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 2017

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 2017 amounted to approximately RMB3,510.0 million, representing a decrease of approximately 26.8% from the corresponding period of last year.

- Gross profit of the Group for the six months ended 30 June 2017 amounted to approximately RMB433.6 million, representing a decrease of approximately 13.2% from the corresponding period of last year.

- Profit attributable to the shareholders of the Company for the six months ended 30 June 2017 amounted to approximately RMB201.6 million, representing an increase of approximately 16.7% from the corresponding period of last year.

- Basic earnings per share for the six months ended 30 June 2017 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 2017 (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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June **2017** ***RMB'000***	 2016 *RMB'000*
Revenue	*4*	**3,510,048**	4,793,500
Cost of sales		**(3,076,480)**	(4,294,119)
Gross profit		**433,568**	499,381
Distribution costs		**(117,424)**	(119,801)
Administrative expenses		**(425,423)**	(391,068)
Other gains, net		**190,811**	140,558
Other income		**18,341**	23,435
Operating profit	*5*	**99,873**	152,505
Finance income		**7,431**	8,025
Finance expenses		**(48,089)**	(56,345)
Share of post-tax profits of associates		**66,719**	18,950
Share of post-tax profit of a joint venture		**131,984**	120,086
Profit before income tax		**257,918**	243,221
Income tax expense	*6*	**(30,422)**	(28,858)
Profit for the period		**227,496**	214,363
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
– Remeasurements of retirement and termination benefit obligations	*12*	**5,074**	(20)
– Income tax relating to remeasurements of retirement and termination benefit obligations		**(74)**	10
		5,000	(10)

	Note	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Items that may be reclassified subsequently to profit or loss			
– Fair value changes on available-for-sale financial assets		**288**	(599)
– Income tax relating to available-for-sale financial assets		**(43)**	90
– Currency translation differences		**(3,865)**	6,602
– Net investment hedge		**3,966**	–
– Share of other comprehensive income of investments accounted for using the equity method		**353**	157
		699	6,250
Other comprehensive income for the period, net of tax		**5,699**	6,240
Total comprehensive income for the period		**233,195**	220,603
Profit attributable to:			
– Owners of the Company		**201,594**	172,839
– Non-controlling interests		**25,902**	41,524
		227,496	214,363
Total comprehensive income attributable to:			
– Owners of the Company		**207,293**	179,079
– Non-controlling interests		**25,902**	41,524
		233,195	220,603
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	7	**0.05**	0.05

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**4,102,595**	3,877,917
Investment properties	*8*	**10,872**	12,087
Lease prepayments	*8*	**500,789**	519,562
Intangible assets	*8*	**314,690**	307,917
Investments in associates		**684,522**	709,102
Investment in a joint venture		**469,220**	337,236
Trade and other receivables	*9*	**87,760**	85,329
Deferred income tax assets		**104,089**	88,521
Available-for-sale financial assets		**7,555**	7,267
Other non-current assets		**50,350**	53,766
Total non-current assets		**6,332,442**	5,998,704
Current assets			
Inventories		**1,492,854**	1,435,147
Amounts due from customers for contract work		**691,463**	589,744
Trade and other receivables	*9*	**5,919,661**	5,129,424
Dividends receivable		**243,643**	245,557
Available-for-sale financial assets		**–**	150,000
Cash and cash equivalents		**870,148**	1,385,953
Restricted cash		**455,452**	407,613
Total current assets		**9,673,221**	9,343,438
Total assets		**16,005,663**	15,342,142

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,684,640**	3,684,640
Other reserves		**(659,644)**	(654,383)
Retained earnings		**3,506,214**	3,433,583
		6,531,210	6,463,840
Non-controlling interests		**354,982**	553,367
Total equity		**6,886,192**	7,017,207
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**1,532,669**	1,551,456
Deferred income		**460,720**	460,798
Deferred income tax liabilities		**85,913**	70,761
Long-term employee benefit obligations	*12*	**127,455**	145,987
Total non-current liabilities		**2,206,757**	2,229,002
Current liabilities			
Trade and other payables	*10*	**5,036,445**	4,637,313
Dividends payable		**148,736**	24,952
Amounts due to customers for contract work		**20,518**	13,018
Current income tax liabilities		**39,193**	35,728
Borrowings	*11*	**1,591,321**	1,298,477
Deferred income		**30,943**	39,928
Current portion of long-term employee benefit obligations	*12*	**30,533**	30,533
Provision for warranty		**15,025**	15,984
Total current liabilities		**6,912,714**	6,095,933
Total liabilities		**9,119,471**	8,324,935
Total equity and liabilities		**16,005,663**	15,342,142

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

		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 2017		3,684,640	(654,383)	3,433,583	6,463,840	553,367	7,017,207
Comprehensive income							
Profit for the period		–	–	201,594	201,594	25,902	227,496
Other comprehensive income:							
Remeasurements of retirement and termination benefit obligations, net of tax		–	5,000	–	5,000	–	5,000
Changes in fair value of available-for-sales financial assets, net of tax		–	245	–	245	–	245
Share of other comprehensive income of investments accounted for using the equity method		–	353	–	353	–	353
Net investment hedge		–	3,966	–	3,966	–	3,966
Currency translation differences		–	(3,865)	–	(3,865)	–	(3,865)
Total other comprehensive income, net of tax		–	5,699	–	5,699	–	5,699
Total comprehensive income for the six months ended 30 June 2017		–	5,699	201,594	207,293	25,902	233,195
Transactions with owners, recognised directly in equity							
Dividends relating to 2016	*13*	–	–	(128,963)	(128,963)	–	(128,963)
Dividends to non-controlling interests		–	–	–	–	(98,540)	(98,540)
Capital contribution from non-controlling interests		–	–	–	–	5,360	5,360
Acquisition of additional interests of subsidiaries		–	(10,960)	–	(10,960)	(131,107)	(142,067)
Total transactions with owners, recognised directly in equity		–	(10,960)	(128,963)	(139,923)	(224,287)	(364,210)
Balance at 30 June 2017		3,684,640	(659,644)	3,506,214	6,531,210	354,982	6,886,192

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Cash used in operations	**(602,263)**	(408,865)
Income tax paid	**(27,490)**	(36,881)
Interest paid	**(44,710)**	(34,902)
Cash flows from operating activities – net	**(674,463)**	(480,648)
Cash flows from investing activities		
Proceeds from return of investments	**151,467**	–
Government grants received relating to assets	**6,441**	9,909
Purchases of property, plant and equipment	**(212,089)**	(303,597)
Proceeds on disposal of property, plant and equipment, investment properties and lease prepayments	**93,530**	197,876
Purchases of intangible assets	**(14,228)**	(7,171)
Increase in lease prepayments	**–**	(3,923)
Dividends received	**93,285**	299,100
Interest received	**7,431**	8,025
Gains on disposal of a subsidiary, net of cash disposed	**–**	62,934
Investments in associates	**(1,631)**	(15,273)
Loans paid back from associates	**10,000**	–
Employee termination payments in relation to disposal of a subsidiary	**(10,732)**	–
Cash flows from investing activities – net	**123,474**	247,880
Cash flows from financing activities		
Proceeds from borrowings	**639,837**	392,862
Repayments of borrowings	**(358,562)**	(279,898)
Finance lease payments	**(15,977)**	(11,248)
Contribution from non-controlling interests	**5,360**	–
Dividends paid to non-controlling interests	**(99,628)**	(7,334)
Transaction with non-controlling interests	**(142,067)**	–
Cash flows from financing activities – net	**28,963**	94,382
Net decrease in cash and cash equivalents	**(522,026)**	(138,386)
Cash and cash equivalents at beginning of the period	**1,385,953**	1,543,975
Exchange gains/(losses) – net	**6,221**	(15,008)
Cash and cash equivalents at end of the period	**870,148**	1,390,581

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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 H 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 began to list 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 Renminbi ("RMB"), unless otherwise stated, and was approved and authorised for issue by the Board of Directors of the Company on 30 August 2017.

This condensed consolidated interim financial information has not been audited.

Significant events and transactions

In June 2017, the Company acquired an additional 19% of the equity interests of Chongqing Machinery and Electronics Holding Group Finance Company Limited ("CMEFC"), one of the Company's subsidiaries, for a purchase consideration of approximately RMB142,067,000.

2. BASIS OF PREPARATION

The notes contained herein are extracted from the full set of the Group's condensed consolidated interim financial information for the six months ended 30 June 2017 which has been prepared in accordance with Hong Kong Accounting Standard ("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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs that have been issued and are effective for the Group's reporting periods commencing on 1 January 2017

Amendments to HKAS 12 "Income Taxes" clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKAS 7 "Statement of Cash Flows" introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKFRS 12 "Disclosure of Interests in Other Entities" clarify that the disclosure requirements of HKFRS 12 are applicable to interests in entities classified as held for sale except for summarised financial information.

The adoption of the above amendments to HKFRSs did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended 30 June 2017.

(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 Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- The debt instruments that are currently classified as available-for-sale ("AFS") financial assets 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.

- A FVOCI election is available for the equity instruments which are currently classified as AFS.

- Equity investments currently measured at fair value through profit or loss ("FVPL") will likely continue to be measured on the same basis under HKFRS 9.

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 hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group has not yet undertaken a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

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 an 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. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- bundle sales – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue,

- 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.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(iii) HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB90,947,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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.

The operating management committee assesses the performance of the operating segments based on a measure of operating profit. Finance income and expenses are not included in the result for each operating segment that is reviewed by operating management committee.

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 2017 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	Materials sales RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	–	136,429	150,360	735,931	848,458	49,211	398,183	–	1,284,807	503,713	4,107,092
Inter-segment revenue	–	–	–	(3,588)	(8)	(21,283)	(6,512)	–	(499,711)	(65,942)	(597,044)
Revenue from external customers	–	136,429	150,360	732,343	848,450	27,928	391,671	–	785,096	437,771	3,510,048
Operating profit/(loss)	–	(66,506)	111,078	54,946	26,063	22,795	(51,181)	(241)	(963)	3,882	99,873
Finance income	–	81	367	116	4,487	–	346	3	62	1,969	7,431
Finance expenses	–	(1,831)	(73)	(5,070)	(10,947)	–	(20,088)	–	(1,036)	(9,044)	(48,089)
Share of post-tax profits/(losses) of associates and a joint venture	131,984	(239)	–	–	1,111	(6,836)	–	58,280	–	14,403	198,703
Profit before income tax											257,918
Income tax expense	–	304	(23,645)	(8,517)	(2,287)	(9,476)	17,934	–	–	(4,735)	(30,422)
Profit for the period											227,496
Other items											
Depreciation on property, plant and equipment and investment properties	–	9,231	4,220	15,307	32,193	49	36,017	21	13	15,741	112,792
Amortisation of lease prepayments and intangible assets	–	1,285	1,109	368	3,258	140	6,486	–	–	1,004	13,650
Write down of inventories	–	5,338	–	–	–	–	54	–	–	468	5,860
Provision for/(reversal of) impairment on trade and other receivables	–	4,665	47,836	157	915	(3,899)	(6,738)	–	(457)	1,447	43,926
Additions to non-current assets (other than financial instruments and deferred income tax assets)	–	26,386	183,390	1,085	97,955	–	70,418	–	5	6,323	385,562

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*	Materials 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 expenses	–	(256)	–	(8,301)	(2,404)	–	(15,883)	–	(789)	(28,712)	(56,345)
Share of post-tax profits/(losses) of associates and a joint venture	120,086	6	–	–	1,764	(4,641)	–	4,563	–	17,258	139,036
Profit before income tax											243,221
Income tax expense	–	3,009	(2)	(23,400)	(4,342)	(6,308)	5,109	–	–	(2,924)	(28,858)
Profit for the period											214,363
Other items											
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 assets as at 30 June 2017 and 31 December 2016 are as follows:

Total assets	Engines	Transmission systems	Hydropower equipment	Electrical wires and cables	General machinery	Financial services	Machinery tools	High-voltage transformers	Materials 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*
At 30 June 2017	**469,220**	**1,267,679**	**2,123,194**	**745,233**	**3,139,135**	**1,657,835**	**3,245,166**	**294,224**	**330,638**	**2,733,339**	**16,005,663**
Total assets include:											
Investments in associates and a joint venture	**469,220**	**939**	**8,789**	**–**	**23,035**	**79,099**	**17,578**	**244,308**	**–**	**310,774**	**1,153,742**
At 31 December 2016	337,236	1,284,691	1,758,634	672,757	2,551,649	2,575,566	3,153,304	318,514	104,174	2,585,617	15,342,142
Total assets include:											
Investments in associates and a joint venture	337,236	2,720	9,548	–	22,331	85,935	19,097	306,813	–	262,658	1,046,338

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Write down/(write back) of inventories	**5,860**	(2,095)
Provision for impairment on trade and other receivables	**43,926**	35,715
Gains on financial assets at fair value through profit or loss	**(1,467)**	(507)
Gains on disposal of property, plant and equipment and lease prepayments	**(186,715)**	(75,163)
Gains arising from the termination benefit obligations *(Note 12)*	**–**	(3,927)
Gain on disposal of a subsidiary with loss of control		
– gain on retained interests	**–**	(17,156)
– gain on disposal of interests	**–**	(45,814)

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax	**30,955**	36,151
Deferred income tax	**(533)**	(7,293)
	30,422	28,858

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 2017 is 23% (the estimated tax rate for the six months ended 30 June 2016 was 21%).

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	
	2017	2016
Profit attributable to owners of the Company *(RMB'000)*	**201,594**	172,839
Weighted average number of ordinary shares in issue *(thousands)*	**3,684,640**	3,684,640
Basic and diluted earnings per share *(RMB per share)*	**0.05**	0.05

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 movements 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*	Other intangible assets *RMB'000*	Goodwill *RMB'000*
Six months ended 30 June 2017					
Opening net book amount at 1 January 2017	**3,877,917**	**12,087**	**519,562**	**164,605**	**143,312**
Additions	**371,334**	**–**	**–**	**14,228**	**–**
Disposals	**(35,079)**	**–**	**(12,578)**	**–**	**–**
Depreciation and amortisation	**(111,577)**	**(1,215)**	**(6,195)**	**(7,455)**	**–**
Closing net book amount at 30 June 2017	**4,102,595**	**10,872**	**500,789**	**171,378**	**143,312**
Six months ended 30 June 2016					
Opening net book amount at 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	(101,178)	(2,484)	(6,926)	(7,647)	–
Closing net book amount at 30 June 2016	3,690,501	7,875	531,706	154,463	143,018

Note:

(a) As at 30 June 2017, secured borrowings amounting to approximately RMB341,960,000 (31 December 2016: RMB342,999,000) were secured by certain property, plant and equipment and land use rights of the Group with carrying value of approximately RMB537,356,000 and RMB138,977,000, respectively (31 December 2016: RMB564,927,000 and RMB140,544,000 respectively).

9. TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Trade and bills receivables	**3,993,957**	3,451,637
Less: Provision for impairment of trade receivables	**(321,447)**	(273,941)
Trade and bills receivables – net	**3,672,510**	3,177,696
Other receivables	**1,429,103**	846,279
Less: Provision for impairment of other receivables	**(52,918)**	(53,009)
Other receivables – net	**1,376,185**	793,270
Loans	**973,539**	1,262,499
Less: Provision for impairment of loans	**(14,813)**	(18,712)
Loans – net	**958,726**	1,243,787
	6,007,421	5,214,753
Less: Long-term loans	**(88,000)**	(85,989)
Provision for impairment of long-term loans	**240**	660
Less: Long-term loans – net	**(87,760)**	(85,329)
	5,919,661	5,129,424

The general credit period granted to customers is up to 90 days. As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade and bills receivables were as follows:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade and bills receivables		
Less than 30 days	**1,023,196**	1,040,045
31 days to 90 days	**1,035,702**	573,233
91 days to 1 year	**1,172,046**	1,165,986
1 year to 2 years	**383,805**	298,928
2 years to 3 years	**101,624**	124,551
Over 3 years	**277,584**	248,894
	3,993,957	3,451,637

10. TRADE AND OTHER PAYABLES

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade and bills payables	**2,451,827**	2,335,672
Deposit taking	**939,308**	1,150,015
Other taxes payables	**102,460**	103,407
Other payables	**538,808**	376,368
Interest payables	**27,808**	10,759
Accrued payroll and welfare	**68,374**	72,950
Advances from customers	**907,860**	588,142
	5,036,445	4,637,313

As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade and bills payables were as follows:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade and bills payables		
Less than 30 days	**783,733**	598,942
31 days to 90 days	**561,921**	620,918
91 days to 1 year	**821,865**	864,007
1 year to 2 years	**150,086**	149,474
2 years to 3 years	**55,399**	55,695
Over 3 years	**78,823**	46,636
	2,451,827	2,335,672

11. BORROWINGS

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Non-current		
Long-term bank borrowings	**651,729**	648,539
Other borrowings	**27,460**	34,132
Corporate bonds	**796,961**	796,264
Finance lease liabilities	**56,519**	72,521
Total non-current borrowings	**1,532,669**	1,551,456
Current		
Short-term bank borrowings	**1,542,210**	1,248,891
Other borrowings	**16,466**	16,966
Finance lease liabilities	**32,645**	32,620
Total current borrowings	**1,591,321**	1,298,477
Total borrowings	**3,123,990**	2,849,933

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	**2,849,933**
Additions	**643,340**
Currency translation differences	**5,256**
Repayments	**(374,539)**
Closing amount as at 30 June 2017	**3,123,990**
Six months ended 30 June 2016	
Opening amount as at 1 January 2016	2,769,826
Additions	392,862
Repayments	(291,146)
Disposal of a subsidiary	(19,050)
Currency translation differences	(15,451)
Closing amount as at 30 June 2016	2,837,041

At the balance sheet date, the Group had the following undrawn borrowing facilities:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Fixed rate		
– expiring within 1 year	**2,683,392**	3,207,952
– expiring beyond 1 year	**578,846**	205,000
	3,262,238	3,412,952

12. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Present value of defined benefits obligations	**157,988**	176,520
Total liabilities in the balance sheet	**157,988**	176,520
Less: Current portion	**(30,533)**	(30,533)
	127,455	145,987

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the period	**176,520**	226,881
For the period		
– Interest costs	**2,415**	3,075
– Actuarial (gains)/losses	**(22)**	12
– Disposal of a subsidiary	**–**	(823)
– Deductions on termination benefit obligations	**–**	(3,927)
– Remeasurement effects recognised in other comprehensive income	**(5,074)**	20
– Payments	**(15,851)**	(23,945)
At end of the period	**157,988**	201,293

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

13. DIVIDENDS

A dividend of approximately RMB128,963,000 (RMB0.035 per share) that relates to the year ended 31 December 2016 was approved at the annual general meeting on 16 June 2017 and was recorded as a liability as at 30 June 2017 in this condensed consolidated interim financial information.

The Company's Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Sales

For the six months ended 30 June 2017, the Group's total revenue amounted to approximately RMB3,510.0 million, a decrease of approximately 26.8% as compared with approximately RMB4,793.5 million for the same period of last year.

Overall, revenue of the vehicle parts and components segment was approximately RMB321.5 million (accounting for approximately 9.2% of the total revenue), a decrease of approximately 10.3%; revenue of the power equipment segment was approximately RMB884.3 million (accounting for approximately 25.2% of the total revenue), an increase of approximately 6.8%; revenue of the general machinery segment was approximately RMB1,099.6 million (accounting for approximately 31.3% of the total revenue), a decrease of approximately 6.2%; and revenue of the CNC machine tools segment was approximately RMB391.7 million (accounting for approximately 11.2% of the total revenue), an increase of approximately 28.3%; revenue of financial services was approximately RMB27.9 million (accounting for approximately 0.7% of the total revenue), an increase of approximately 26.2%; and revenue of the trade business was approximately RMB785.0 million (accounting for approximately 22.4% of the total revenue), a decrease of approximately 62.8%.

Market demand was stabilized and sales revenue increased in the power equipment segment and CNC machine tools segment during the Period. However, vehicle parts and components segment was affected by the decline in market demand and the general machinery segment was affected by the exclusion of the centrifuge business in the scope of consolidation and wind power blade business slowed down, resulting in reduced sales. The decline in the trade business segment was due to the Group's intention to reduce its trade business with low gross profit margin. It is expected that the sales revenue of the Group will maintain a stable growth in the second half of 2017.

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 2017 since the publication of the Group's annual report for the year ended 31 December 2016.

Gross Profit

The gross profit for the six months ended 30 June 2017 was approximately RMB433.6 million, a decrease of approximately RMB65.8 million or approximately 13.2% as compared with approximately RMB499.4 million for the same period of last year mainly due to the increase of the price of the raw material of power equipment segment, including hydropower equipment and wire and cable business, which resulted in the decrease in gross profit margin of approximately 15.4% and 5.4% respectively as compared with the same period of last year, and the overall gross profit margin was approximately 12.4%, increasing approximately 2 percentage points as compared with 10.4% for the same period last year. Eliminating trade business and financial services, the gross profit margin was approximately 15.2%, a decrease of approximately 2.8 percentage points as compared with approximately 18.0% for the same period of last year. The Group's gross profit margin is expected to remain stable in the second half of 2017.

Other Income And Gains

Other income and gains for the six months ended 30 June 2017 were approximately RMB209.2 million, an increase of approximately RMB45.2 million or approximately 27.6% as compared with approximately RMB164.0 million for the same period of last year, which was mainly due to the increase of income from land disposal by Chongqing Water Turbine Factory Company Limited during the Period.

Selling And Administrative Expenses

The selling and administrative expenses for the six months ended 30 June 2017 were approximately RMB542.8 million, an increase of approximately RMB31.9 million or approximately 6.2% as compared with approximately RMB510.9 million for the same period of last year. The percentage of selling and administrative expenses accounted for the total sales increased to approximately 15.5% from approximately 10.7% of the same period of last year, mainly attributable to a year-on-year increase of approximately RMB34.4 million in administrative expenses, which was due to the increase in both research and development expenses and labor cost for the same period of last year.

Operating Profit

The operating profit for the six months ended 30 June 2017 was approximately RMB99.9 million, a decrease of approximately RMB52.6 million or approximately 34.5% as compared with approximately RMB152.5 million for the same period of last year.

Net Finance Expense

The net finance expense for the six months ended 30 June 2017 was approximately RMB40.7 million, a decrease of approximately RMB7.6 million or approximately 15.7% as compared to approximately RMB48.3 million for the same period of last year, which was mainly due to the decrease of loan interest rate through concentrating credit.

Share of Profits of Associates

The Group's share of profits of associates for the six months ended 30 June 2017 was approximately RMB66.7 million, a significant increase of approximately RMB47.8 million or approximately 2.5 times as compared with approximately RMB18.9 million for the same period of last year. This was due to an increase of approximately RMB53.7 million in results of Chongqing ABB Power Transformer Co., Ltd., In contrast, Chongqing Jiangbei Machinery Co., Ltd. recorded a loss of approximately RMB0.7 million during the Period, and results of Chongqing New North Zone Machinery and Electronic Microcredit Co., Ltd. increased a loss by approximately RMB2.2 million.

Share of Profit of Joint Venture

The Group's share of profit of joint venture for the six months ended 30 June 2017 was approximately RMB132.0 million, an increase of approximately RMB11.9 million or approximately 9.9% as compared with approximately RMB120.1 million for the same period of last year. Such increase was due to the stability increase on sales of the high horsepower engine products market of Chongqing Cummins Engine Co., Ltd.

Income Tax Expenses

The corporate income tax expenses for the six months ended 30 June 2017 were approximately RMB30.4 million, an increase of approximately RMB1.5 million or approximately 5.2% as compared with approximately RMB28.9 million for the same period of last year, mainly due to the change in deferred income tax.

Profit Attributable to Shareholders

Profit attributable to shareholders of the Company for the Period was approximately RMB201.6 million, an increase of approximately RMB28.8 million or approximately 16.7% as compared with approximately RMB172.8 million for the same period of last year. Earnings per share maintained at approximately RMB0.05 in 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:

	Revenue		**Gross Profit**		**Segment Results**	
	Period ended 30 June		**Period ended 30 June**		**Period ended 30 June**	
	2017	2016	**2017**	2016	**2017**	2016
	(RMB in million, except for percentage)					
Vehicle parts and components						
Domestic						
Transmission systems	**136.4**	190.5	**(12.0)**	15.0	**(66.5)**	(38.2)
Steering systems	**185.1**	168.0	**35.2**	24.5	**5.8**	1.9
Total	**321.5**	358.5	**23.2**	39.5	**(60.7)**	(36.3)
% of total	**9.2%**	7.5%	**5.4%**	7.9%	**(60.8%)**	(23.8%)
Power equipment						
Domestic						
Hydropower equipment	**150.4**	201.5	**6.8**	40.2	**111.1**	1.3
Electrical wires and cables	**732.3**	625.8	**101.0**	119.9	**55.0**	152.3
Other products	**1.6**	0.6	**0.6**	0.6	**–**	0.9
Total	**884.3**	827.9	**108.4**	160.7	**166.1**	154.5
% of total	**25.2%**	17.3%	**25.0%**	32.2%	**166.3%**	101.3%
General machinery						
Domestic	**1,099.6**	1,172.2	**197.9**	214.1	**39.1**	48.4
Total	**1,099.6**	1,172.2	**197.9**	214.1	**39.1**	48.4
% of total	**31.3%**	24.4%	**45.6%**	42.9%	**39.2%**	31.7%
CNC machine tools						
Domestic	**348.9**	246.0	**66.2**	47.3	**(32.2)**	(20.5)
Overseas	**42.8**	59.4	**13.2**	19.0	**(19.0)**	(20.4)
Total	**391.7**	305.4	**79.4**	66.3	**(51.2)**	(40.9)
% of total	**11.2%**	6.4%	**18.3%**	13.3%	**(51.3%)**	(26.8%)

	Revenue		Gross Profit		Segment Results	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2017	2016	**2017**	2016	**2017**	2016
	(RMB in million, except for percentage)					
Financial services						
Domestic	**27.9**	22.1	**22.9**	16.5	**22.8**	10.7
Total	**27.9**	22.1	**22.9**	16.5	**22.8**	10.7
% of total	**0.7%**	0.4%	**5.3%**	3.3%	**22.8%**	7.0%
Trade business						
Domestic	**785.0**	2,107.4	**1.8**	2.3	**(1.0)**	(1.1)
Total	**785.0**	2,107.4	**1.8**	2.3	**(1.0)**	(1.1)
% of total	**22.4%**	44.0%	**0.4%**	0.4%	**(1.0%)**	(0.7%)
Headquarters						
Total	**–**	–	**–**	–	**(15.2)**	17.2
% of total	**– %**	– %	**– %**	– %	**(15.2%)**	11.3%
Total	**3,510.0**	4,793.5	**433.6**	499.4	**99.9**	152.5

VEHICLE PARTS AND COMPONENTS

Revenue from the vehicle parts and components segment for the six months ended 30 June 2017 was approximately RMB321.5 million, a decrease of approximately RMB37.0 million or approximately 10.3% as compared with approximately RMB358.5 million for the six months ended 30 June 2016. As compared with the figures for the same period of last year, revenue from the business of transmission systems decreased by approximately RMB54.1 million or approximately 28.4%, which was primarily due to transmission systems business failed to realize the synchronized growth due to the influence of lagged product and 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 RMB23.2 million, a decrease of approximately RMB16.3 million or approximately 41.3% as compared with approximately RMB39.5 million for the six months ended 30 June 2016, which was primarily due to the decline in sales of the transmission systems business, gross profit recorded a loss of approximately RMB12.0 million.

The results for the vehicle parts and components segment for the six months ended 30 June 2017 recorded a loss of approximately RMB60.7 million, a significant increase in loss of approximately RMB24.4 million or about 67.2% as compared with a loss of approximately RMB36.3 million for the six months ended 30 June 2016, primarily due to the increase in long-term employee benefit obligations of transmission systems business over last year.

POWER EQUIPMENT

Revenue from the power equipment segment for the six months ended 30 June 2017 was approximately RMB884.3 million, an increase of approximately RMB56.4 million or approximately 6.8% as compared with approximately RMB827.9 million for the six months ended 30 June 2016, which was mainly due to a significant increase of approximately RMB106.5 million or approximately 17.0% in sales income of wire and cable business by reason of new product development, the initiative reform of market development and the termination of business with low gross margin.

During the Period, gross profit for the power equipment segment was approximately RMB108.4 million, a decrease of approximately RMB52.3 million or 32.5% as compared with approximately RMB160.7 million for the six months ended 30 June 2016, which was primarily due to the decrease of the products sales of hydropower equipment business, its gross profit margin decreased from approximately 20% as the same period last year to approximately 4.5%. The overall gross profit margin decreased to approximately 12.3% for the six months ended 30 June 2017 from 19.4% for the six months ended 30 June 2016.

For the six months ended 30 June 2017, the results for the power equipment segment amounted to approximately RMB166.1 million, an increase of approximately RMB11.6 million or approximately 7.5% as compared with approximately RMB154.5 million for the six months ended 30 June 2016, primarily due to approximately RMB185.8 million in gain of land and factory transfer in hydropower equipment business.

GENERAL MACHINERY

Revenue from the general machinery segment for the six months ended 30 June 2017 was approximately RMB1,099.6 million, a decrease of approximately RMB72.6 million or approximately 6.2% as compared with approximately RMB1,172.2 million for the six months ended 30 June 2016, mainly due to the decrease in wind power blades business.

During the Period, gross profit for the general machinery segment was approximately RMB197.9 million, a decrease of approximately RMB16.2 million or approximately 7.6% as compared with approximately RMB214.1 million for the six months ended 30 June 2016. Gross profit margin decreased to approximately 18.0% for the six months ended 30 June 2017 from approximately 18.3% for the six months ended 30 June 2016, mainly due to the fact that the centrifuge 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 2017, the results for the general machinery segment amounted to approximately RMB39.1 million, a decrease of approximately RMB9.3 million or approximately 19.2% as compared with approximately RMB48.4 million for the six months ended 30 June 2016.

CNC MACHINE TOOLS

Revenue from the CNC machine tools segment for the six months ended 30 June 2017 was approximately RMB391.7 million, an increase of approximately RMB86.3 million or approximately 28.3% as compared with approximately RMB305.4 million for the six months ended 30 June 2016, mainly due to the stabilization of domestic market demand for CNC machine tools and the increase in sales income. Revenue from PTG for the Period was approximately RMB42.8 million, a decrease of approximately RMB16.6 million or approximately 27.9% as compared with approximately RMB59.4 million for the six months ended 30 June 2016.

During the Period, gross profit for the CNC machine tools segment was approximately RMB79.4 million, an increase of approximately RMB13.1 million or approximately 19.8% as compared with approximately RMB66.3 million for the six months ended 30 June 2016, mainly due to the increase in domestic sales income.

For the six months ended 30 June 2017, the resulted loss of the CNC machine tools segment amounted to a loss of approximately RMB51.2 million, an increase of approximately RMB10.3 million as compared with the loss of approximately RMB40.9 million for the six months ended 30 June 2016, mainly attributable to the increase of domestic distribution and administrative expenses in the respect of the CNC machine tools business of approximately RMB30.9 million in the first half of 2017 as compared to the same period of last year, and the significant decrease in PTG's sales income.

FINANCIAL BUSINESS

Revenue from the financial business segment for the six months ended 30 June 2017 was approximately RMB27.9 million, an increase of approximately RMB5.8 million or approximately 26.2% as compared with approximately RMB22.1 million for the six months ended 30 June 2016.

During the Period, the gross profit of financial business was approximately RMB22.9 million, an increase of approximately RMB6.4 million or approximately 38.8% as compared with approximately RMB16.5 million for the six months ended 30 June 2016.

For the six months ended 30 June 2017, the results of the financial services segment amounted to approximately RMB22.8 million, an increase of approximately RMB12.1million or approximately 113.1% as compared with approximately RMB10.7 million for the six months ended 30 June 2016.

TRADE BUSINESS

Revenue from the trade business segment for the six months ended 30 June 2017 was approximately RMB785.0 million, a significant decrease of approximately RMB1,322.4 million or approximately 62.8% as compared with approximately RMB2,107.4 million for the six months ended 30 June 2016, which was mainly due to the Group's initiative to reduce the trade business with low gross margin.

During the Period, gross profit for the trade business segment was approximately RMB1.8 million, a decrease of approximately RMB0.5 million or approximately 21.7% as compared with approximately RMB2.3 million for the six months ended 30 June 2016.

For the six months ended 30 June 2017, the resulted loss of the trade business segment amounted to approximately RMB1.0 million, a decrease of approximately RMB0.1 million as compared with a loss of approximately RMB1.1 million for the six months ended 30 June 2016.

CASH FLOW

As at 30 June 2017, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB1,325.6 million (31 December 2016: approximately RMB1,793.6 million), representing a decrease of approximately RMB468.0 million or approximately 26.1%, mainly due to the increase of plant and equipment investment and the slowing down of receivables recovery.

During the Period, the Group had a net cash outflow from operating activities of approximately RMB674.5 million (for the six months ended 30 June 2016: net cash outflow of approximately RMB480.6 million), a net cash generated from investing activities of approximately RMB123.5 million (for the six months ended 30 June 2016: a net cash generate of approximately RMB247.9 million), and a net cash generated from financing activities of approximately RMB29.0 million (for the six months ended 30 June 2016: a net cash generate of approximately RMB94.4 million).

TRADE AND OTHER RECEIVABLES

As at 30 June 2017, the total trade receivables and other receivables of the Group amounted to approximately RMB6,007.4 million, an increase of approximately RMB792.6 million as compared with approximately RMB5,214.8 million as at 31 December 2016, primarily due to an increase in wind power blades business of approximately RMB611.5 million and other general machinery business of approximately RMB116.0 million. Please refer to note 9 to the condensed consolidated interim financial information for detailed ageing analysis of the trade and bills receivables.

TRADE AND OTHER PAYABLES

As at 30 June 2017, the total trade payables and other payables of the Group amounted to approximately RMB5,036.4 million, an increase of approximately RMB399.1 million as compared with approximately RMB4,637.3 million as at 31 December 2016, primarily due to the increase in accounts payable for wind power blade business of approximately RMB202.1 million. Please refer to note 10 to the condensed consolidated interim financial information for detailed ageing analysis of the trade and bills payables.

ASSETS AND LIABILITIES

As at 30 June 2017, the total assets of the Group amounted to approximately RMB16,005.7 million, an increase of approximately RMB663.6 million as compared with approximately RMB15,342.1 million as at 31 December 2016. The total current assets amounted to approximately RMB9,673.2 million, an increase of approximately RMB329.8 million as compared with approximately RMB9,343.4 million as at 31 December 2016, accounting for approximately 60.4% of the total assets (31 December 2016: approximately 60.9%). However, the total non-current assets amounted to approximately RMB6,332.5 million, an increase of approximately RMB333.8 million as compared with approximately RMB5,998.7 million as at 31 December 2016, and accounting for approximately 39.6% of the total assets (31 December 2016: approximately 39.1%).

As at 30 June 2017, the total liabilities of the Group amounted to approximately RMB9,119.5 million, an increase of approximately RMB794.6 million as compared with approximately RMB8,324.9 million as at 31 December 2016. The total current liabilities amounted to approximately RMB6,912.7 million, an increase of approximately RMB816.8 million as compared with approximately RMB6,095.9 million as at 31 December 2016, accounting for approximately 75.8% of the total liabilities (31 December 2016: approximately 73.2%). However, the total non-current liabilities amounted to approximately RMB2,206.8 million, a decrease of approximately RMB22.2 million as compared with approximately RMB2,229.0 million as at 31 December 2016, and accounting for approximately 24.2% of the total liabilities (31 December 2016: approximately 26.8%).

As at 30 June 2017, the net current assets of the Group amounted to approximately RMB2,760.5 million, a decrease of approximately RMB487.0 million as compared with approximately RMB3,247.5 million as at 31 December 2016.

CURRENT RATIO

As at 30 June 2017, the current ratio (the ratio of current assets over current liabilities) of the Group was 1.4:1 (31 December 2016: 1.53:1).

GEARING RATIO

As at 30 June 2017, by dividing borrowings by total capital, the gearing ratio of the Group was 31.2% (31 December 2016: 28.9%).

INDEBTEDNESS

As at 30 June 2017, the Group had an aggregate bank and other borrowings of approximately RMB3,124.0 million, an increase of approximately RMB274.1 million as compared with approximately RMB2,849.9 million as at 31 December 2016.

Borrowings repayable by the Group within one year amounted to approximately RMB1,591.3 million, an increase of approximately RMB292.8 million as compared with approximately RMB1,298.5 million as at 31 December 2016. Borrowings repayable after one year amounted to approximately RMB1,532.7 million, a decrease of approximately RMB18.7 million as compared with approximately RMB1,551.4 million as at 31 December 2016.

SIGNIFICANT EVENTS

Events For The Period

As at 27 April 2017, the Company and International Trust Limited reached an agreement to acquire an additional 19% equity interest in Chongqing Machinery and Electric Holding (Group) Finance Co., Ltd. (the "Finance Company"), at the consideration of RMB142,067,000, and the transaction was completed on 30 June 2017. After the completion of the transaction, the Company held 70% equity interest in the Finance Company. For details, please refer to the announcement of the Board of the Company published on the website of the Hong Kong Stock Exchange and the Company on 27 April 2017.

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

Events After The Period

On 6 April 2017, a wholly-owned subsidiary of the Company, Chongqing Machine Tools (Group) Co., Ltd. ("Chongqing Machine Tools") entered into an equity transfer contract with Zhejiang Shuanghuan Driveline Co., Ltd.("Shuanghuan Driveline") (浙江雙環傳動機械股份有限公司(「雙環傳動」)), pursuant to which, the 65% equity interests in Chongqing Shenjian Automotive Drive Part Co.,Ltd. ("Chongqing Shenjian") was transferred to Shuanghuan Transmission by Chongqing Machine Tools, with the consideration of RMB103,183,000. After the completion of the transaction, the Group will still hold 35% of equity interests of Chongqing Shenjian, and accounted it as an associate. Details are set out in the announcement of the Board of the Company on the website of the Hong Kong Stock Exchange and the Company's website. In July 2017, the transfer of equity interests has been completed.

Save as disclosed above, there is no other material event that has impact on the Group after 30 June 2017.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant contingent liabilities.

CAPITAL EXPENDITURE

During the Period, the total capital expenditure of the Group was approximately RMB385.6 million, which was principally used for plant expansion, production technology improvement, equipment upgrade and production capacity improvement (for the six months ended 30 June 2016: approximately RMB239.3 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 or recognised assets or liabilities are denominated in a currency that is not the Group's functioning currency. Management has set up a management system of foreign exchange hedges, requiring all subsidiaries of the Group to manage the foreign exchange risk against their functional currency and adopt foreign exchange tools recognized by the Group.

EMPLOYEES

As at 30 June 2017, the Group had 10,448 employees (30 June 2016: a total of 12,435 employees). The Group will continue the upgrade of its technical talent base, foster and recruit technical and management personnel possessed with extensive professional experiences, optimise the distribution system that links with the remunerations and performance reviews, improve training supervision 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 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, 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 and risk management 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 announcement, 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 announcement, 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 6 September 2017 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
30 August 2017

As at the date of this announcement, 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*