CONTENTS

Corporate Information 2

Results Highlights 5

Chairman's Statement 6

Report on Review of Interim Financial Information 14

Unaudited Interim Condensed Consolidated Financial Information

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income 16

Unaudited Interim Condensed Consolidated Balance Sheet 18

Unaudited Interim Condensed Consolidated Statement of Changes in Equity 21

Unaudited Interim Condensed Consolidated Statement of Cash Flows 23

Notes to Unaudited Interim Condensed Consolidated Financial Statements 25

Management's Discussion and Analysis 59

Other Information 77

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Yuxiang *(Chairman)*
(Appointed on 18 June 2013)
Mr. Yu Gang
Mr. Ren Yong
(Appointed on 10 April 2013)
Mr. Chen Xianzheng

Non-executive Directors

Mr. Huang Yong
Mr. Wang Jiyu
Mr. Yang Jingpu
Mr. Deng Yong
(Appointed on 10 April 2013)

Independent Non-executive Directors

Mr. Lo Wah Wai
Mr. Ren Xiaochang
Mr. Jin Jingyu
Mr. Yang Zhimin
(Appointed on 18 June 2013)

SUPERVISORS

Mr. Yang Mingquan
(Appointed on 10 April 2013)
Mr. Wang Pengcheng
(Appointed on 10 April 2013)
Mr. Liu Xing
Mr. Du Chengrong
(Appointed on 18 June 2013)
Mr. Chen Qing
Mr. Zhao Zicheng
(Appointed on 10 April 2013)

LEGAL REPRESENTATIVE

Mr. Wang Yuxiang

COMPANY SECRETARY

Mr. Wang Xiaojun *(Practising Lawyer)*

QUALIFIED ACCOUNTANT

Mr. Kam Chun Ying, Francis
(Certified Public Accountant)

AUTHORIZED REPRESENTATIVES AND CONTACT INFORMATION

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ALTERNATE AUTHORIZED REPRESENTATIVE AND CONTACT INFORMATION

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Tel.: 852-2802 2191

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New North Zone, Chongqing City, the PRC

HONG KONG SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMMITTEES UNDER BOARD OF DIRECTORS

Members of the Audit Committee

Mr. Lo Wah Wai *(Chairman)*
Mr. Jin Jingyu
Mr. Yang Zhimin
Mr. Deng Yong

Members of the Remuneration Committee

Mr. Ren Xiaochang *(Chairman)*
Mr. Lo Wah Wai
Mr. Jin Jingyu
Mr. Wang Jiyu

Members of the Nomination Committee

Mr. Wang Yuxiang *(Chairman)*
Mr. Ren Xiaochang
Mr. Jin Jingyu
Mr. Yang Zhimin
Mr. Huang Yong

Members of the Strategic Committee

Mr. Wang Yuxiang *(Chairman)*
Mr. Yu Gang
Mr. Ren Yong
Mr. Chen Xianzheng
Mr. Huang Yong
Mr. Ren Xiaochang
Mr. Jin Jingyu
Mr. Yang Zhimin

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS TO THE COMPANY

Jun He Law Offices (As to Hong Kong Laws)
Beijing Kaiwen Law Firm Chongqing Branch
(As to PRC Laws)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No.162 Zhongshan Third Road
Yuzhong District
Chongqing City, the PRC

SHARE INFORMATION

Listing Place

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")

STOCK CODE

02722

FINANCIAL YEAR END

31 December

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 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.

Dear Shareholders,

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.

CHANGE IN ACCOUNTING POLICIES

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 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.

RESULTS

Total 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 approximately RMB4,490.9 million for the corresponding period last year.

Profit attributable to the owners of the Company for the six months ended 30 June 2013 amounted to approximately RMB223.1 million, representing a decrease of around 26.6% from approximately RMB303.8 million for the corresponding period last year.

Earnings per share for the six months ended 30 June 2013 was approximately RMB0.06 (first half of 2012: RMB0.08). As at 30 June 2013, total assets of the Group amounted to approximately RMB13,171.2 million (31 December 2012: RMB12,184.7 million), while total liabilities amounted to approximately RMB7,591.7 million (31 December 2012: RMB6,702.5 million). Total owners' equity was approximately RMB5,235.0 million (31 December 2012: RMB5,143.4 million). Net asset value per share was approximately RMB1.51 (31 December 2012: RMB1.49).

In review of the first half of 2013, the world economic recovery was sluggish, lacking in growth momentum, while China's economy was undergoing structural adjustment period. Its economic growth declined, with slowing investment, lukewarm domestic demand and shrinking exports etc. The Group ranked in the "Fortune China 500 Companies" for 4 consecutive years from 2010 through 2013 and is a heavyweight equipment manufacturing enterprise based in western China. Faced with complicated economic situation at home and abroad, the Group executed plans which are market-based, structure adjustment-oriented, innovation-driven, and quality and profitability-focused. The Group proactively took various measures to fulfill pre-set targets and delivered results in the first half of 2013 which showed noticeable improvement compared with the second half of 2012.

DEVELOPMENT STRATEGY

The Group will follow to the philosophy of "adjusting structure driven by renovation, ensuring growth by enhancing quality and efficiency" and attempt to improve quality and profitability by sharpening up existing business, beefing up new business, keeping up innovation and facilitating all-round transformation and upgrading.

Work Priorities for the Second Half of 2013

(1) Stepping up quality of economic operation

The Group will make analysis of market conditions and make sound judgments for timely adjustment to business strategy. More efforts would be put into marketing and winning orders. We will also improve product quality, revitalize existing assets, take effective measures and offer specific guidance to subsidiaries. More importance will also be given to safety, environmental protection and occupational health.

(2) Making prudent investment and pushing ahead with project construction

The Group will monitor its plans under review, carry out with the environmental relocation projects and technological upgrading projects at a faster pace and push ahead with work on joint ventures and M&A projects in an orderly fashion.

(3) Building up innovation capacity

The Group will increase R&D expenditure and seek favorable policy support. Also, the Group will leverage the technology innovation platform and execute thoroughly the strategy for intellectual property rights.

(4) Reducing costs and improving profitability vigorously

The Group will press ahead with a pilot all-round budgeting scheme and will take advantage of futures and currency forward contracts to hedge risk of fluctuation in market prices and exchange rates. The scope and quantity of centralized procurement of commodities will be increased. Concrete measures will be taken to increase revenue and save costs.

(5) Improving the management and control system

The Group will strengthen development of the talents team, fully utilizing a talent management and incentive system featuring six mechanisms: "selection, nurturing, appointment, retaining, dismissal and backup". The Group will also step up internal control and risk management, and continue implementing the "5 parallel measures and 3 implementations"(五管齊下三到位)monitoring and examination mechanism.

BUSINESS REVIEW AND OUTLOOK

Vehicle parts and components (gear boxes, steering systems and other products)

In the first half of 2013, China's automobile industry showed good performance as compared with the same period last year and achieved double-digit growth. However, large and medium passenger vehicles and heavy trucks, which are closely related to the Group, recorded limited growth due to a decline in overall investment and weak market demand. Although sales revenue from vehicle parts and components rose slightly, driven by production and sales growth of gear boxes and steering systems, operating results dropped under the impact of a decline in market prices and product sales structure.

Production and sales of diesel engines dropped, dragged by sluggish demand in the power generation equipment, engineering machinery and shipbuilding markets amid structural adjustment period of China's economy and property market regulation. The gross profit margin, however, remained stable (as the Company adopted HKFRS 11 "Joint arrangements" for the Period, gains from and interests in the engines business were restated using the equity method, which was reflected in its share of profit of jointly controlled entities).

During the Period, we achieved success in marketing the Group's new product Automatic Mechanical Transmission (AMT) for large and medium passenger vehicles, which filled in a domestic gap; a number of energy saving and environment friendly gear boxes including model QJ1112, which is a kind of electric transmission, achieved bulk sales; construction has already started for the 200,000 units of the phase 1 project of the production base for an annual output of 400,000 gear boxes for medium and heavy-duty vehicles. The segment of vehicle parts and components is expected to basically remain stable in the second half of 2013 and achieve year-on-year growth for the whole year.

Power equipment (hydroelectric generation equipment, electrical wires and cables, and materials)

In the first half of 2013, sales revenue from electrical wires and cables dropped slightly due to a decline in copper price although the market was stable; sales of hydroelectric generation equipment fell due to delayed delivery and the structure of order while new orders were encouraging; sales revenue from non-ferrous metal powder fell due to decreased sales of low-margin products; the operating results of power equipment declined despite improvement in gross profit margin.

Independently developed ultrahigh-head impact hydroelectric generating sets (超高水頭衝擊式水輪發電機組) received the second prize of Chongqing Municipal Award for Progress in Science and Technology; notwithstanding the extraordinarily cut-throat competition in the hydroelectric market, the Group secured another two overseas electromechanical equipment contracting projects; power cable and electric-porcelain products have attained the qualification certification for suppliers of the State Grid, laying a solid foundation for further market expansion. The upfront work for the environmental relocation project of Chongqing Water Turbine Works Co., Ltd., including the bidding processes for choosing project design company and management company, land smoothing, geological investigation operation, project environment assessment, safety assessment and professional evaluation, has finished. The Group expects this business segment to remain stable in 2013.

General machinery (industrial pumps, gas compressors, separation machines, refrigeration machines and industrial fans)

In the first half of 2013, the overall demand in the traditional market of general machinery was weak due to a slowdown in investment growth. However, revenue from this segment during the first half of 2013 rose slightly year on year benefiting from the increase in revenue from wind power rotor blades, decent amount of orders for industrial pumps and stable separation machines and compressors business. But fiercer competition and downward price movement led to a decline in operation results.

The high-pressure non-lubricated compressor and the helium special-purpose compressor independently developed by the Group, having passed the testing, have been put into production and successfully applied to the ground gas supply system of Shenzhou 10 spacecraft's launch site; piston diaphragm pump for pipeline transport of coal (管道輸煤用活塞式隔膜泵) won orders worth tens of millions of yuan during the Period; development of double-feed-inlet self-balancing multistage centrifugal pump (雙進口自平衡多級離心泵) for transport of iron ore concentrate was successful and orders were secured; descaling pumps (除鱗泵) succeeded in entering the Korean market; the Group managed to use one high-temperature back heating fan (高溫回熱風機) to support one production line with an annual capacity of 5 million tons of pellet, changing the conventional practice of two fans for one production line and pioneering ours the best performing fans of the same type, model and specifications in China.

The high-end pump industrialization for capacity expansion and renovation project and the production base of wind power rotor blade in Xilinhot of Inner Mongolia has been completed and put into production; for the environmental relocation project of Chongqing Jiangbei Machinery Co., Ltd., upfront work including the bidding processes for choosing project management company, design company and geological investigation company as well as project environmental assessment, safety assessment and professional evaluation, have finished. The Group expects the prospect of this segment to improve in the second half of 2013 and remain stable for the whole year.

CNC machine tools (gear-producing machines, complex precision metal-cutting tools, CNC lathes, machine centres and precision screw machines)

In the first half of 2013, the machine tools sector as a whole suffered a decrease in demand as China's economy was undergoing structural adjustment period, with decreasing demand from traditional heavy industries, automobile, engineering machinery and general machinery and shipbuilding industries relating to technical upgrading. However, by virtue of the Group's vigorous efforts, this business segment was able to maintain a basically stable market share and performed better than the average industrial level, although it suffered an overall decline in operating results in the first half of 2013.

The Group's independently developed intelligent ZDX automatic gear processing production line integrating CHS20 high-efficiency and precision dual-principal-axis lathes (雙主軸車床)、YE3120CNC7 CNC high-speed dry-cutting gear hobbing machine, GDV300 CNC chamfering machine, YZ4232CNC5 precision CNC gear shaving machine and automatic truss logistics lines(桁架自動物流線), YW7232CNC all-purpose precision grinding machine, Y3140CNC5 high-efficiency gear hobbing machine have reached domestically leading and internationally advance levels.

As for the headquarter relocation project of Chongqing Machine Tools (Group) Co., Ltd., around 80% of the construction has finished and conditions for relocation will be preliminary satisfied this October. The project is expected to complete in June 2014. In respect of phase 2 of Machine Tools Group environmental relocation project (Chongqing Tool Factory Co., Ltd., Chongqing Yinhe Forging & Founding Co., Ltd., Chongqing Shenjian Automotive Drive Part Co., Ltd.), land for the project has been obtained (in the Luohuang Industrial Park in Jiangjin District) and all upfront preparation work is underway. The Group expects this segment to remain stable in 2013.

TRADE BUSINESS

In the first half of 2013, the bulk commodity procurement platform of the Group increased procurement types and quantities, directly reducing procurement cost of the Group by approximately RMB7.0 million.

FINANCIAL SERVICES

Chongqing Machinery and Electric Holding (Group) Finance Co., Ltd. officially started operation on 10 April 2013. By playing entire role of its financial service functions, it provides support for the Group's effort to reduce financial cost and enhance capital efficiency in future.

SUMMARY

Looking into the second half of 2013, the downside risk and uncertainty surrounding the world economy would be mitigated. Without signs of robust recovery, the world economic growth would be sluggish. China's economy has been undergoing structural adjustment period and its moderate growth rate would persist for a relatively long period. In a sign of intense efforts to stabilize economic growth, the government has recently introduced targeted economic stimulus measures, including tax exemptions for micro-enterprises, measures to facilitate trade, reform of investment and financing mechanism for railways, boosting information consumption and accelerating urban infrastructure construction. Overall, the economic situation in the second half of the year would be better than the first half and the economy would stay stable throughout the year.

The Group will implement scientific management and control, seize business opportunity, sharpen its competitive edge, strive for better performance and meet pre-arranged targets despite headwinds. The business of the Group is expected to remain stable throughout 2013.

Lastly, on behalf of the Board, I would like to extend my heartfelt gratitude to our shareholders for their trust and support. My sincere appreciation also goes to our directors, supervisors and all our staff for their devotion and efforts.

Wang Yuxiang
Executive Director and Chairman

Chongqing, the PRC, 28 August 2013

羅兵咸永道

TO THE BOARD OF DIRECTORS OF CHONGQING MACHINERY & ELECTRIC CO., LTD.
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 58, which comprises the interim condensed consolidated balance sheet of Chongqing Machinery & Electric Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2013

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Note	***RMB '000***	*RMB '000*
			(Restated)
Revenue	6	**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	11	**9,550**	9,189
Share of post-tax profits of jointly controlled entities	12	**191,371**	237,938
Profit before income tax		**238,479**	329,441
Income tax expense	8	**(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

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Note	***RMB '000***	*RMB '000*
			(Restated)
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
Profit attributable to:			
— Owners of the Company		**223,100**	303,764
— Non-controlling interests		**5,716**	6,653
		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
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
— Basic and diluted	9	**0.06**	0.08

The notes on pages 25 to 58 are an integral part of this unaudited interim condensed consolidated

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

	Note	**Unaudited 30 June 2013 RMB'000**	Audited 31 December 2012 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,303,589**	2,182,750
Investment properties	10	**31,468**	33,006
Lease prepayments	10	**456,713**	462,078
Intangible assets	10	**278,677**	266,127
Investments in associates	11	**486,003**	384,734
Investments in jointly controlled entities	12	**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
Total non-current assets		**4,139,892**	3,786,175
Current assets			
Inventories		**1,722,599**	1,646,077
Trade and other receivables	13	**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
Total current assets		**9,031,264**	8,398,530
Total assets		**13,171,156**	12,184,705

As at 30 June 2013

	Note	**Unaudited 30 June 2013 RMB'000**	Audited 31 December 2012 RMB'000 (Restated)
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**3,684,640**	3,684,640
Other reserves		**(790,300)**	(787,733)
Retained profits		**2,340,622**	2,246,485
		5,234,962	5,143,392
Non-controlling interests		**344,515**	338,799
Total equity		**5,579,477**	5,482,191
LIABILITIES			
Non-current liabilities			
Borrowings	17	**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	18	**41,343**	45,457
Total non-current liabilities		**1,811,417**	1,759,829

As at 30 June 2013

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000 (Restated)
Current liabilities			
Trade and other payables	15	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	17	1,316,820	1,491,167
Current portion of long-term employee benefit obligations	18	10,417	10,417
Provision for warranty	16	20,392	22,003
Total current liabilities		5,780,262	4,942,685
Total liabilities		7,591,679	6,702,514
Total equity and liabilities		13,171,156	12,184,705
Net current assets		3,251,002	3,455,845
Total assets less current liabilities		7,390,894	7,242,020

The notes on pages 25 to 58 are an integral part of this unaudited interim condensed consolidated financial information.

		Unaudited					
		Attributable to owners of the Company					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Balance at 1 January 2013 (restated)		3,684,640	(787,733)	2,246,485	5,143,392	338,799	5,482,191
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	19	—	—	(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					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
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)		3,684,640	(828,311)	2,148,187	5,004,516	48,611	5,053,127

The notes on pages 25 to 58 are an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Note	Unaudited Six months ended 30 June 2013 RMB '000	2012 RMB '000 (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	20	**(712,000)**	(3,366,000)
Proceeds from the maturity of financial assets at fair value through profit or loss	20	**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

For the six months ended 30 June 2013

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Note	***RMB '000***	*RMB '000*
			(Restated)
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

The notes on pages 25 to 58 are an integral part of this unaudited interim condensed consolidated financial information.

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.

1. GENERAL INFORMATION *(CONTINUED)*

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.

3. ACCOUNTING POLICIES *(CONTINUED)*

- 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. Equities 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% equity interests 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.

3. ACCOUNTING POLICIES *(CONTINUED)*

3(a) Adoption of HKFRS 11 — Equity accounting for jointly controlled entities *(Continued)*

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 *RMB'000*	1 January 2012 *RMB'000*
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)

3. ACCOUNTING POLICIES *(CONTINUED)*

3(a) Adoption of HKFRS 11 — Equity accounting for jointly controlled entities *(Continued)*

Impact on statement of comprehensive income

Increase/(decrease)	**Year ended 31 December 2012** *RMB'000*	**Six months ended 30 June 2012** *RMB'000*
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	—	—

3. ACCOUNTING POLICIES *(CONTINUED)*

3(a) Adoption of HKFRS 11 — Equity accounting for jointly controlled entities *(Continued)*

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	203,678	13,055

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.

3. ACCOUNTING POLICIES *(CONTINUED)*

3(a) Adoption of HKFRS 11 — Equity accounting for jointly controlled entities *(Continued)*

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. ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.2 Liquidity risk

The contractual maturities of the Group's financial liabilities were as follows:

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2013							
Trade and other payables (i)	**3,217,660**	**—**	**—**	**—**	**—**	**3,217,660**	**3,217,660**
Borrowings							
(excluding finance leases)	**897,906**	**621,288**	**246,565**	**33,320**	**1,704**	**1,800,783**	**1,553,354**
Corporate bonds	**33,642**	**33,642**	**67,283**	**1,076,255**	**—**	**1,210,822**	**995,318**
Finance lease liabilities	**21,730**	**1,131**	**785**	**375**	**—**	**24,021**	**23,518**
Total financial liabilities	**4,170,938**	**656,061**	**314,633**	**1,109,950**	**1,704**	**6,253,286**	**5,789,850**
At 31 December 2012 (Restated)							
Trade and other payables (i)	2,252,451	—	—	—	—	2,252,451	2,252,451
Borrowings							
(excluding finance leases)	920,970	603,510	128,831	53,991	—	1,707,302	1,638,094
Corporate bonds	32,950	32,950	65,900	1,197,700	—	1,329,500	994,678
Finance lease liabilities	634	672	20,987	—	—	22,293	27,433
Total financial liabilities	3,207,005	637,132	215,718	1,251,691	—	5,311,546	4,912,656

Note:

(i) Trade and other payables include trade and bills payable, other payables and deposit taking (Note 15).

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2013.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Available-for-sale financial assets				
— Equity securities	2,965	—	—	2,965
Financial assets at fair value through profit or loss	—	12,000	—	12,000
Total assets	2,965	12,000	—	14,965

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Available-for-sale financial assets				
— Equity securities	3,653	—	—	3,653
Total assets	3,653	—	—	3,653

During the six months ended 30 June 2013, there were no transfers between levels of the fair value hierarchy used in measuring the fair value of the Group's financial assets.

During the six months ended 30 June 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

During the six months ended 30 June 2013, there were no reclassifications of financial assets.

6. 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.

6. SEGMENT INFORMATION *(CONTINUED)*

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

	Engines *RMB'000*	Gear boxes *RMB'000*	Hydroelectric generation equipment *RMB'000*	Electrical wires and cables *RMB'000*	General machinery *RMB'000*	Machinery tools *RMB'000*	High-voltage transformers *RMB'000*	Material sales *RMB'000*	Financial services *RMB'000*	All other segments *RMB'000*	Total Group *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

6. SEGMENT INFORMATION *(CONTINUED)*

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

	Engines *RMB'000*	Gear boxes *RMB'000*	Hydroelectric generation equipment *RMB'000*	Electrical wires and cables *RMB'000*	General machinery *RMB'000*	Machinery tools *RMB'000*	High-voltage transformers *RMB'000*	Material sales *RMB'000*	Financial services *RMB'000*	All other segments *RMB'000*	Total Group *RMB'000* (Restated)
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

6. SEGMENT INFORMATION *(CONTINUED)*

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

Total assets	Engines *RMB'000*	Gear boxes *RMB'000*	Hydroelectric generation equipment *RMB'000*	Electrical wires and cables *RMB'000*	General machinery *RMB'000*	Machinery tools *RMB'000*	High-voltage transformers *RMB'000*	Material sales *RMB'000*	Financial services *RMB'000*	All other segments *RMB'000*	Total Group *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

7. OPERATING PROFIT

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*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 *(Note 20)*	**(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:

(a) The inventories write back of RMB3,807,000 mainly relates to some products which are recovered from its carrying value through sales.

(b) The impairment charge of RMB5,869,000 on trade and other receivables mainly relates to certain customers which are in difficult financial situations.

(c) 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.

8. INCOME TAX EXPENSE

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

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

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.

9. EARNINGS PER SHARE

	Six months ended 30 June	
	2013	2012
		(Restated)
Profit attributable to owners of the Company *(RMB'000)*	**223,100**	303,764
Weighted average number of ordinary shares in issue *(thousand)*	**3,684,640**	3,684,640
Basic and diluted earnings per share *(RMB per share)*	**0.06**	0.08

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

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

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

	Property, plant and equipment *RMB'000*	Investment properties *RMB'000*	Lease prepayments *RMB'000*	Intangible assets *RMB'000*
Six months ended 30 June 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)**
Closing amount at 30 June 2013	**2,303,589**	**31,468**	**456,713**	**278,677**
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)
Closing amount at 30 June 2012	1,915,542	34,419	440,887	253,463

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).

11. INVESTMENTS IN ASSOCIATES

	Six months ended 30 June 2013
	RMB'000
Beginning of the period	384,734
Additions	94,439
Share of post-tax profits of associates	9,550
Dividend declared	(2,720)
End of the period	486,003

The Group's share of the assets and liabilities, revenue and results of associates, all of which are unlisted, are shown below:

	Six months ended 30 June 2013
	RMB'000
Assets	955,230
Liabilities	453,476
Revenues	433,670
Share of profit	9,550

12. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Six months ended 30 June 2013 *RMB'000*
Beginning of the period (Restated)	366,689
Share of post-tax profits of jointly controlled entities	191,371
Dividend declared	(70,587)
End of the period	487,473

The Group's share of the assets and liabilities, revenue and results of the jointly controlled entities, which are unlisted, are shown below:

	Six months ended 30 June 2013 *RMB'000*
Assets	965,246
Liabilities	473,550
Revenues	823,517
Share of profit	191,371

13. TRADE AND OTHER RECEIVABLES

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000* (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

13. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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 ***RMB'000***	31 December 2012 *RMB'000* (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

14. SHARE CAPITAL

	Number of Shares *'000*	**Domestic shares** *RMB'000*	**H shares** *RMB'000*	**Total shares** *RMB'000*
Registered, issued and fully paid				
At 30 June 2013 and 1 January 2013 (nominal value of RMB1.00 each)	3,684,640	2,584,453	1,100,187	3,684,640
At 30 June 2012 and 1 January 2012 (nominal value of RMB1.00 each)	3,684,640	2,584,453	1,100,187	3,684,640

All the domestic shares and H shares are rank pari passu in all aspects.

15. TRADE AND OTHER PAYABLES

	30 June 2013 **RMB'000**	31 December 2012 *RMB'000* (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 **RMB'000**	31 December 2012 *RMB'000* (Restated)
Trade and bills payable		
Less than 30 days	**959,910**	739,631
31 days than 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

16. PROVISION FOR WARRANTY

Provision for warranty represents the warranty costs for after-sale services of certain vehicle parts and components, which are estimated based on present after-sale service policies and prior years' experiences on the incurrence of such costs. Such provision for warranty was charged to 'cost of sales' in profit or loss.

	RMB'000
Six months ended 30 June 2013	
Opening net book amount at 1 January 2013 (Restated)	**22,003**
Additional provisions	**13,189**
Utilised during the period	**(14,800)**
Closing net book amount at 30 June 2013	**20,392**
Six months ended 30 June 2012	
Opening net book amount at 1 January 2012 (Restated)	19,534
Additional provisions	9,490
Utilised during the period	(9,119)
Closing net book amount at 30 June 2012	19,905

17. BORROWINGS

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
		(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
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
Total current borrowings	**1,316,820**	1,491,167
Total borrowings	**2,572,190**	2,660,205

17. BORROWINGS *(CONTINUED)*

Movements in borrowings are analysed as follows:

	RMB'000
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)
Closing amount as at 30 June 2013	2,572,190
Six months ended 30 June 2012	
Opening amount as at 1 January 2012 (Restated)	2,669,302
Additions	538,364
Repayments	(676,296)
Closing amount as at 30 June 2012	2,531,370

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 ***RMB'000***	31 December 2012 *RMB'000*
Fixed rate		
— expiring within 1 year	**1,479,294**	497,246
— expiring beyond 1 year	**187,500**	60,000
	1,666,794	557,246

18. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

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

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

	Six months ended 30 June	
	2013 RMB'000	2012 *RMB'000* (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	**(5,522)**	(6,720)
At end of the period	**51,760**	87,642

19. 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).

20. NOTE TO INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

During the six months ended 30 June 2013 and 30 June 2012, the Group invested in certain financial instruments from commercial banks in order to earn a higher interest than that from traditional time deposits. Such financial products are all with short-term maturity from one to three months. The total cash outflows and inflows in respect of such investments during the period were approximately RMB712 million and RMB706 million, respectively (2012: RMB3,366 million and RMB3,382 million, respectively). As at 30 June 2013, the Group hold such investments amounted to RMB12 million.

21. CONTINGENCIES

As at 30 June 2013, the Group did not have any material contingencies.

22. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	30 June 2013 **RMB'000**	31 December 2012 *RMB'000*
Property, plant and equipment	**395,283**	72,640
Intangible assets	**16,137**	13,402
Lease prepayments	**49,438**	—
	460,858	86,042

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	30 June 2013 **RMB'000**	31 December 2012 *RMB'000*
No later than 1 year	**22,607**	22,809
Later than 1 year and no later than 5 years	**—**	16,214
	22,607	39,023

23. RELATED-PARTY TRANSACTIONS

The Company's parent company is CQMEHG, a state-owned enterprise established in the PRC and is controlled by the PRC government that owns a significant portion of the productive assets in the PRC.

The Group has adopted HKAS 24 (Revised), "Related Party Disclosures" from 1 January 2011. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include CQMEHG and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and CQMEHG as well as their close family members.

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the six months ended 30 June 2012 and 2013, respectively.

23. RELATED-PARTY TRANSACTIONS *(CONTINUED)*

(a) Significant related party transactions

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Transactions with the parent company, fellow subsidiaries and associates		
Revenue		
— Revenue from sales of goods	**69,270**	80,063
— Revenue from sales of property plant and equipment	**—**	46,341
— Revenue from provision of service	**—**	101
— Revenue from loans of service	**5,504**	—
Expenses		
— Purchase of materials	**47,033**	128,793
— Services	**2,798**	249
— Expenses for deposit taking service	**1,561**	—
— Other expense	**14,547**	13,235
Transactions with associates		
Revenue		
— Revenue from sales of goods	**4,236**	2,590
Expenses		
— Purchase of materials	**15,871**	20,620

23. RELATED-PARTY TRANSACTIONS *(CONTINUED)*

(b) Balances with related parties

	30 June 2013 ***RMB'000***	31 December 2012 *RMB'000* (Restated)
Trade and other receivables		
Trade receivables due from		
— Fellow subsidiaries and associates	**51,610**	82,212
— Associates	**52**	—
Other receivables due from		
— CQMEHG	**7,080**	282
— Fellow subsidiaries	**12,938**	1,508
— Jointly controlled entities	**278**	278
— Associates	**4,806**	3,325
Prepayments due from		
— CQMEHG	**—**	222
— Fellow subsidiaries	**28,840**	21,322
Loans to		
— CQMEHG	**180,000**	—
— Fellow subsidiaries and associates	**663,511**	—
	949,115	109,149

23. RELATED-PARTY TRANSACTIONS *(CONTINUED)*

(b) Balances with related parties *(Continued)*

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Trade and other payables		
Trade payables due to		
— Fellow subsidiaries and associates	**14,418**	24,398
— Associates	**7,931**	—
Other payables due to		
— CQMEHG	**12,116**	9,314
— Associates	**461**	31,644
— Fellow subsidiaries	**57,474**	9,987
Deposit taking from		
— CQMEHG	**188,406**	—
— Fellow subsidiaries and associates	**490,068**	—
	770,874	75,343

23. RELATED-PARTY TRANSACTIONS *(CONTINUED)*

(c) Key management compensation

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**989**	901
Contributions to pension plans	**358**	358
Discretionary bonuses	**630**	1,753
	1,977	3,012

(d) Transactions with government-related entities in PRC

Apart from transactions mentioned above, transactions with other government-related entities include but are not limited to sales and purchases of goods and other assets; use of public utilities; and bank deposits and bank borrowings.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-government-related entities. The Group has also established its pricing strategy and approval processes for material transactions. Such pricing strategy and approval processes do not depend on whether the counterparties are government-related entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As at 28 August 2013, the Group has no material events occurring after the balance sheet date.

RESULTS OVERVIEW

CHANGE IN ACCOUNTING POLICIES

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).

RESULTS OVERVIEW *(CONTINUED)*

SALES *(Continued)*

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.

RESULTS OVERVIEW *(CONTINUED)*

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.

RESULTS OVERVIEW *(CONTINUED)*

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.

RESULTS OVERVIEW *(CONTINUED)*

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 30 June		Period ended 30 June		Period ended 30 June	
	2013	2012 (Restated)	**2013**	2012 (Restated)	**2013**	2012 (Restated)
	(RMB in millions, except for percentage)					
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%

RESULTS OVERVIEW *(CONTINUED)*

BUSINESS PERFORMANCE *(Continued)*

	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)
	(RMB in millions, except for percentage)					
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	**652.7**	643.9	**147.4**	153.6	**24.2**	31.5
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%

RESULTS OVERVIEW *(CONTINUED)*

BUSINESS PERFORMANCE *(Continued)*

	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)
	(RMB in millions, except for percentage)					
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%

RESULTS OVERVIEW *(CONTINUED)*

BUSINESS PERFORMANCE *(Continued)*

	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)
	(RMB in millions, except for percentage)					
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

RESULTS OVERVIEW *(CONTINUED)*

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.

RESULTS OVERVIEW *(CONTINUED)*

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.

RESULTS OVERVIEW *(CONTINUED)*

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.

RESULTS OVERVIEW *(CONTINUED)*

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.

RESULTS OVERVIEW *(CONTINUED)*

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 13 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 RBM683.5 million in the deposits from newly-launched financial business; and suppliers extended the credit periods of the Group. Please refer to note 15 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 a 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 a 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.

SIGNIFICANT EVENTS *(CONTINUED)*

EVENTS WITHIN THE PERIOD *(Continued)*

(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 RMB232.7 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 Cummis 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.

SHARE CAPITAL STRUCTURE

	Number of share	Approximate percentage of issued share capital *(%)*
Domestic Shares	2,584,452,684	70.14
H Shares *(Note)*	1,100,187,470	29.86
Total	3,684,640,154	100

There was no movement in the share capital of the Company during the six months ended 30 June 2013, details of which are set out in Note 14 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, none of the directors, chief executive or supervisors of the Company had any interests or short positions in the shares, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, so far as the Directors are aware, the following persons (not being a director, chief executive or supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Domestic shares of RMB1.00 each of the Company

Name of Substantial Shareholders	Number of shares	Capacity	*Note*	Percentage of total issued domestic shares	Percentage of total issued shares
Chongqing Machinery and Electronic Holding (Group) Co., Ltd.	1,924,225,189	Beneficial owner	(1)	74.46(L)	52.22
Chongqing Yufu Assets Management (Group) Co. Ltd.	232,132,514	Beneficial owner	(1)	8.98(L)	6.30
Chongqing Construction Engineering Group Co., Ltd.	232,132,514	Beneficial owner	(2)	8.98(L)	6.30
China Huarong Asset Management Co., Ltd.	195,962,467	Beneficial owner	(3)	7.58(L)	5.32
State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government	2,388,490,217	Interest in controlled corporations	(1)	92.42(L)	64.82
Ministry of Finance of the PRC	195,962,467	Interest in controlled corporations	(3)	7.58(L)	5.32

(L): Long Position

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(CONTINUED)*

H shares of RMB1.00 each of the Company

Name of Substantial Shareholders	Number of shares	Capacity	*Note*	Percentage of total issued H shares	Percentage of total issued shares
The Bank of New York Mellon (formerly known as "The Bank of New York")	87,276,000(L) 0(P)	Interest of Custodian		7.93 (L) 0 (P)	2.37 (L) 0 (P)
The Bank of New York Mellon Corporation	87,276,000(L) 87,276,000(P)	Interest of Corporation controlled by substantial Shareholder	(4)	7.93 (L) 7.93 (P)	2.37 (L) 2.37(P)
GE Asset Management Incorporated	75,973,334(L)	Investment manager		6.91 (L)	2.06(L)

(L): Long Position

(S): Short Position

(P): Lending Pool

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(CONTINUED)*

H shares of RMB1.00 each of the Company ***(Continued)***

Note:

1. Chongqing Machinery and Electronic Holding (Group) Co., Ltd. and Chongqing Yufu Asset Management Co., Ltd. were wholly owned by State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government which was deemed to be interested in 1,924,225,189 domestic shares and 232,132,514 domestic shares of the Company respectively.

2. Chongqing Construction Engineering Group Co., Ltd. is held as to 96.18% by State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government through its three wholly-owned subsidiaries and as to 3.82% by the Ministry of Finance of the People's Republic of China through China Huarong Asset Management Co., Ltd., a wholly-owned subsidiary of the Ministry. Therefore, State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government and the Ministry of Finance of the People's Republic of China are deemed to be interested in 232,132,514 domestic shares of the Company held by Chongqing Construction Engineering Group Co.,Ltd.

3. China Huarong Asset Management Co., Ltd. * is held as to 98.06% directly by the Ministry of Finance of the People's Republic of China and as to 1.94% indirectly by the Ministry of Finance of the People's Republic of China through China Life Insurance (Group) Company, a wholly-owned subsidiary of the Ministry. Therefore, the Ministry of Finance of the People's Republic of China is deemed to be interested in 195,962,467 domestic shares of the Company held by China Huarong Asset Management Co., Ltd..

4. The Bank of New York Mellon Corporation holds 100% interest in The Bank of New York Mellon (formerly known as"The Bank of New York"), which holds 87,276,000 of H shares of the Company. The interest in 87,276,000 H shares relates to the same block of shares in the Company and includes a lending pool of 87,276,000 of H shares of the Company.

Save as disclosed above, the Directors of the Company are not aware of any persons holding any interests or short positions in the shares or underlying shares which were required to be recorded in the register pursuant to section 336 of the SFO as at 30 June 2013.

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 report, 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 report, 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