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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02722)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

RESULTS HIGHLIGHTS

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

- Revenue of the Group for the six months ended 30 June 2013 amounted to approximately RMB4,857.1 million, representing an increase of around 8.2% from the corresponding period last year.
- Gross profit of the Group for the six months ended 30 June 2013 amounted to approximately RMB523.0 million, representing a decrease of around 4.1% from the corresponding period last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2013 was approximately RMB223.1 million, representing a decrease of around 26.6% from the corresponding period last year.
- Basic earnings per share for the six months ended 30 June 2013 was approximately RMB0.06.

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 2013 (the "Period"). The Group's interim results have not been audited but have been reviewed by the audit committee and the Company's auditor, PricewaterhouseCoopers.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

Unaudited Six months ended 30 June

	<i>Note</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Revenue	4	4,857,059	4,490,852
Cost of sales		(4,334,054)	(3,945,527)
Gross profit		523,005	545,325
Distribution costs		(143,490)	(125,338)
Administrative expenses		(355,614)	(315,275)
Other gains, net		38,244	27,753
Other income		41,919	24,281
Operating profit		104,064	156,746
Finance income		12,072	11,187
Finance costs		(78,578)	(85,619)
Share of post-tax profits of associates		9,550	9,189
Share of post-tax profits of jointly controlled entities		191,371	237,938
Profit before income tax		238,479	329,441
Income tax expense	6	(9,663)	(19,024)
Profit for the period		228,816	310,417
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		(570)	(1,610)
Income tax relating to remeasurements of retirement benefit obligations		31	74
Items that may be reclassified subsequently to profit or loss			
Fair value losses on available-for-sale financial assets		(688)	—
Income tax relating to available-for-sale financial assets		103	—
Currency translation differences		(1,443)	105
Other comprehensive income for the period, net of tax		(2,567)	(1,431)
Total comprehensive income for the period		226,249	308,986

Unaudited
Six months ended 30 June

	2013	2012
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Profit attributable to:		
— Owners of the Company	223,100	303,764
— Non-controlling interests	5,716	6,653
	228,816	310,417
	228,816	310,417
Total comprehensive income attributable to:		
— Owners of the Company	220,533	302,333
— Non-controlling interests	5,716	6,653
	226,249	308,986
	226,249	308,986
Earnings per share for profit attributable to owners of the Company <i>(expressed in RMB per share)</i>		
— Basic and diluted	0.06	0.08
	0.06	0.08

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

	<i>Note</i>	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	8	2,303,589	2,182,750
Investment properties	8	31,468	33,006
Lease prepayments	8	456,713	462,078
Intangible assets	8	278,677	266,127
Investments in associates		486,003	384,734
Investments in jointly controlled entities		487,473	366,689
Deferred income tax assets		80,485	73,612
Available-for-sale financial assets		2,965	3,653
Other non-current assets		12,519	13,526
		<hr/>	<hr/>
Total non-current assets		4,139,892	3,786,175
Current assets			
Inventories		1,722,599	1,646,077
Trade and other receivables	9	4,625,043	3,629,936
Amounts due from customers for contract work		390,198	352,777
Financial assets at fair value through profit or loss		12,000	-
Restricted cash		310,511	243,859
Cash and cash equivalents		1,970,913	2,525,881
		<hr/>	<hr/>
Total current assets		9,031,264	8,398,530
		<hr/>	<hr/>
Total assets		13,171,156	12,184,705
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,684,640	3,684,640
Other reserves		(790,300)	(787,733)
Retained profits		2,340,622	2,246,485
		<hr/>	<hr/>
		5,234,962	5,143,392
Non-controlling interests		344,515	338,799
		<hr/>	<hr/>
Total equity		5,579,477	5,482,191
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	<i>Note</i>	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	11	1,255,370	1,169,038
Deferred income		491,590	520,808
Deferred income tax liabilities		23,114	24,526
Long-term employee benefit obligations	12	41,343	45,457
		<hr/>	<hr/>
Total non-current liabilities		1,811,417	1,759,829
Current liabilities			
Trade and other payables	10	4,234,659	3,336,496
Dividends payable		149,824	23,228
Amounts due to customers for contract work		6,261	10,589
Current income tax liabilities		41,889	48,785
Borrowings	11	1,316,820	1,491,167
Current portion of long-term employee benefit obligations	12	10,417	10,417
Provision for warranty		20,392	22,003
		<hr/>	<hr/>
Total current liabilities		5,780,262	4,942,685
		<hr/>	<hr/>
Total liabilities		7,591,679	6,702,514
		<hr/>	<hr/>
Total equity and liabilities		13,171,156	12,184,705
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		3,251,002	3,455,845
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		7,390,894	7,242,020
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

		Unaudited				
		Attributable to owners of the Company				
Note	Share capital RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	3,684,640	(787,733)	2,246,485	5,143,392	338,799	5,482,191
Balance at 1 January 2013 (restated)						
Profit for the period	—	—	223,100	223,100	5,716	228,816
Other comprehensive income						
Changes in fair value of available-for-sales financial assets, net of tax	—	(585)	—	(585)	—	(585)
Remeasurements of retirement benefit obligations, net of tax	—	(539)	—	(539)	—	(539)
Currency translation differences	—	(1,443)	—	(1,443)	—	(1,443)
Total comprehensive income for the period ended 30 June 2013	—	(2,567)	223,100	220,533	5,716	226,249
Transactions with owners in their capacity as owners						
Dividends relating to 2012	13	—	(128,963)	(128,963)	—	(128,963)
Transactions with owners						
	—	—	(128,963)	(128,963)	—	(128,963)
Balance at 30 June 2013	3,684,640	(790,300)	2,340,622	5,234,962	344,515	5,579,477

Unaudited

	Attributable to owners of the Company						
	<i>Note</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>	Total equity <i>RMB'000</i>
Balance at 1 January 2012 (restated)		3,684,640	(826,880)	2,065,502	4,923,262	41,958	4,965,220
Profit for the period		—	—	303,764	303,764	6,653	310,417
Other comprehensive income							
Remeasurements of retirement benefit obligations, net of tax		—	(1,536)	—	(1,536)	—	(1,536)
Currency translation differences		—	105	—	105	—	105
Total comprehensive income for the period ended 30 June 2012		—	(1,431)	303,764	302,333	6,653	308,986
Transactions with owners in their capacity as owners							
Dividends relating to 2011		—	—	(221,079)	(221,079)	—	(221,079)
Transactions with owners		—	—	(221,079)	(221,079)	—	(221,079)
Balance at 30 June 2012 (restated)		<u>3,684,640</u>	<u>(828,311)</u>	<u>2,148,187</u>	<u>5,004,516</u>	<u>48,611</u>	<u>5,053,127</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

Unaudited Six months ended 30 June

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Cash flows from operating activities		
Cash (used in)/generated from operations	(255,396)	77,139
Income tax paid	(24,741)	(30,814)
Interest paid	(53,162)	(83,897)
Cash flows from operating activities - net	(333,299)	(37,572)
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss	(712,000)	(3,366,000)
Proceeds from the maturity of financial assets at fair value through profit or loss	705,583	3,382,034
Proceeds from government grants related to assets	8,136	33,800
Investments in associates	(94,439)	—
Purchases of property, plant and equipment	(201,257)	(104,001)
Proceeds on disposal of property, plant and equipment	10,010	47,505
Purchase of intangible assets	(19,050)	(7,786)
Increase in lease prepayments	—	(4,221)
Dividends received	132,107	238,429
Interest received	12,072	11,187
Cash flows from investing activities - net	(158,838)	230,947
Cash flows from financing activities		
Proceeds from borrowings	717,123	538,364
Repayments of borrowings	(775,698)	(675,620)
Payments of finance lease obligations	(1,739)	(676)
Dividends paid to non-controlling interests	(2,365)	(5,697)
Cash flows from financing activities - net	(62,679)	(143,629)
Net (decrease)/increase in cash and cash equivalents	(554,816)	49,746
Cash and cash equivalents at the beginning of the period	2,525,881	2,482,570
Exchange (losses)/gains	(152)	535
Cash and cash equivalents at balance sheet	1,970,913	2,532,851

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

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 condensed consolidated interim financial information is presented in Chinese Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2013.

This condensed consolidated interim financial information has not been audited.

Key events

In 2012, the Company invested RMB306,000,000 to establish a subsidiary known as Chongqing Machinery and Electric Holding (Group) Finance Co., Ltd. (“the Finance Company”) in Chongqing with CQMEHG and China Industrial International Trust Limited. The Company owns 51% equity interests of the Finance Company. The non-controlling interests injected cash of RMB294,000,000 into the Finance Company as capital. The Finance Company was officially incorporated on 16 January 2013.

During the period, the Group invested RMB90,000,000 to establish a company which is engaged in microlending but excluding taking public deposits in Chongqing with CQMEHG, Chongqing Puhui Electromechanical Industrial, Chongqing Crane Works and Chongqing Jian’an Instruments. The Group owns 45% equity interests of the company and is considered as an associate. The company was officially incorporated on 17 April 2013.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRSs.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

- HKAS 19 (revised) ‘Employee benefits’. HKAS 19 (revised) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:
 - The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. There is no impact on the financial statements as the Group does not have any plan assets.
 - There is a new term “remeasurements”. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.
 - ‘Retirement benefit obligation’ as previously reported has been restated at the reporting dates to reflect the effect of the above. Amounts of long-term employee benefit obligations have been restated as at 1 January 2012 as RMB90,974,000 (previously RMB89,335,000); 30 June 2012 as RMB87,642,000 (previously RMB84,479,000) and 31 December 2012 as RMB55,874,000 (previously RMB54,458,000).
 - The effect of the change in this accounting policy on the statement of cash flows and on earnings per share was immaterial.
- HKFRS 10, ‘Consolidated financial statements’. Under HKFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group has applied HKFRS 10 retrospectively in accordance with the transition provisions of HKFRS 10. There is no impact on the Group’s consolidated financial statements.
- HKFRS 11, ‘Joint arrangements’. The policy choice of proportionate consolidation under HKAS 31 has been eliminated under HKFRS 11. Equity accounting should be used for jointly controlled entities.

Before 1 January 2013, the Group’s interests in its jointly controlled entities (Chongqing Cummins Engine Co., Ltd. (‘CCEC’) and Shenzhen Chongfa Cummins Engine Co., Ltd. (SZEC)) were accounted for using proportionate consolidation in its consolidated financial statements.

The financial effects of using equity accounting for jointly controlled entities at 1 January 2012 and 31 December 2012 are shown in Note 3(a) below.

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

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

3(a) Adoption of HKFRS 11 - Equity accounting for jointly controlled entities

The adoption of HKFRS 11 has resulted in using equity accounting for the Group's jointly controlled entities, CCEC and SZEC, in which the Group owns 50% and 25% shares of interest respectively. HKAS 31 allowed the choice of proportionate consolidation of CCEC and SZEC, as the Group held 50% and 25% equity interests of these jointly controlled entities respectively. Under HKFRS 11, the policy choice of proportionate consolidation under HKAS 31 has been eliminated. Equity accounting should be used for jointly controlled entities.

The Group has applied HKFRS 11 using equity accounting for its jointly controlled entities retrospectively.

The tables below show the effect on the balance sheet, the statements of comprehensive income and cash flows. There was no effect on earnings per share.

Impact on balance sheet

Increase/(decrease)	31 December 2012 <i>RMB'000</i>	1 January 2012 <i>RMB'000</i>
Assets:		
— Property, plant and equipment	(112,426)	(115,164)
— Intangible assets	(13,934)	(16,509)
— Investments in jointly controlled entities	366,689	274,206
— Deferred income tax assets	(13,791)	(14,921)
— Other non-current assets	(15)	(11)
— Inventories	(124,676)	(155,691)
— Trade and other receivables	(320,123)	(139,631)
— Restricted cash	(9,000)	(525)
— Cash and cash equivalents	(103,003)	(307,000)
Liabilities:		
— Borrowings (non-current)	(20)	(169)
— Trade and other payables	(286,857)	(425,524)
— Current income tax liabilities	(10,076)	(16,252)
— Borrowings (current)	(151)	(220)
— Provision for warranty	(33,175)	(33,081)

Impact on statement of comprehensive income

Increase/(decrease)	Year ended 31 December 2012 <i>RMB'000</i>	Six months ended 30 June 2012 <i>RMB'000</i>
Revenue	(1,648,589)	(984,264)
Cost of sales	(1,071,200)	(632,477)
Gross profit	(577,389)	(351,787)
Distribution costs	(36,541)	(21,334)
Administrative expenses	(98,087)	(53,828)
Other gains, net	(822)	(592)
Other income	528	—
Operating profit	(442,466)	(277,217)
Finance income	(5,993)	(4,113)
Finance costs	(335)	(349)
Share of post-tax profits of jointly controlled entities	381,282	237,938
Profit before tax	66,842	43,043
Income tax expense	(66,842)	(43,043)
Profit for the period	—	—

Impact on statement of cash flows

Increase/(decrease)	Year ended 31 December 2012 RMB'000	Six months ended 30 June 2012 RMB'000
Cash flows from operating activities	(283,319)	(258,776)
Cash flows from investing activities	487,217	271,831
Cash flows from financing activities	(220)	—
Net increase in cash and cash equivalents	<u>203,678</u>	<u>13,055</u>

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised RMB688,000 of such losses in other comprehensive income.

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

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

4. SEGMENT INFORMATION

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

The operating management committee considers the business from a product perspective. From a product perspective, management assesses the performance of engines, gear boxes, hydroelectric generation equipment, electrical wires and cables, general machinery, machinery tools, high-voltage transformers, materials sales and financial services. 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 term of the underlying agreements. The revenue from external parties reported to the operating management committee is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

The segment results for the six months ended 30 June 2013 are as follows:

	Hydroelectric										Total Group
	Engines	Gear boxes	generation equipment	Electrical wires and cables	General machinery	Machinery tools	High-voltage transformers	Material sales	Financial services	All other segments	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenue	—	383,394	174,572	1,203,868	314,187	741,226	—	2,235,422	25,396	874,304	5,952,369
Inter-segment revenue	—	—	(2,752)	(457)	—	(221,054)	—	(867,355)	(3,692)	—	(1,095,310)
Revenue from external customers	—	383,394	171,820	1,203,411	314,187	520,172	—	1,368,067	21,704	874,304	4,857,059
Operating profit	—	2,894	11,733	47,736	8,383	26,869	—	1,438	5,460	(449)	104,064
Finance income	—	427	929	730	1,104	4,260	—	30	—	4,592	12,072
Finance costs	—	(3,471)	(2,282)	(25,390)	(2,221)	(15,655)	—	(637)	—	(28,922)	(78,578)
Share of post-tax profits of associates and jointly controlled entities	191,371	201	25	—	334	39	228	—	305	8,418	200,921
Profit before income tax											238,479
Income tax expense	—	(1,779)	(1,559)	(4,666)	3,542	(3,432)	—	(52)	(2,583)	866	(9,663)
Profit for the period											228,816
Other items											
Depreciation on property, plant and equipment and investment properties	—	14,015	5,570	10,698	11,345	22,661	—	29	121	20,303	84,742
Amortisation of lease prepayments and intangible assets	—	1,891	508	356	2,260	5,042	—	—	114	1,360	11,531
Write down/(write back) of inventories	—	68	—	1,261	—	(366)	—	—	—	(4,770)	(3,807)
Provision for/(reversal of) impairment on trade and other receivables	—	(3)	(5,751)	196	(9)	(182)	—	(1,505)	11,145	1,978	5,869
Additions to non-current assets (other than financial instruments and deferred tax assets)	—	43,119	1,178	2,683	66,843	95,518	—	3	1,951	21,449	232,744

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

	Hydroelectric										Total Group RMB'000 (Restated)
	Engines RMB'000	Gear boxes RMB'000	generation equipment RMB'000	Electrical wires and cables RMB'000	General machinery RMB'000	Machinery tools RMB'000	High-voltage transformers RMB'000	Material sales RMB'000	Financial service RMB'000	All other segments RMB'000	
Total segment revenue	—	382,840	215,051	1,252,536	242,733	554,437	—	1,117,116	—	1,104,062	4,868,775
Inter-segment revenue	—	—	—	(814)	—	—	—	(376,593)	—	(516)	(377,923)
Revenue from external customers	—	382,840	215,051	1,251,722	242,733	554,437	—	740,523	—	1,103,546	4,490,852
Operating profit	—	21,309	29,473	47,262	17,899	44,344	—	3,004	—	(6,545)	156,746
Finance income	—	254	1,196	491	1,190	1,219	—	47	—	6,790	11,187
Finance costs	—	(4,129)	(2,415)	(14,691)	(1,721)	(12,365)	—	(27)	—	(50,271)	(85,619)
Share of post-tax profits of associates and jointly controlled entities	237,938	(157)	—	—	8,227	—	811	—	—	308	247,127
Profit before income tax											329,441
Income tax expense	—	(4,789)	(2,808)	(7,882)	(1,290)	(5,537)	—	(119)	—	3,401	(19,024)
Profit for the period											310,417
Other items											
Depreciation on property, plant and equipment and investment properties	—	15,264	4,527	8,866	7,103	20,970	—	12	—	21,276	78,018
Amortisation of lease prepayments and intangible assets	—	1,603	492	355	2,168	3,429	—	—	—	1,960	10,007
Write down/(write back) of inventories	—	803	—	(3,571)	—	—	—	—	—	5,526	2,758
Provision for/(reversal of) impairment on trade and other receivables	—	—	1,289	6	—	(2,902)	—	—	—	6,911	5,304
Additions to non-current assets (other than financial instruments and deferred tax assets)	—	18,470	4,274	4,167	14,088	54,107	—	43	—	23,713	118,862

The segment assets as at 30 June 2013 and 31 December 2012 are as follows:

Total assets			Hydroelectric		General machinery	Machinery tools	High-voltage transformers	Material sales	Financial service	All other segments	Total Group
	Engines	Gear boxes	generation equipment	Electrical wires and cables							
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2013	487,473	1,173,371	958,841	1,164,308	1,521,738	2,376,148	153,252	235,846	1,855,950	3,244,229	13,171,156
Total assets include:											
Investments in associates and jointly controlled entities	487,473	3,343	10,025	—	89,702	2,668	153,252	—	90,305	106,708	973,476
31 December 2012 (Restated)	366,689	1,339,388	974,369	1,037,407	1,412,199	2,438,206	153,024	347,441	—	4,115,982	12,184,705
Total assets include:											
Investments in associates and jointly controlled entities (restated)	366,689	1,129	—	—	79,368	—	153,024	—	—	151,213	751,423

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000 (Restated)
Inventories (write back)/write down (a)	(3,807)	2,758
Provision for impairment on trade and other receivables (b)	5,869	5,304
Gains on financial assets at fair value through profit or loss	(5,625)	(16,409)
Gains on disposal of property, plant and equipment	(36)	(6,889)
Gains on reversal of borrowings from independent third parties (c)	(27,701)	—

Notes:

- The inventories write back of RMB3,807,000 mainly relates to some products which are recovered from its carrying value through sales.
- The impairment charge of RMB5,869,000 on trade and other receivables mainly relates to certain customers which are in difficult financial situations.
- During the period, long term borrowings due to independent third parties of RMB27,701,000 were unable to repay and reversed, the amount was credited to profit or loss.

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Current income tax	15,460	29,514
Deferred income tax	(5,797)	(10,490)
	<u>9,663</u>	<u>19,024</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.

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	
	2013	2012
		(Restated)
Profit attributable to owners of the Company (<i>RMB'000</i>)	223,100	303,764
Weighted average number of ordinary shares in issue (<i>thousand</i>)	<u>3,684,640</u>	<u>3,684,640</u>
Basic and diluted earnings per share (<i>RMB per share</i>)	<u>0.06</u>	<u>0.08</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>	Intangible assets <i>RMB'000</i>
Six months ended 30 June 2013				
Net book value				
Opening net book amount				
at 1 January 2013 (restated)	2,182,750	33,006	462,078	266,127
Additions	213,694	—	—	19,050
Disposals	(9,651)	—	—	(334)
Depreciation and amortisation	(83,204)	(1,538)	(5,365)	(6,166)
	<u>2,303,589</u>	<u>31,468</u>	<u>456,713</u>	<u>278,677</u>
Closing amount at 30 June 2013	<u>2,303,589</u>	<u>31,468</u>	<u>456,713</u>	<u>278,677</u>
Six months ended 30 June 2012				
Net book value				
Opening net book amount				
at 1 January 2012 (restated)	2,079,675	36,007	301,674	252,011
Transfers	(138,666)	—	138,666	—
Additions	106,856	—	4,220	7,786
Disposals	(55,893)	—	—	—
Depreciation and amortisation	(76,430)	(1,588)	(3,673)	(6,334)
	<u>1,915,542</u>	<u>34,419</u>	<u>440,887</u>	<u>253,463</u>
Closing amount at 30 June 2012	<u>1,915,542</u>	<u>34,419</u>	<u>440,887</u>	<u>253,463</u>

Note:

- (a) As at 30 June 2013, bank borrowings amounting to approximately RMB285,500,000 (31 December 2012: RMB233,000,000) were secured by certain of the Group's property, plant and equipment, investment properties and land use rights with an aggregate carrying value of approximately RMB170,392,000, RMB31,468,000 and RMB31,664,000, respectively (31 December 2012: RMB207,876,000, RMB33,320,000 and RMB28,019,000, respectively).

9. TRADE AND OTHER RECEIVABLES

	30 June 2013 <i>RMB'000</i>	31 December 2012 <i>RMB'000</i> (Restated)
Trade and bills receivable	3,435,289	3,253,587
Less: provision for impairment of trade receivables	(246,774)	(249,922)
Trade and bills receivable – net	3,188,515	3,003,665
Other receivables	639,626	661,366
Less: provision for impairment of other receivables	(38,174)	(35,095)
Other receivables – net	601,452	626,271
Loans	843,511	—
Less: provision for impairment of loans	(8,435)	—
Loans – net	835,076	—
	4,625,043	3,629,936

The ageing of above loans are all less than 6 months.

The general credit period granted to customers is up to 90 days. As at 30 June 2013 and 31 December 2012, the ageing analysis of the trade and bills receivables were as follows:

	30 June 2013 <i>RMB'000</i>	31 December 2012 <i>RMB'000</i> (Restated)
Trade and bills receivable		
Less than 30 days	1,327,251	798,386
31 days to 90 days	337,260	773,248
91 days to 1 year	1,157,431	1,103,954
1 year to 2 years	287,131	287,238
2 years to 3 years	127,373	98,964
Over 3 years	198,843	191,797
	3,435,289	3,253,587

10. TRADE AND OTHER PAYABLES

	30 June 2013 <i>RMB'000</i>	31 December 2012 <i>RMB'000</i> (Restated)
Trade and bills payable	2,316,503	1,925,758
Other taxes payables	105,942	116,506
Deposit taking	678,474	—
Other payables	222,683	326,693
Interest payables	60,322	24,795
Accrued payroll and welfare	90,870	100,359
Advances from customers	754,697	837,157
Advances from government	5,168	5,228
	4,234,659	3,336,496

The ageing of above deposit taking are all less than 6 months.

As at 30 June 2013 and 31 December 2012, the ageing analysis of the trade and bills payable (including amounts due to related parties of trading in nature) were as follows:

	30 June 2013 <i>RMB'000</i>	31 December 2012 <i>RMB'000</i> (Restated)
Trade and bills payable		
Less than 30 days	959,910	739,631
31 days to 90 days	528,119	528,911
91 days to 1 year	707,576	529,377
1 year to 2 years	74,096	80,066
2 years to 3 years	16,438	17,831
Over 3 years	30,364	29,942
	2,316,503	1,925,758

11. BORROWINGS

	30 June 2013 <i>RMB'000</i>	31 December 2012 <i>RMB'000</i> (Restated)
Non-current		
Long-term bank borrowings	253,381	166,738
Corporate bonds	995,318	994,678
Finance lease liabilities	1,771	4,900
Due to non-controlling interests	4,900	2,722
	<hr/>	<hr/>
Total non-current borrowings	1,255,370	1,169,038
Current		
Short-term bank borrowings	1,291,973	1,437,833
Due to independent third parties	3,100	30,801
Finance lease liabilities	21,747	22,533
	<hr/>	<hr/>
Total current borrowings	1,316,820	1,491,167
	<hr/>	<hr/>
Total borrowings	2,572,190	2,660,205
	<hr/> <hr/>	<hr/> <hr/>

Movements in borrowings are analysed as follows:

	<i>RMB'000</i>
Six months ended 30 June 2013	
Opening amount as at 1 January 2013 (restated)	2,660,205
Additions	717,123
Repayments	(777,437)
Deductions	(27,701)
	<hr/>
Closing amount as at 30 June 2013	2,572,190
	<hr/> <hr/>
Six months ended 30 June 2012	
Opening amount as at 1 January 2012 (restated)	2,669,302
Additions	538,364
Repayments	(676,296)
	<hr/>
Closing amount as at 30 June 2012	2,531,370
	<hr/> <hr/>

Interest expense on borrowings for the six months ended 30 June 2013 is approximately RMB79,869,000 (2012: RMB86,061,000).

The Group had the following undrawn borrowing facilities:

	30 June 2013 <i>RMB'000</i>	31 December 2012 <i>RMB'000</i>
Fixed rate		
— expiring within 1 year	1,479,294	497,246
— expiring beyond 1 year	187,500	60,000
	<u>1,666,794</u>	<u>557,246</u>

12. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

	30 June 2013 <i>RMB'000</i>	31 December 2012 <i>RMB'000</i> (Restated)
Present value of defined benefits obligations	<u>51,760</u>	<u>55,874</u>
Liability in the balance sheet	51,760	55,874
Less: current portion	<u>(10,417)</u>	<u>(10,417)</u>
	<u>41,343</u>	<u>45,457</u>

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

	Six months ended 30 June	
	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
At beginning of the period	55,874	90,974
For the period		
— Interest costs	1,004	1,339
— Actuarial (gains)/losses	(166)	439
— Remeasurement effects recognized in other comprehensive income	570	1,610
— Payment	<u>(5,522)</u>	<u>(6,720)</u>
At end of the period	<u>51,760</u>	<u>87,642</u>

13. DIVIDENDS

A dividend that relates to the year ended 31 December 2012 of approximately RMB128,963,000 (RMB0.035 per share) was approved at the Annual General Meeting on 18 June 2013 and was recorded as a liability as at 30 June 2013 in this condensed consolidated interim financial information.

The Company's Board of Director did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS (INCLUDING FINANCIAL REVIEW)

RESULTS OVERVIEW

The Company has adopted HKFRS 11 “Joint arrangements” in this Period to restate the gains from and interests in jointly controlled entities for the Period and 2012 using the equity method. The Company has also adopted HKAS 19 “Employee Benefits” to restate the benefit liabilities and assets for the Period and 2012. Financial data for 2012 as set out in the condensed consolidated financial information and financial review and analysis herein were revised according to these standards. Before 1 January 2013, the Group’s interests in its jointly controlled entities (Chongqing Cummins Engine Co., Ltd. (“CCEC”) and Shenzhen Chongfa Cummins Engine Co., Ltd. (“SZEC”)) were accounted for using proportionate consolidation in its consolidated financial statements. The adoption of HKFRS 11 has resulted in using equity accounting for CCEC and SZEC, in which the Group owns 50% and 25% equity interests respectively. Relevant details are set out in note 3 to the consolidated financial statements.

SALES

For the six months ended 30 June 2013, the Group’s total revenue amounted to approximately RMB4,857.1 million, representing an increase of approximately 8.2% as compared with approximately RMB4,490.9 million for the same period last year.

Overall, revenue of the vehicle parts and components segment was approximately RMB593.8 million (accounting for approximately 12.2% of total revenue), an increase of approximately 0.7%; revenue of the power equipment segment was approximately RMB1,700.6 million (accounting for approximately 35.0% of total revenue), a decrease of approximately 13.3%; revenue of the general machinery segment was approximately RMB652.7 million (accounting for approximately 13.4% of total revenue), an increase of approximately 1.4%; and revenue of the CNC machine tools segment was approximately RMB520.2 million (accounting for approximately 10.7% of total revenue), a decrease of approximately 6.2%; revenue of the trade business was approximately RMB1,368.1 million (accounting for approximately 28.2% of total revenue), an increase of approximately 84.7%; and revenue of the newly-launched financial services was approximately RMB21.7 million (accounting for approximately 0.5% of total revenue).

The decrease in sales of the power equipment segment for the Period was mainly due to the combined effects of decline in copper prices, delayed delivery of orders and product mix adjustment; while the decrease in sales of the CNC machine tools segment for the Period was mainly due to the weakened traditional market demand for technological upgrading.

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 2013 since the publication of the Group’s annual report for the year ended 31 December 2012.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit for the six months ended 30 June 2013 was approximately RMB523.0 million, a decrease of approximately RMB22.3 million or approximately 4.1%, as compared with approximately RMB545.3 million for the same period last year; gross profit margin was approximately 10.8%, a decrease of approximately 1.3 percentage points as compared with 12.1% for the same period last year. Eliminating trade business and newly-launched financial services, the gross profit margin was approximately 14.4%, which is basically on par with that for the same period last year. The Group’s gross profit margin is expected to remain stable at its current level in the second half of 2013.

OTHER INCOME AND GAINS

The other income and gains for the six months ended 30 June 2013 were approximately RMB80.2 million, an increase of approximately RMB28.2 million or approximately 54.2%, as compared with approximately RMB52.0 million for the same period last year. Such increase was mainly attributable to government subsidies, tax refund and supports for the Group’s environmental relocation and technological development.

SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses for the six months ended 30 June 2013 were approximately RMB499.1 million, an increase of approximately RMB58.5 million or approximately 13.3%, as compared with approximately RMB440.6 million for the same period last year. The selling and administrative expenses accounted for approximately 10.3% of sales, a slight increase as compared with approximately 9.8% for the same period last year, mainly attributable to a year-on-year increase of approximately RMB18.2 million in promotion fees and sales commissions and a year-on-year increase of approximately RMB40.3 million in administrative expenses as a result of increases in administrative staff salaries, agencies' consulting fees, rents of headquarters office premises and property management fees.

OPERATING PROFIT

The operating profit for the six months ended 30 June 2013 was approximately RMB104.1 million, a decrease of approximately RMB52.6 million or approximately 33.6%, as compared with approximately RMB156.7 million for the same period last year.

NET FINANCE COSTS

The net interest expense for the six months ended 30 June 2013 was approximately RMB66.5 million, a decrease of approximately RMB7.9 million or approximately 10.6%, as compared with approximately RMB74.4 million for the same period last year. This was mainly due to the fact that more financial expenses were capitalized in the Period.

SHARE OF PROFITS OF ASSOCIATES

The Group's share of profits of associates for the six months ended 30 June 2013 was approximately RMB9.6 million, an increase of approximately RMB0.4 million or approximately 4.3%, as compared with approximately RMB9.2 million for the same period last year. This increase was attributable to a combination of the following factors: Chongqing Hongyan Fangda Automobile Suspension Co., Ltd. and Knorr-Bremse CAFF Systems for Commercial Vehicles (Chongqing) Ltd. made a turnaround and recorded profits of approximately RMB5.2 million, and Exedy Chongqing Driving System Co., Ltd. recorded a higher profit of RMB3.4 million for the Period, while Chongqing Midea General Refrigeration Equipment Co., Ltd. saw its profit decreased by approximately RMB7.9 million year on year to approximately RMB0.3 million for the Period.

SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

The Company has adopted HKFRS 11 "Joint arrangements" to restate the gains from and interests in jointly controlled entities using the equity method. The Group's share of profits of jointly controlled entities for the six months ended 30 June 2013 was approximately RMB191.4 million, a decrease of approximately RMB46.5 million or approximately 19.5%, as compared with approximately RMB237.9 million for the same period last year. Such decrease was due to the declines in the sales and profit of Chongqing Cummins Engine Co., Ltd.

INCOME TAX EXPENSES

The corporate income tax expenses for the six months ended 30 June 2013 were approximately RMB9.7 million, a decrease of approximately RMB9.3 million, or approximately 48.9%, as compared with approximately RMB19.0 million for the same period last year, mainly due to the decrease in assessable profits and the change in deferred income tax.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the Period was approximately RMB223.1 million, a decrease of approximately RMB80.7 million or approximately 26.6% as compared with approximately RMB303.8 million for the same period last year. Earnings per share decreased from approximately RMB0.08 for the same period last year to approximately RMB0.06.

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		Period ended		Period ended	
	30 June		30 June		30 June	
	2013	2012	2013	2012	2013	2012
		(Restated)		(Restated)		(Restated)
	<i>(RMB in millions, except for percentage)</i>					
Vehicle parts and components						
Domestic						
Engines	—	—	—	—	—	—
Gear boxes	383.4	382.8	72.4	62.3	2.9	21.3
Other products	210.4	207.0	28.5	26.1	4.0	(4.5)
Total	593.8	589.8	100.9	88.4	6.9	16.8
% of total	12.2%	13.2%	19.3%	16.2%	6.6%	10.7%
Power equipment						
Domestic						
Hydroelectric generation equipment	171.8	215.1	40.5	67.7	11.7	29.5
Electrical wires and cables	1,203.4	1,251.7	91.6	77.9	47.7	47.2
Other products	325.4	495.4	—	(1.7)	(10.2)	(12.7)
Total	1,700.6	1,962.2	132.1	143.9	49.2	64.0
% of total	35.0%	43.7%	25.3%	26.4%	47.3%	40.8%
General machinery						
Domestic						
Total	652.7	643.9	147.4	153.6	24.2	31.5
% of total	13.4%	14.3%	28.2%	28.2%	23.3%	20.1%

	Revenue		Gross Profit		Segment Results	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
	<i>(RMB in millions, except for percentage)</i>					
CNC machine tools						
Domestic	316.8	434.3	66.8	109.2	27.8	36.6
Overseas	203.4	120.1	51.5	45.4	(0.9)	7.7
Total	520.2	554.4	118.3	154.6	26.9	44.3
% of total	10.7%	12.3%	22.6%	28.3%	25.8%	28.3%
Trade business						
Domestic	1,368.1	740.6	4.7	4.8	1.4	2.9
Total	1,368.1	740.6	4.7	4.8	1.4	2.9
% of total	28.2%	16.5%	0.9%	0.9%	1.3%	1.9%
Financial services						
Domestic	21.7	—	19.6	—	5.5	—
Total	21.7	—	19.6	—	5.5	—
% of total	0.5%	—%	3.7%	—%	5.3%	—%
Headquarters						
Total	—	—	—	—	(10.0)	(2.8)
% of total	—%	—%	—%	—%	(9.6%)	(1.8%)
Total	4,857.1	4,490.9	523.0	545.3	104.1	156.7

Vehicle parts and components

Revenue from the vehicle parts and components segment for the six months ended 30 June 2013 was approximately RMB593.8 million, an increase of approximately RMB4.0 million or approximately 0.7%, as compared with approximately RMB589.8 million for the same period last year. As the Company adopted HKFRS 11 “Joint arrangements” for the Period, gains from and interests in the engine business were restated using the equity method, which was reflected in its share of profit of jointly controlled entities. As compared with the same period last year, revenue from the gear box business increased slightly by approximately RMB0.6 million or approximately 0.2%, while revenue from other products also increased slightly by approximately RMB3.4 million or approximately 1.6%.

During the Period, gross profit for the vehicle parts and components segment was approximately RMB100.9 million, an increase of approximately RMB12.5 million or approximately 14.1% as compared with approximately RMB88.4 million for the six months ended 30 June 2012. Gross profit margin was approximately 2 percentage points higher as compared with the same period last year, mainly attributable to a moderate increase in the revenue from the gear box business and lower unit cost of raw materials.

Overall, the result for the vehicle parts and components segment for the six months ended 30 June 2013 was approximately RMB6.9 million, a decrease of approximately RMB9.9 million or approximately 58.9%, as compared with approximately RMB16.8 million for the six months ended 30 June 2012.

Power equipment

Revenue from the power equipment segment for the six months ended 30 June 2013 was approximately RMB1,700.6 million, a decrease of approximately RMB261.6 million or approximately 13.3%, as compared with approximately RMB1,962.2 million for the six months ended 30 June 2012, primarily due to a decrease of approximately RMB43.3 million, or approximately 20.1% in revenue from hydroelectric generation equipment business. Revenue from electrical wires and cables business also decreased by approximately RMB48.3 million or approximately 3.9%.

During the Period, gross profit for the power equipment segment was approximately RMB132.1 million, a decrease of approximately RMB11.8 million or approximately 8.2% as compared with approximately RMB143.9 million for the six months ended 30 June 2012. Gross profit margin slightly increased to 7.8% for the six months ended 30 June 2013 from 7.3% for the six months ended 30 June 2012, primarily due to lower copper prices for the electrical wires and cables business and a decrease in the sales of low-margin nonferrous metal powder products.

Overall, the result for the power equipment segment for the six months ended 30 June 2013 was approximately RMB49.2 million, a decrease of approximately RMB14.8 million or approximately 23.1% as compared with approximately RMB64.0 million for the six months ended 30 June 2012.

General machinery

Revenue from the general machinery segment for the six months ended 30 June 2013 was approximately RMB652.7 million, an increase of approximately RMB8.8 million or approximately 1.4% as compared with approximately RMB643.9 million for the six months ended 30 June 2012.

During the Period, gross profit for the general machinery segment was approximately RMB147.4 million, a decrease of approximately RMB6.2 million or approximately 4.0% as compared with approximately RMB153.6 million for the six months ended 30 June 2012. Gross profit margin decreased to approximately 22.6% for the six months ended 30 June 2013 from approximately 23.9% for the six months ended 30 June 2012, primarily due to lower selling prices which resulted in a decrease of 1.3 percentage points in gross profit margin as compared with the same period last year.

Overall, the result for the general machinery segment for the six months ended 30 June 2013 was approximately RMB24.2 million, a decrease of approximately RMB7.3 million or approximately 23.2%, as compared with approximately RMB31.5 million for the six months ended 30 June 2012.

CNC machine tools (excluding trade business)

Revenue from the CNC machine tools segment for the six months ended 30 June 2013 was approximately RMB520.2 million, a decrease of approximately RMB34.2 million or approximately 6.2% as compared with approximately RMB554.4 million for the six months ended 30 June 2012. Meanwhile, revenue from our British subsidiary, Precision Technologies Group (PTG) Limited, for the Period was approximately RMB203.4 million, an increase of approximately RMB83.3 million or approximately 69.4% as compared with approximately RMB120.1 million for the six months ended 30 June 2012.

During the Period, gross profit for the CNC machine tools segment was approximately RMB118.3 million, a decrease of approximately RMB36.3 million or approximately 23.5% as compared with approximately RMB154.6 million for the six months ended 30 June 2012. Gross profit margin decreased to 22.7% for the six months ended 30 June 2013 from 27.9% for the six months ended 30 June 2012, primarily due to the increased unit cost resulting from lower volumes of production and sales.

Overall, the result for the CNC machine tools segment for the six months ended 30 June 2013 was approximately RMB26.9 million, a decrease of approximately RMB17.4 million or approximately 39.3% as compared with approximately RMB44.3 million for the six months ended 30 June 2012.

Trade business

Revenue from the trade business segment for the six months ended 30 June 2013 was approximately RMB1,368.1 million, representing an increase of approximately RMB627.5 million or approximately 84.7%, as compared with approximately RMB740.6 million for the six months ended 30 June 2012.

During the Period, gross profit for the trade business segment was approximately RMB4.7 million, a decrease of approximately RMB0.1 million or approximately 2.1% as compared with approximately RMB4.8 million for the six months ended 30 June 2012. Gross profit margin decreased to 0.3% for the six months ended 30 June 2013 from 0.6% for the six months ended 30 June 2012.

Overall, the result for trade business segment for the six months ended 30 June 2013 was approximately RMB1.4 million, a decrease of approximately RMB1.5 million or approximately 51.7% as compared with approximately RMB2.9 million for the six months ended 30 June 2012.

Financial business

Revenue from the newly-launched financial business segment for the six months ended 30 June 2013 was approximately RMB21.7 million.

During the Period, gross profit for the newly-launched financial business segment was approximately RMB19.6 million, with a gross profit margin of approximately 90.3%.

Overall, the result for the newly-launched financial business segment for the six months ended 30 June 2013 was approximately RMB5.5 million.

CASH FLOW

The Group's cash and bank deposits (including the restricted cash) aggregated to approximately RMB2,281.4 million as at 30 June 2013 (31 December 2012: approximately RMB2,769.7 million), a decrease of approximately RMB488.3 million or approximately 17.6%, mainly due to the increase in capital expenditure and repayment of bank borrowings.

During the Period, the Group had a net cash outflow from operating activities of approximately RMB333.3 million (for the six months ended 30 June 2012: a net cash outflow of approximately RMB37.6 million), a net cash outflow from investing activities of approximately RMB158.8 million (for the six months ended 30 June 2012: a net cash inflow of approximately RMB231.0 million), and a net cash outflow from financing activities of approximately RMB62.7 million (for the six months ended 30 June 2012: a net cash outflow of approximately RMB143.6 million).

TRADE AND OTHER RECEIVABLES

As at 30 June 2013, the Group's trade and other receivables totaled approximately RMB4,625.0 million, representing an increase of approximately RMB995.1 million, as compared with approximately RMB3,629.9 million as at 31 December 2012, primarily due to an increase of extended loans of approximately RMB904.5 million from the newly-launched financial business. Please refer to note 9 to the consolidated financial statements for detailed ageing analysis of the trade and bills receivable.

TRADE AND OTHER PAYABLES

As at 30 June 2013, the Group's trade and other payables totaled approximately RMB4,234.7 million, representing an increase of approximately RMB898.2 million, as compared with approximately RMB3,336.5 million as at 31 December 2012, primarily due to an increase of approximately RMB683.5 million in the deposits from newly-added financial business; and suppliers extended the credit periods of the Group. Please refer to note 10 to the consolidated financial statements for detailed ageing analysis of the trade and bills payable.

ASSETS AND LIABILITIES

As at 30 June 2013, the Group had total assets of approximately RMB13,171.2 million, an increase of approximately RMB986.5 million as compared with approximately RMB12,184.7 million as at 31 December 2012. The total current assets were approximately RMB9,031.3 million, increased by approximately RMB632.8 million as compared with approximately RMB8,398.5 million as at 31 December 2012, accounting for approximately 68.6% of the total assets (31 December 2012: approximately 68.9%). Total non-current assets were approximately RMB4,139.9 million, representing an increase of approximately RMB353.7 million as compared with approximately RMB3,786.2 million as at 31 December 2012, and accounting for approximately 31.4% of the total assets (31 December 2012: approximately 31.1%).

As at 30 June 2013, total liabilities of the Group amounted to approximately RMB7,591.7 million, an increase of approximately RMB889.2 million as compared with approximately RMB6,702.5 million as at 31 December 2012. Total current liabilities were approximately RMB5,780.3 million, representing an increase of approximately RMB837.6 million as compared with approximately RMB4,942.7 million as at 31 December 2012, and accounting for approximately 76.1% of the total liabilities (31 December 2012: approximately 73.7%). Total non-current liabilities were approximately RMB1,811.4 million, representing an increase of approximately RMB51.6 million as compared with approximately RMB1,759.8 million as at 31 December 2012, and accounting for approximately 23.9% of the total liabilities (31 December 2012: approximately 26.3%).

As at 30 June 2013, net current assets of the Group amounted to approximately RMB3,251.0 million, a decrease of approximately RMB204.8 million as compared with approximately RMB3,455.8 million as at 31 December 2012.

CURRENT RATIO

Current ratio (the ratio of current assets over current liabilities) of the Group as at 30 June 2013 was 1.56:1 (31 December 2012: 1.70:1).

INDEBTEDNESS

As at 30 June 2013, the Group had an aggregate bank and other borrowings of approximately RMB2,572.2 million, representing a decrease of approximately RMB88.0 million as compared with approximately RMB2,660.2 million as at 31 December 2012.

Borrowings repayable by the Group within one year were approximately RMB1,316.8 million, representing a decrease of approximately RMB174.4 million as compared with approximately RMB1,491.2 million as at 31 December 2012. Borrowings repayable after one year were approximately RMB1,255.4 million, representing an increase of approximately RMB86.4 million as compared with approximately RMB1,169.0 million as at 31 December 2012.

SIGNIFICANT EVENTS

EVENTS WITHIN THE PERIOD

- (1) In 2012, the Company invested RMB306,000,000 to establish a subsidiary known as Chongqing Machinery and Electric Holding (Group) Finance Co., Ltd. (“the Finance Company”) in Chongqing with CQMEHG and China Industrial International Trust Limited. The Company owns 51% equity interests of the Finance Company. The non-controlling interests injected cash of RMB294,000,000 into the Finance Company as capital. The Finance Company was officially incorporated on 16 January 2013.
- (2) During the Period, the Group invested RMB90,000,000 to establish a company which is engaged in microlending but excluding taking public deposits in Chongqing with CQMEHG, Chongqing Puhui Electromechanical Industrial, Chongqing Crane Works and Chongqing Jian’an Instruments. The Group owns 45% equity interests of the company which is considered as an associate. The company was officially incorporated on 17 April 2013.
- (3) Pursuant to the requirements of Articles of Association and relevant laws and regulations, the general meeting of the Company re-elected the members of the Board. It was resolved at the general meeting convened on 18 June 2013 to elect the following members of the third session of the Board: Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Ren Yong and Mr. Chen Xianzheng as executive Directors, Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Deng Yong as non-executive Directors, Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Yang Zhimin as independent non-executive Directors. The term of aforesaid Directors commences from the date of the meeting until expiry of the term of the third 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 2012 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.
- (4) Pursuant to the requirements of Articles of Association and relevant laws and regulations, the general meeting of the Company re-elected the members of the Supervisory Committee. It was resolved at the general meeting convened on 18 June 2013 to elect the following members of the third session of the Supervisory Committee: Mr. Yang Mingquan and Mr. Wang Pengcheng as Supervisors, Mr. Liu Xing and Mr. Du Chengrong as independent Supervisors of the Company. Mr. Chen Qing and Mr. Zhao Zicheng 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 third 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 2012 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.
- (5) As considered and approved at the first meeting of the third session of the Board on 18 June 2013, Mr. Wang Yuxiang was elected as chairman of the Board and legal representative of the Company. The term of office of Mr. Wang Yuxiang commences from the date of the meeting until expiry of the term of the third session of the Board of the Company.

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

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no significant contingent liabilities.

CAPITAL EXPENDITURE

During the Period, the total capital expenditure of the Group was approximately RMB460.9 million, which was principally used for expansion of plants, enhancement of production technologies, upgrading of production equipment and improvement on production capacity (for the six months ended 30 June 2012: approximately RMB118.9 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 functional currency. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.

EMPLOYEES

As at 30 June 2013, the Group had a total of 15,913 employees (30 June 2012: 16,269 employees). During the Period, the Company has adopted HKFRS 11 "Joint arrangement", and the number of employees of Chongqing Cummins Engine Co., Ltd was no longer consolidated in accounting. The Group will continue the upgrade of its technical talent base, foster and recruit technical and management personnel possessed with extensive professional experiences, optimize the distribution system that links with the remunerations and performance, improve training on safety so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has complied with and adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code for securities transactions by all directors of the Company. The Company has obtained the respective confirmations by all its directors that they have strictly complied with the provisions set out in the Model Code for the six months ended 30 June 2013.

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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2013, 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 COMMITTEE

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

THE BOARD OF DIRECTORS AND THE SUPERVISORY COMMITTEE

As at the date of this announcement, the executive Directors of the Company are Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Ren Yong and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Deng Yong; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Yang Zhimin.

As at the date of this announcement, the members of the Supervisory Committee of the Company are Mr. Yang Mingquan, Mr. Wang Pengcheng, Mr. Liu Xing, Mr. Du Chengrong, Mr. Chen Qing and Mr. Zhao Zicheng.

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

The interim results announcement has been published on the websites of the Company (<http://www.chinacqme.com>) and the Stock Exchange (<http://www.hkex.com.hk>). The interim report will also be available at the Company's and the Stock Exchange's websites on or about 28 August 2013 and will be dispatched to shareholders of the Company thereafter by the means of receipt of corporate communication they selected.

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

Chongqing, the PRC
28 August 2013

As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Ren Yong and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Deng Yong; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Yang Zhimin.

* *For identification purposes only*