											<b>243,221</b>
Income tax expense	-	3,009	(2)	(23,400)	(4,342)	(6,308)	5,109	-	-	(2,924)	(28,858)
<b>Profit for the period</b>											<b>214,363</b>
<b>Other items</b>											
Depreciation on property, plant and equipment and investment properties	-	10,780	4,080	7,854	34,962	127	29,808	-	29	16,022	103,662
Amortisation of lease prepayments and intangible assets	-	1,888	1,108	691	3,470	134	5,992	-	-	1,290	14,573
Write down/(write back) of inventories	-	-	-	-	-	-	75	-	-	(2,170)	(2,095)
Provision for/(reversal of) impairment on trade and other receivables	-	-	380	3,075	1,794	728	(348)	-	(82)	30,168	35,715
Additions to non-current assets (other than financial instruments and deferred income tax assets)	-	30,501	44,598	24,595	72,378	9	59,457	-	-	7,728	239,266

The segment results for the six months ended 30 June 2015 are as follows:

	Engines RMB'000	Transmission systems RMB'000	Hydropower equipment RMB'000	Electrical wires and cables RMB'000	General machinery RMB'000	Financial services RMB'000	Machinery tools RMB'000	High- voltage transformers RMB'000	Material sales RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	-	252,439	195,355	1,342,136	700,709	55,206	394,481	-	1,469,256	441,022	4,850,604
Inter-segment revenue	-	(15)	-	(584)	-	(27,668)	(18,130)	-	(453,737)	-	(500,134)
Revenue from external customers	-	252,424	195,355	1,341,552	700,709	27,538	376,351	-	1,015,519	441,022	4,350,470
Operating profit/(loss)	-	(271,396)	5,685	43,167	45,022	15,346	303,842	-	676	(4,724)	137,618
Finance income	-	15	840	818	3,283	-	8,568	-	36	1,263	14,823
Finance costs	-	-	-	(9,507)	(9,180)	-	(35,946)	-	(1,286)	(10,079)	(65,998)
Share of post-tax profits of associates and joint venture	134,274	121	-	-	3,674	1,277	-	2,042	-	8,234	149,622
<b>Profit before income tax</b>											236,065
Income tax expense	-	27,181	(459)	(166)	(603)	(9,804)	(47,141)	-	-	(131)	(31,123)
<b>Profit for the period</b>											<u>204,942</u>
<b>Other items</b>											
Depreciation on property, plant and equipment and investment properties	-	13,307	4,744	9,285	29,560	252	27,276	-	31	16,488	100,943
Amortisation of lease prepayments and intangible assets	-	1,891	661	655	2,668	114	5,539	-	-	1,707	13,235
Write down of inventories	-	-	-	-	-	-	1,078	-	-	135	1,213
Provision for/(reversal of) impairment on trade and other receivables	-	733	2,753	(596)	-	1,665	(15)	-	579	414	5,533
Additions to non-current assets (other than financial instruments and deferred income tax assets)	-	81,448	118,821	3,516	133,189	10	116,629	-	-	37,384	490,997

The segment assets as at 30 June 2016 and 31 December 2015 are as follows:

Total assets	Engines	Transmission systems	Hydropower equipment	Electrical wires and cables	General machinery	Financial services	Machinery tools	High-voltage transformers	Material sales	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2016	<u>447,076</u>	<u>1,260,101</u>	<u>1,693,679</u>	<u>788,219</u>	<u>2,587,931</u>	<u>1,701,927</u>	<u>3,081,123</u>	<u>171,919</u>	<u>237,905</u>	<u>2,779,827</u>	<u>14,749,707</u>
Total assets include:											
Investments in associates and joint venture	<u>447,076</u>	<u>3,368</u>	<u>9,855</u>	<u>-</u>	<u>27,833</u>	<u>88,694</u>	<u>-</u>	<u>171,919</u>	<u>-</u>	<u>252,663</u>	<u>1,001,408</u>
31 December 2015	<u>326,990</u>	<u>1,364,065</u>	<u>1,574,299</u>	<u>825,272</u>	<u>2,369,620</u>	<u>1,985,444</u>	<u>3,087,112</u>	<u>158,084</u>	<u>185,367</u>	<u>2,890,818</u>	<u>14,767,071</u>
Total assets include:											
Investments in associates and joint venture	<u>326,990</u>	<u>4,399</u>	<u>10,371</u>	<u>-</u>	<u>20,428</u>	<u>93,335</u>	<u>20,741</u>	<u>158,084</u>	<u>-</u>	<u>177,619</u>	<u>811,967</u>

## 5. OPERATING PROFIT

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
(Write back)/write down of inventories	(2,095)	1,213
Provision for impairment on trade and other receivables	35,715	5,533
Gains on financial assets at fair value through profit or loss	(507)	(5,647)
Gains on disposal of property, plant and equipment and lease prepayment	(75,163)	(324,779)
(Gain)/expense arising from the termination benefit obligations (Note 12)	(3,927)	234,140
Gain on disposal of subsidiary with loss of control		
– gain on retained interest	(17,156)	–
– gain on disposal of interest	(45,814)	–
	<u>(45,814)</u>	<u>–</u>

## 6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	36,151	20,280
Deferred income tax	<u>(7,293)</u>	<u>10,843</u>
	<u><b>28,858</b></u>	<u><b>31,123</b></u>

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2016 is 21% (the estimated tax rate for the six months ended 30 June 2015 was 22%).

On 6 April 2012, State Taxation Administration issued Notice 12 (2012) ("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 2011 will continue to be qualified under the new policy for the 15% preferential income tax rate from 2012 to 2020.

## 7. EARNINGS PER SHARE

	Six months ended 30 June	
	2016	2015
Profit attributable to owners of the Company ( <i>RMB'000</i> )	172,839	185,161
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>3,684,640</u>	<u>3,684,640</u>
Basic and diluted earnings per share ( <i>RMB per share</i> )	<u><b>0.05</b></u>	<u><b>0.05</b></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.



## 8. 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 <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Lease prepayments <i>RMB'000</i>	Other intangible assets <i>RMB'000</i>	Goodwill <i>RMB'000</i>
<b>Six months ended 30 June 2016</b>					
<b>Opening net book amount at</b>					
1 January 2016	3,715,249	25,958	616,515	154,938	143,018
Transfers	2,445	(2,445)	-	-	-
Additions	227,394	538	4,022	7,312	-
Disposals	(153,409)	(13,692)	(81,905)	(140)	-
Depreciation and amortisation	<u>(101,178)</u>	<u>(2,484)</u>	<u>(6,926)</u>	<u>(7,647)</u>	<u>-</u>
<b>Closing net book amount at</b>					
30 June 2016	<u><u>3,690,501</u></u>	<u><u>7,875</u></u>	<u><u>531,706</u></u>	<u><u>154,463</u></u>	<u><u>143,018</u></u>
<b>Six months ended 30 June 2015</b>					
<b>Opening net book amount at</b>					
1 January 2015	3,105,368	29,828	466,672	146,451	143,018
Additions	332,063	-	154,150	4,784	-
Disposals	(39,035)	-	(22,044)	(20)	-
Depreciation and amortisation	<u>(98,662)</u>	<u>(2,281)</u>	<u>(5,928)</u>	<u>(7,307)</u>	<u>-</u>
<b>Closing net book amount at</b>					
30 June 2015	<u><u>3,299,734</u></u>	<u><u>27,547</u></u>	<u><u>592,850</u></u>	<u><u>143,908</u></u>	<u><u>143,018</u></u>

*Note:*

- (a) As at 30 June 2016, bank borrowings amounting to approximately RMB613,000,000 (31 December 2015: RMB639,000,000) were secured by certain property, plant and equipment and land use rights of the Group with carrying value of approximately RMB484,178,000 and RMB168,223,000, respectively (31 December 2015: RMB522,801,000 and RMB170,295,000 respectively).

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Trade and bills receivables	<b>3,588,070</b>	3,163,828
Less: provision for impairment of trade receivables	<u>(275,650)</u>	<u>(283,672)</u>
Trade and bills receivables – net	<u><b>3,312,420</b></u>	<u>2,880,156</u>
Other receivables	<b>862,519</b>	853,069
Less: provision for impairment of other receivables	<u>(28,806)</u>	<u>(29,318)</u>
Other receivables – net	<u><b>833,713</b></u>	<u>823,751</u>
Loans	<b>810,022</b>	646,781
Less: provision for impairment of loans	<u>(37,946)</u>	<u>(7,376)</u>
Loans – net	<u><b>772,076</b></u>	<u>639,405</u>
Less: Long-term loans	<b>(41,409)</b>	(42,409)
Provision for impairment of long-term loans	<u>414</u>	<u>424</u>
Less: long-term loans – net	<u><b>(40,995)</b></u>	<u>(41,985)</u>
	<u><b>4,877,214</b></u>	<u>4,301,327</u>

The general credit period granted to customers is up to 90 days. As at 30 June 2016 and 31 December 2015, the ageing analysis of the trade and bills receivables were as follows:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
<b>Trade and bills receivables</b>		
Less than 30 days	<b>1,226,412</b>	363,548
31 days to 90 days	<b>954,721</b>	669,243
91 days to 1 year	<b>667,449</b>	1,338,943
1 year to 2 years	<b>322,502</b>	411,163
2 years to 3 years	<b>131,348</b>	142,268
Over 3 years	<b>285,638</b>	238,663
	<b><u>3,588,070</u></b>	<b><u>3,163,828</u></b>

#### **10. TRADE AND OTHER PAYABLES**

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Trade and bills payables	<b>2,330,756</b>	2,436,050
Deposit taking	<b>654,919</b>	852,908
Other taxes payables	<b>100,686</b>	95,646
Other payables	<b>318,332</b>	369,015
Interest payables	<b>61,582</b>	28,875
Accrued payroll and welfare	<b>74,285</b>	104,213
Advances from customers	<b>805,898</b>	701,989
	<b><u>4,346,458</u></b>	<b><u>4,588,696</u></b>

As at 30 June 2016 and 31 December 2015, the ageing analysis of the trade and bills payables were as follows:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
<b>Trade and bills payables</b>		
Less than 30 days	<b>497,195</b>	387,204
31 days to 90 days	<b>624,784</b>	642,619
91 days to 1 year	<b>1,004,415</b>	1,187,388
1 year to 2 years	<b>113,393</b>	105,414
2 years to 3 years	<b>32,407</b>	36,035
Over 3 years	<b>58,562</b>	77,390
	<b><u>2,330,756</u></b>	<b><u>2,436,050</u></b>

## 11. BORROWINGS

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
<b>Non-current</b>		
Long-term bank borrowings	<b>719,134</b>	550,960
Finance lease liabilities	<b>100,004</b>	117,819
Total non-current borrowings	<b><u>819,138</u></b>	<b><u>668,779</u></b>
<b>Current</b>		
Short-term bank borrowings	<b>979,560</b>	1,070,057
Other borrowings	<b>3,100</b>	3,100
Corporate bonds	<b>999,739</b>	998,953
Finance lease liabilities	<b>35,504</b>	28,937
Total current borrowings	<b><u>2,017,903</u></b>	<b><u>2,101,047</u></b>
<b>Total borrowings</b>	<b><u>2,837,041</u></b>	<b><u>2,769,826</u></b>

Movements in borrowings is analysed as follows:

	<i>RMB'000</i>
<b>Six months ended 30 June 2016</b>	
Opening amount as at 1 January 2016	2,769,826
Additions	392,862
Repayments	(291,146)
Disposal of subsidiary	(19,050)
Currency translation differences	<u>(15,451)</u>
<b>Closing amount as at 30 June 2016</b>	<b><u>2,837,041</u></b>
<b>Six months ended 30 June 2015</b>	
Opening amount as at 1 January 2015	2,494,961
Additions	1,100,152
Repayments	<u>(905,957)</u>
<b>Closing amount as at 30 June 2015</b>	<b><u>2,689,156</u></b>

Interest expense on borrowings for the six months ended 30 June 2016 is approximately RMB70,500,000 (2015: approximately RMB81,900,000).

The Group had the following undrawn borrowing facilities:

	<b>30 June 2016</b>	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate		
– expiring within 1 year	594,445	749,294
– expiring beyond 1 year	<u>648,000</u>	<u>1,194,000</u>
	<b><u>1,242,445</u></b>	<b><u>1,943,294</u></b>

## 12. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Present value of defined benefits obligations	<u>201,293</u>	<u>226,881</u>
Liability in the balance sheet	<b>201,293</b>	226,881
Less: current portion	<u>(36,389)</u>	<u>(39,907)</u>
	<u><b>164,904</b></u>	<u>186,974</u>

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

	<b>Six months ended 30 June</b>	
	<b>2016 RMB'000</b>	2015 RMB'000
At beginning of the period	<b>226,881</b>	62,056
For the period		
– Interest costs	<b>3,075</b>	1,021
– Actuarial losses	<b>12</b>	128
– Disposal of subsidiary	<b>(823)</b>	–
– (Deductions)/Additions on termination benefit obligations	<b>(3,927)</b>	234,140
– Remeasurement effects recognised in other comprehensive income	<b>20</b>	1,170
– Payment	<u><b>(23,945)</b></u>	<u>(27,778)</u>
At end of the period	<u><b>201,293</b></u>	<u>270,737</u>

The above obligations were actuarially determined by an independent actuarial firm using the projected unit credit method.

### **13. DIVIDENDS**

A dividend of approximately RMB92,116,000 (RMB0.025 per share) that relates to the year ended 31 December 2015 was approved at the Annual General Meeting on 28 June 2016 and was recorded as a liability as at 30 June 2016 in this interim condensed consolidated financial information.

The Company's Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

## MANAGEMENT'S DISCUSSION AND ANALYSIS (INCLUDING FINANCIAL REVIEW)

### RESULTS OVERVIEW

#### Sales

For the six months ended 30 June 2016, the Group's total revenue amounted to approximately RMB4,793.5 million, an increase of approximately 10.2% as compared with approximately RMB4,350.5 million for the same period of last year.

Overall, revenue of the vehicle parts and components segment was approximately RMB358.5 million (accounting for approximately 7.5% of the total revenue), a decrease of approximately 12.7%; revenue of the power equipment segment was approximately RMB827.9 million (accounting for approximately 17.3% of the total revenue), a decrease of approximately 46.2%; revenue of the general machinery segment was approximately RMB1,172.2 million (accounting for approximately 24.4% of the total revenue), an increase of approximately 19.3%; and revenue of the CNC machine tools segment was approximately RMB305.4 million (accounting for approximately 6.4% of the total revenue), a decrease of approximately 18.9%; revenue of financial services was approximately RMB22.1 million (accounting for approximately 0.4% of the total revenue), a decrease of approximately 19.6%; and revenue of the trade business was approximately RMB2,107.4 million (accounting for approximately 44.0% of the total revenue), an increase of approximately 107.5%.

Despite the decline in sales revenue of the Group due to the decreased market demand in the vehicle parts and components segment, power equipment segment and CNC machine tools segment, the overall sales revenue of the Group rose due to the faster growth achieved in sales revenue from the general machinery segment and trade segment during the Period. It is expected that the sales revenue of the Group will maintain a stable growth in the second half of 2016.

There has been no significant change in the possible future development of the Group's business and the Group's outlook for the financial year of 2016 since the publication of the Group's annual report for the year ended 31 December 2015.

#### Gross Profit

The gross profit for the six months ended 30 June 2016 was approximately RMB499.4 million, a decrease of approximately RMB13.2 million or approximately 2.6% as compared with approximately RMB512.6 million for the same period of last year; gross profit margin was approximately 10.4%, a slight decrease of approximately 1.4 percentage points as compared with approximately 11.8% for the same period of last year. Eliminating trade business and financial services, the gross profit margin was approximately 18.0%, an increase of approximately 3.3 percentage points as compared with approximately 14.7% for the same period of last year. The Group's gross profit margin is expected to remain stable at its current level in the second half of 2016.



## **Other Income And Gains**

Other income and gains for the six months ended 30 June 2016 were approximately RMB164.0 million, a significant decrease of approximately RMB192.8 million or approximately 54% as compared with approximately RMB356.8 million for the same period of last year, which was mainly due to the decrease of income from land during the Period.

## **Selling and Administrative Expenses**

The selling and administrative expenses for the six months ended 30 June 2016 were approximately RMB510.9 million, a significant decrease of approximately RMB220.9 million or approximately 30.2% as compared with approximately RMB731.8 million for the same period of last year. The percentage of selling and administrative expenses accounted for the total sales decreased to approximately 10.7% from approximately 16.8% of the same period of last year, mainly attributable to a year-on-year sharp decrease of approximately RMB223.1 million in administrative expenses, which was mainly due to one-off provision of long-term employee benefit obligations of transmission systems business for the same period of last year.

## **Operating Profit**

The operating profit for the six months ended 30 June 2016 was approximately RMB152.5 million, an increase of approximately RMB14.9 million or approximately 10.8% as compared with approximately RMB137.6 million for the same period of last year.

## **Net Finance Costs**

The net interest expense for the six months ended 30 June 2016 was approximately RMB48.3 million, a decrease of approximately RMB2.9 million or approximately 5.7% as compared to approximately RMB51.2 million for the same period of last year, which was mainly due to the decrease of loan interest rate.

## **Share of Profits of Associates**

The Group's share of profits of associates for the six months ended 30 June 2016 was approximately RMB18.9 million, an increase of approximately RMB3.6 million or approximately 23.5% as compared with approximately RMB15.3 million for the same period of last year. This was due to an increase of approximately RMB2.5 million in results of Chongqing ABB Power Transformer Co., Ltd., an increase of approximately RMB2.0 million in results of Exedy (Chongqing) Driving System Co., Ltd. (愛思帝(重慶)驅動系統有限公司), an increase of approximately RMB3.1 million in results of Chongqing Jiangbei Machinery Company Limited, and an increase of approximately RMB2.1 million in results of Knorr-Bremse CAFF Systems for Commercial Vehicles (Chongqing) Ltd. (克諾爾卡福商用車系統(重慶)有限公司) by turning loss into gain. In contrast, Chongqing New North Zone Machinery and Electronic Microcredit Co., Ltd. (重慶市北部新區機電小額貸款有限公司) recorded a loss of approximately RMB4.6 million during the Period, and results of Chongqing Midea General Refrigeration Equipment Co., Ltd. (重慶美的通用製冷設備有限公司) decreased by approximately RMB1.9 million.

## **Share of Profit of Joint Venture**

The Group's share of profit of joint venture for the six months ended 30 June 2016 was approximately RMB120.1 million, a decrease of approximately RMB14.2 million or approximately 10.6% as compared with approximately RMB134.3 million for the same period of last year. Such decrease was due to the decline in the sales of Chongqing Cummins Engine Co., Ltd.

## **Income Tax Expenses**

The corporate income tax expenses for the six months ended 30 June 2016 were approximately RMB28.9 million, a decrease of approximately RMB2.2 million or approximately 7.1% as compared with approximately RMB31.1 million for the same period of last year, mainly due to the change in deferred income tax.

## **Profit Attributable To The Shareholders**

Profit attributable to the shareholders of the Company for the Period was approximately RMB172.8 million, a decrease of approximately RMB12.4 million or approximately 6.7% as compared with approximately RMB185.2 million for the same period of last year. Earnings per share maintained at approximately RMB0.05, which was same as the same period of 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:

	<u>Revenue</u>		<u>Gross Profit</u>		<u>Segment Results</u>	
	<u>Period ended</u>		<u>Period ended</u>		<u>Period ended</u>	
	<u>30 June</u>		<u>30 June</u>		<u>30 June</u>	
	<u>2016</u>	2015	<u>2016</u>	2015	<u>2016</u>	2015
	<i>(RMB in million, except for percentage)</i>					
<b>Vehicle parts and components</b>						
<b>Domestic</b>						
Transmission systems	<b>190.5</b>	252.4	<b>15.0</b>	26.9	<b>(38.2)</b>	(271.4)
Steering systems	<b>168.0</b>	158.3	<b>24.5</b>	21.4	<b>1.9</b>	2.7
Total	<b><u>358.5</u></b>	<u>410.7</u>	<b><u>39.5</u></b>	<u>48.3</u>	<b><u>(36.3)</u></b>	<u>(268.7)</u>
% of total	<b>7.5%</b>	9.4%	<b>7.9%</b>	9.4%	<b>(23.8%)</b>	(195.3%)
<b>Power equipment</b>						
<b>Domestic</b>						
Hydropower equipment	<b>201.5</b>	195.3	<b>40.2</b>	43.5	<b>1.3</b>	5.7
Electrical wires and cables	<b>625.8</b>	1,341.6	<b>119.9</b>	83.4	<b>152.3</b>	43.2
Other products	<b>0.6</b>	1.3	<b>0.6</b>	0.8	<b>0.9</b>	(4.5)
Total	<b><u>827.9</u></b>	<u>1,538.2</u>	<b><u>160.7</u></b>	<u>127.7</u>	<b><u>154.5</u></b>	<u>44.4</u>
% of total	<b>17.3%</b>	35.4%	<b>32.2%</b>	24.9%	<b>101.3%</b>	32.3%
<b>General machinery</b>						
<b>Domestic</b>						
	<b><u>1,172.2</u></b>	<u>982.2</u>	<b><u>214.1</u></b>	<u>226.7</u>	<b><u>48.4</u></b>	<u>56.1</u>
Total	<b><u>1,172.2</u></b>	<u>982.2</u>	<b><u>214.1</u></b>	<u>226.7</u>	<b><u>48.4</u></b>	<u>56.1</u>
% of total	<b>24.4%</b>	22.6%	<b>42.9%</b>	44.2%	<b>31.7%</b>	40.8%
<b>CNC machine tools</b>						
<b>Domestic</b>						
	<b>246.0</b>	212.9	<b>47.3</b>	46.2	<b>(20.5)</b>	300.9
<b>Overseas</b>	<b><u>59.4</u></b>	<u>163.5</u>	<b><u>19.0</u></b>	<u>38.1</u>	<b><u>(20.4)</u></b>	<u>2.9</u>
Total	<b><u>305.4</u></b>	<u>376.4</u>	<b><u>66.3</u></b>	<u>84.3</u>	<b><u>(40.9)</u></b>	<u>303.8</u>
% of total	<b>6.4%</b>	8.7%	<b>13.3%</b>	16.5%	<b>(26.8%)</b>	220.8%

	<u>Revenue</u>		<u>Gross Profit</u>		<u>Segment Results</u>	
	<u>Period ended</u>		<u>Period ended</u>		<u>Period ended</u>	
	<u>30 June</u>	<u>2015</u>	<u>30 June</u>	<u>2015</u>	<u>30 June</u>	<u>2015</u>
	<b>2016</b>	2015	<b>2016</b>	2015	<b>2016</b>	2015
<i>(RMB in million, except for percentage)</i>						
<b>Finance</b>						
<b>Domestic</b>	<u>22.1</u>	<u>27.5</u>	<u>16.5</u>	<u>22.7</u>	<u>10.7</u>	<u>15.4</u>
Total	<u><b>22.1</b></u>	<u>27.5</u>	<u><b>16.5</b></u>	<u>22.7</u>	<u><b>10.7</b></u>	<u>15.4</u>
% of total	<b>0.4%</b>	0.6%	<b>3.3%</b>	4.4%	<b>7.0%</b>	11.2%
<b>Trade</b>						
<b>Domestic</b>	<u>2,107.4</u>	<u>1,015.5</u>	<u>2.3</u>	<u>2.9</u>	<u>(1.1)</u>	<u>0.7</u>
Total	<u><b>2,107.4</b></u>	<u>1,015.5</u>	<u><b>2.3</b></u>	<u>2.9</u>	<u><b>(1.1)</b></u>	<u>0.7</u>
% of total	<b>44.0%</b>	23.3%	<b>0.4%</b>	0.6%	<b>(0.7%)</b>	0.5%
<b>Headquarters</b>						
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>17.2</b></u>	<u>(14.1)</u>
% of total	- %	- %	- %	- %	<b>11.3%</b>	(10.3%)
<b>Total</b>	<u><b>4,793.5</b></u>	<u>4,350.5</u>	<u><b>499.4</b></u>	<u>512.6</u>	<u><b>152.5</b></u>	<u>137.6</u>

## VEHICLE PARTS AND COMPONENTS

Revenue from the vehicle parts and components segment for the six months ended 30 June 2016 was approximately RMB358.5 million, a decrease of approximately RMB52.2 million or approximately 12.7% as compared with approximately RMB410.7 million for the six months ended 30 June 2015. As compared with the figures for the same period of last year, revenue from the business of transmission systems for vehicles decreased by approximately RMB61.9 million or approximately 24.5%, which was primarily due to transmission system business failed to realize the synchronized growth due to the influence of product development and the lagged market development as compared to the same period of last year.

During the Period, the gross profit for the vehicle parts and components segment was approximately RMB39.5 million, a decrease of approximately RMB8.8 million or approximately 18.2% as compared with approximately RMB48.3 million for the six months ended 30 June 2015, which was primarily due to the changes in sales structure of transmission system business. Its gross profit margin declined by 2.8 percentage points as compared to the same period of last year.

The results for the vehicle parts and components segment for the six months ended 30 June 2016 recorded a loss of approximately RMB36.3 million, a significant decrease of approximately RMB232.4 million or about 86.5% as compared with a loss of approximately RMB268.7 million for the six months ended 30 June 2015, primarily due to one-off increase in long-term employee benefit obligations of transmission system business over last year.

## **POWER EQUIPMENT**

Revenue from the power equipment segment for the six months ended 30 June 2016 was approximately RMB827.9 million, a decrease of approximately RMB710.3 million or approximately 46.2% as compared with approximately RMB1,538.2 million for the six months ended 30 June 2015, primarily due to a significant integration of electrical wires and cables business and the termination of operating lower margin business, leading to a decrease of approximately RMB715.8 million or about 53.4% in the sales revenue.

During the Period, gross profit for the power equipment segment was approximately RMB160.7 million, an increase of approximately RMB33.0 million or approximately 25.8% as compared with approximately RMB127.7 million for the six months ended 30 June 2015, primarily due to the increase in sales of high profit margin products of the electrical wires and cables business, with an increase of approximately RMB36.5 million or approximately 43.8% in gross profit. Gross profit margin increased to approximately 19.4% for the six months ended 30 June 2016 from 8.3% for the six months ended 30 June 2015, primarily due to a significant integration of electrical wires and cables business and the termination of operating lower margin business.

For the six months ended 30 June 2016, the results for the power equipment segment amounted to approximately RMB154.5 million, an increase of approximately RMB110.1 million or approximately 2.48 times as compared with approximately RMB44.4 million for the six months ended 30 June 2015, primarily due to one-off increase of approximately RMB75.7 million in revenue of land transfer in electrical wires and cables business.

## **GENERAL MACHINERY**

Revenue from the general machinery segment for the six months ended 30 June 2016 was approximately RMB1,172.2 million, an increase of approximately RMB190.0 million or approximately 19.3% as compared with approximately RMB982.2 million for the six months ended 30 June 2015, mainly due to the rapid growth in wind power blades business.

During the Period, gross profit for the general machinery segment was approximately RMB214.1 million, a decrease of approximately RMB12.6 million or approximately 5.6% as compared with approximately RMB226.7 million for the six months ended 30 June 2015, which was mainly due to the fact that the separation machine business was not included in the scope of consolidation as the controlling right was lost after the joint venture reorganization during the Period. For details, please refer to note 1 to the interim condensed consolidated financial information “key event” as mentioned. Gross profit margin decreased to approximately 18.3% for the six months ended 30 June 2016 from approximately 23.1% for the six months ended 30 June 2015, mainly due to the fact that the separation machine business was not included in the scope of consolidation and the fall of selling price in wind power blades.

For the six months ended 30 June 2016, the results for the general machinery segment amounted to approximately RMB48.4 million, a decrease of approximately RMB7.7 million or approximately 13.7% as compared with approximately RMB56.1 million for the six months ended 30 June 2015.

## **CNC MACHINE TOOLS**

Revenue from the CNC machine tools segment for the six months ended 30 June 2016 was approximately RMB305.4 million, a decrease of approximately RMB71.0 million or approximately 18.9% as compared with approximately RMB376.4 million for the six months ended 30 June 2015, mainly due to the decrease in market demand for CNC machine tools in China and the decrease in revenue from the British PTG subsidiary. Revenue from the PTG for the Period was approximately RMB59.4 million, a significant decrease of approximately RMB104.1 million or approximately 63.7% as compared with approximately RMB163.5 million for the six months ended 30 June 2015.

During the Period, gross profit for the CNC machine tools segment was approximately RMB66.3 million, a decrease of approximately RMB18.0 million or approximately 21.4% as compared with approximately RMB84.3 million for the six months ended 30 June 2015, mainly due to the significant decrease in sales income of PTG.

For the six months ended 30 June 2016, the results loss for the CNC machine tools segment amounted to a loss of approximately RMB40.9 million, a decrease of approximately RMB344.7 million as compared with the gain of approximately RMB303.8 million for the six months ended 30 June 2015, mainly attributable to the absence of one-off gain from land disposal of CNC machine tools in the first half of 2016 as compared to the same period of last year.

## **FINANCIAL BUSINESS**

Revenue from the financial business segment for the six months ended 30 June 2016 was approximately RMB22.1 million, a decrease of approximately RMB5.4 million or approximately 19.6% as compared with approximately RMB27.5 million for the six months ended 30 June 2015, mainly attributable to lower interest income due to adjustments of credit policies in China.

During the Period, the gross profit of financial business was approximately RMB16.5 million, a decrease of approximately RMB6.2 million or approximately 27.3% as compared with approximately RMB22.7 million for the six months ended 30 June 2015.

For the six months ended 30 June 2016, the results of the financial services segment amounted to approximately RMB10.7 million, a decrease of approximately RMB4.7 million or approximately 30.5% as compared with approximately RMB15.4 million for the six months ended 30 June 2015.

## **TRADE BUSINESS**

Revenue from the trade business segment for the six months ended 30 June 2016 was approximately RMB2,107.4 million, a significant increase of approximately RMB1,091.9 million or approximately 107.5% as compared with approximately RMB1,015.5 million for the six months ended 30 June 2015.

During the Period, gross profit for the trade business segment was approximately RMB2.3 million, a decrease of approximately RMB0.6 million or approximately 20.7% as compared with approximately RMB2.9 million for the six months ended 30 June 2015.

For the six months ended 30 June 2016, the results loss for the trade business segment amounted to approximately RMB1.1 million, a decrease of approximately RMB1.8 million or approximately 2.6 times as compared with a profit of approximately RMB0.7 million for the six months ended 30 June 2015.

## **CASH FLOW**

As at 30 June 2016, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB1,846.9 million (31 December 2015: approximately RMB2,001.4 million), representing a decrease of approximately RMB154.5 million or approximately 7.7%.

During the Period, the Group had a net cash used in operating activities of approximately RMB480.6 million (for the six months ended 30 June 2015: net cash outflow of approximately RMB130.4 million), a net cash inflow from investing activities of approximately RMB247.9 million (for the six months ended 30 June 2015: a net cash outflow of approximately RMB39.3 million), and a net cash inflow from financing activities of approximately RMB94.4 million (for the six months ended 30 June 2015: generated a net cash of approximately RMB187.6 million).

## **TRADE AND OTHER RECEIVABLES**

As at 30 June 2016, the total trade receivables and other receivables of the Group amounted to approximately RMB4,918.2 million, an increase of approximately RMB574.9 million as compared with approximately RMB4,343.3 million as at 31 December 2015, primarily due to an increase of revenue in wind power blades business of approximately RMB512.0 million. Please refer to note 9 to the interim condensed consolidated financial information for detailed ageing analysis of the trade and bills payables.

## **TRADE AND OTHER PAYABLES**

As at 30 June 2016, the total trade payables and other payables of the Group amounted to approximately RMB4,346.5 million, a decrease of approximately RMB242.2 million as compared with approximately RMB4,588.7 million as at 31 December 2015, primarily due to a decrease in the deposits from financial business of approximately RMB198.0 million. Please refer to note 10 to the interim condensed consolidated financial information for detailed ageing analysis of the trade and bills payables.

## **ASSETS AND LIABILITIES**

As at 30 June 2016, the total assets of the Group amounted to approximately RMB14,749.7 million, a decrease of approximately RMB17.4 million as compared with approximately RMB14,767.1 million as at 31 December 2015. The total current assets amounted to approximately RMB9,035.0 million, a decrease of approximately RMB104.5 million as compared with approximately RMB9,139.5 million as at 31 December 2015, accounting for approximately 61.3% of the total assets (31 December 2015: approximately 61.9%). However, the total non-current assets amounted to approximately RMB5,714.7 million, an increase of approximately RMB87.1 million as compared with approximately RMB5,627.6 million as at 31 December 2015, and accounting for approximately 38.7% of the total assets (31 December 2015: approximately 38.1%).

As at 30 June 2016, the total liabilities of the Group amounted to approximately RMB8,066.0 million, a decrease of approximately RMB146.3 million as compared with approximately RMB8,212.3 million as at 31 December 2015. The total current liabilities amounted to approximately RMB6,615.6 million, a decrease of approximately RMB253.5 million as compared with approximately RMB6,869.1 million as at 31 December 2015, accounting for approximately 82.0% of the total liabilities (31 December 2015: approximately 83.6%). However, the total non-current liabilities amounted to approximately RMB1,450.4 million, an increase of approximately RMB107.2 million as compared with approximately RMB1,343.2 million as at 31 December 2015, and accounting for approximately 18.0% of the total liabilities (31 December 2015: approximately 16.4%).

As at 30 June 2016, the net current assets of the Group amounted to approximately RMB2,419.4 million, an increase of approximately RMB149.0 million as compared with approximately RMB2,270.4 million as at 31 December 2015.

## **CURRENT RATIO**

As at 30 June 2016, the current ratio (the ratio of current assets over current liabilities) of the Group was 1.37: 1 (31 December 2015: 1.33: 1).

## **GEARING RATIO**

As at 30 June 2016, by dividing borrowings by total capital, the gearing ratio of the Group was 29.8% (31 December 2015: 29.7%).



## **INDEBTEDNESS**

As at 30 June 2016, the Group had an aggregate bank and other borrowings of approximately RMB2,837.0 million, an increase of approximately RMB67.2 million as compared with approximately RMB2,769.8 million as at 31 December 2015.

Borrowings repayable by the Group within one year amounted to approximately RMB2,017.9 million, a decrease of approximately RMB83.1 million as compared with approximately RMB2,101.0 million as at 31 December 2015. Borrowings repayable after one year amounted to approximately RMB819.1 million, an increase of approximately RMB150.3 million as compared with approximately RMB668.8 million as at 31 December 2015.

## **SIGNIFICANT EVENTS**

### **Events for the Period**

- (1) The annual general meeting of the Company convened on 28 June 2016 re-elected the members of the Board. It was resolved at the annual general meeting to elect the following members of the fourth session of the Board: Mr. Wang Yuxiang, Ms. Chenping and Mr. Yang Quan as executive Directors, Mr. Huang Yong, Mr. Wei Fusheng, Mr. Deng Yong and Ms. He Xiaoyan as non-executive Directors, Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei as independent non-executive Directors of the Company. The term of aforesaid Directors commences from the date of the meeting until expiry of the term of the fourth session of the Board. The Board was authorized to fix the remuneration of each Director pursuant to the remuneration standard for Directors passed at the 2015 annual general meeting and to enter into a service agreement with each of them on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters.
- (2) The annual general meeting of the Company convened on 28 June 2016 re-elected the members of the Supervisory Committee. It was resolved at the general meeting to elect the following members of the fourth session of the Supervisory Committee: Mr. Xiang Hu, Ms. Wu Yi and Mr. Huang Hui as Supervisors of the Company. Mr. Zhang Mingzhi and Mr. Xia Hua were democratically elected as employee representative Supervisors. The term of aforesaid Supervisors commences from the date of the meeting until expiry of the term of the fourth session of the Supervisory Committee. The Board was authorized to fix the remuneration of each Supervisor pursuant to the remuneration standard for Supervisors passed at the 2015 annual general meeting and to enter into a service agreement with each of them on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters.

- (3) The Company approved its wholly-owned subsidiary Chongqing Gas Compressor Factory Co., Ltd. to enter into the two Expropriation and Compensation Agreements with Shapingba Building Management Bureau, pursuant to which Gas Compressor Company will sell the Disposal Land No. 1 measuring approximately a total of 1,304 square meters and certain assets thereon for the consideration of RMB4,888,453.58; and sell the Disposal Land No. 2 measuring approximately a total of 84,488 square meters and certain assets thereon for the consideration of RMB325,111,546.42. For details, please refer to the announcement of the Board of the Company published on the website of the Stock Exchange and the Company on 28 June 2016.

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

## **CONTINGENT LIABILITIES**

As at 30 June 2016, the Group had no significant contingent liabilities.

## **CAPITAL EXPENDITURE**

During the Period, the total capital expenditure of the Group was approximately RMB239.3 million, which was principally used for plant expansion, production technology improvement, equipment and productivity upgrade (for the six months ended 30 June 2015: approximately RMB491.0 million).

## **RISK OF FOREIGN EXCHANGE**

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

## **EMPLOYEES**

As at 30 June 2016, the Group had a total of 12,435 employees (30 June 2015: 13,173 employees in total). The Group will continue the upgrade of its technical talent base, foster and recruit technical and management personnel with extensive technical and management experience, enhance the distribution system that links remunerations with performance, improve training on safety so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

## **OTHER INFORMATION**

### **Compliance With Corporate Governance Code**

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

### **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 directors of the Company. The Company has obtained the respective confirmations by all of its directors that they have strictly complied with the provisions set out in the Model Code for the six months ended 30 June 2016.

### **Purchase, Sale or Redemption of Securities of the Company**

During the six months ended 30 June 2016, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### **Interim Dividend**

The Board does not recommend the payment of interim dividends.

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

The audit committee, the management and the Company’s international auditor PricewaterhouseCoopers have jointly reviewed the accounting standards, laws and regulations adopted by the Company and discussed internal control and financial reporting matters (including the review of the interim results) of the Group. The audit 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 report, the executive Directors of the Company are Mr. Wang Yuxiang, Ms. Chen Ping, Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Wei Fusheng, Mr. Deng Yong and Ms. He Xiaoyan; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.

As at the date of this report, the members of the Supervisory Committee of the Company are Mr. Xiang Hu, Ms. Wu Yi, Mr. Huang Hui, Mr. Zhang Mingzhi and Mr. Xia Hua.

**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. The interim report will also be available on the websites of the Company and the Stock Exchange on or around 5 September 2016 and will be dispatched to the shareholders of the Company thereafter by the means of receipt of corporate communications they selected.

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

Chongqing, the PRC  
25 August 2016

*As at the date of this report, the executive Directors of the Company are Mr. Wang Yuxiang, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Wei Fusheng, Mr. Deng Yong and Ms. He Xiaoyan; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.*

\* *For identification purposes only*