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

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

(Stock Code: 02722)

ANNOUNCEMENT OF GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 8.9% to approximately RMB9,701,044,000
- Gross profit increased by approximately 4.8% to approximately RMB1,084,780,000
- Profit attributable to shareholders increased by approximately 14.3% to approximately RMB506,829,000
- Earnings per share was approximately RMB0.14

ANNUAL RESULTS

The board of directors (the "Board") of Chongqing Machinery & Electric Co., Ltd.* (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 and the comparative figures for the corresponding period of 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Note	***RMB '000***	*RMB '000*
			(Restated)
Revenue	3	**9,701,044**	8,908,032
Cost of sales		**(8,616,264)**	(7,873,291)
Gross profit		**1,084,780**	1,034,741
Distribution costs		**(266,446)**	(264,710)
Administrative expenses		**(749,257)**	(708,265)
Other gains, net		**94,914**	46,745
Other income	4	**124,775**	131,362
Operating profit		**288,766**	239,873
Finance income		**35,249**	29,790
Finance costs		**(136,707)**	(163,034)
Finance costs, net	5	**(101,458)**	(133,244)
Share of post-tax profits of joint ventures		**353,816**	381,282
Share of post-tax profits of associates		**44,099**	963
Profit before income tax		**585,223**	488,874
Income tax expense	6	**(44,785)**	(30,525)
Profit for the year		**540,438**	458,349
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		**(355)**	(3,292)
Income tax relating to remeasurements of retirement benefit obligations		**(63)**	343
Items that may be reclassified subsequently to profit or loss			
Fair value (losses)/gains on available-for-sale financial assets		**(813)**	124
Income tax relating to available-for-sale financial assets		**122**	(19)
Currency translation differences		**(1,305)**	606
Other comprehensive income for the year, net of tax		**(2,414)**	(2,238)
Total comprehensive income for the year		**538,024**	456,111

	Note	Year ended 31 December 2013 RMB '000	2012 RMB '000 (Restated)
Profit attributable to:			
Owners of the Company		**506,829**	443,446
Non-controlling interests		**33,609**	14,903
		540,438	458,349
Total comprehensive income attributable to:			
Owners of the Company		**504,415**	441,208
Non-controlling interests		**33,609**	14,903
		538,024	456,111
Earnings per share for profit attributable to the owners of the Company for the year *(expressed in RMB per share)*			
— Basic and diluted	7	**0.14**	0.12
Dividends proposed after the balance sheet date to all shareholders	8	**184,232**	128,962

BALANCE SHEET

	Note	Group As at 31 December 2013 RMB '000	2012 RMB '000 (Restated)	As at 1 January 2012 RMB '000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**2,734,318**	2,182,750	2,079,674
Investment properties		**29,825**	33,006	36,007
Lease prepayments		**482,704**	462,078	301,674
Intangible assets		**286,872**	266,127	252,011
Investments in associates		**508,417**	384,734	397,655
Investments in joint ventures		**310,143**	366,689	274,207
Deferred income tax assets		**74,819**	73,612	68,561
Available-for-sale financial assets		**2,840**	3,653	3,529
Other non-current assets		**11,425**	13,526	14,249
		4,441,363	3,786,175	3,427,567

		Group		
		As at 31 December		As at 1 January
		2013	2012	**2012**
	Note	***RMB '000***	*RMB '000*	*RMB '000*
			(Restated)	(Restated)
Current assets				
Inventories		**1,669,709**	1,646,077	1,632,978
Trade and other receivables	9	**3,877,374**	3,627,999	2,926,837
Dividend receivable		**157,464**	60,737	236,210
Amount due from customers for contract work		**464,871**	352,777	283,991
Restricted cash		**447,163**	243,859	294,574
Cash and cash equivalents		**1,792,359**	2,525,881	2,482,570
		8,408,940	8,457,330	7,857,160
Total assets		**12,850,303**	12,243,505	11,284,727
EQUITY				
Capital and reserves attributable to owners of the Company				
Share capital		**3,684,640**	3,684,640	3,684,640
Reserves		**(752,910)**	(787,733)	(826,881)
Retained earnings				
— Proposed final dividend		**184,232**	128,962	221,078
— Others		**2,402,883**	2,117,523	1,844,425
		5,518,845	5,143,392	4,923,262
Non-controlling interests		**367,420**	338,799	41,958
Total equity		**5,886,265**	5,482,191	4,965,220
LIABILITIES				
Non-current liabilities				
Borrowings		**1,489,258**	1,169,038	1,458,364
Deferred income		**475,757**	520,808	556,000
Deferred income tax liabilities		**21,786**	24,526	32,120
Long-term employee benefit obligations		**37,003**	45,457	78,420
		2,023,804	1,759,829	2,124,904

		Group		
		As at 31 December		As at 1 January
		2013	2012	**2012**
	Note	***RMB '000***	*RMB '000*	*RMB '000*
			(Restated)	(Restated)
Current liabilities				
Trade and other payables	10	**3,828,431**	3,395,296	2,859,543
Dividends payable		**25,381**	23,228	40,184
Amount due to customers for contract work		**8,568**	10,589	7,852
Current income tax liabilities		**50,796**	48,785	43,997
Borrowings		**996,881**	1,491,167	1,210,938
Current portion of long-term employee benefit obligations		**9,316**	10,417	12,554
Provisions for warranty		**20,861**	22,003	19,535
		4,940,234	5,001,485	4,194,603
Total liabilities		**6,964,038**	6,761,314	6,319,507
Total equity and liabilities		**12,850,303**	12,243,505	11,284,727
Net current assets		**3,468,706**	3,455,845	3,662,557
Total assets less current liabilities		**7,910,069**	7,242,020	7,090,124

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital *RMB '000*	Other reserves *RMB '000*	Retained earnings *RMB '000*	Total *RMB '000*	Non-controlling interests *RMB '000*	Total equity *RMB '000*
Balance at 1 January 2012, as previously reported	3,684,640	(827,006)	2,067,267	4,924,901	41,958	4,966,859
Effect of changes in accounting policies	—	125	(1,764)	(1,639)	—	(1,639)
Balance at 1 January 2012, as restated	3,684,640	(826,881)	2,065,503	4,923,262	41,958	4,965,220
Comprehensive income						
Profit for the year, as restated	—	—	443,446	443,446	14,903	458,349
Other comprehensive income						
Changes in fair value of available-for-sales financial assets, net of tax	—	105	—	105	—	105
Remeasurements of retirement benefit obligations, net of tax	—	(2,949)	—	(2,949)	—	(2,949)
Currency translation differences	—	606	—	606	—	606
Total other comprehensive income	—	(2,238)	—	(2,238)	—	(2,238)
Total comprehensive income, as restated	—	(2,238)	443,446	441,208	14,903	456,111
Total contributions by and distributions to owners of the Company recognised directly in equity						
Dividends relating to 2011	—	—	(221,078)	(221,078)	—	(221,078)
Dividends to non-controlling interests	—	—	—	—	(12,062)	(12,062)
Capital contribution of cash from non-controlling interest	—	—	—	—	294,000	294,000
Total contributions by and distributions to owners of the Company	—	—	(221,078)	(221,078)	281,938	60,860
Transfer to reserves	—	41,386	(41,386)	—	—	—
Total transactions with owners	—	41,386	(262,464)	(221,078)	281,938	60,860
Balance at 31 December 2012, as restated	3,684,640	(787,733)	2,246,485	5,143,392	338,799	5,482,191

	Attributable to owners of the Company					
	Share capital *RMB '000*	Other reserves *RMB '000*	Retained earnings *RMB '000*	Total *RMB '000*	Non-controlling interests *RMB '000*	Total equity *RMB '000*
Balance at 1 January 2013	3,684,640	(787,733)	2,246,485	5,143,392	338,799	5,482,191
Comprehensive income						
Profit for the year	—	—	506,829	506,829	33,609	540,438
Other comprehensive income						
Changes in fair value of available-for-sale financial assets, net of tax	—	(691)	—	(691)	—	(691)
Remeasurements of retirement benefit obligations, net of tax	—	(418)	—	(418)	—	(418)
Currency translation differences	—	(1,305)	—	(1,305)	—	(1,305)
Total other comprehensive income	—	(2,414)	—	(2,414)	—	(2,414)
Total comprehensive income	—	(2,414)	506,829	504,415	33,609	538,024
Total contributions by and distributions to owners of the Company recognised directly in equity						
Dividends relating to 2012	—	—	(128,962)	(128,962)	—	(128,962)
Dividends to non-controlling interests	—	—	—	—	(4,988)	(4,988)
Total contributions by and distributions to owners of the Company	—	—	(128,962)	(128,962)	(4,988)	(133,950)
Transfer to reserves	—	37,237	(37,237)	—	—	—
Total transactions with owners	—	37,237	(166,199)	(128,962)	(4,988)	(133,950)
Balance at 31 December 2013	3,684,640	(752,910)	2,587,115	5,518,845	367,420	5,886,265

NOTES:

1. General information

Chongqing Machinery & Electric Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as 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.

These consolidated financial statements are presented in RMB, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 25 March 2014.

2 Basis of preparation

The consolidated financial statements of Chongqing Machinery & Electric Co., Ltd. have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the valuation of financial assets at fair value through profit or loss and available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have an impact on the Group:

- Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- HKAS 19, 'Employee benefits' was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

- Amendment to HKFRS 7, ‘Financial instruments: Disclosures’, on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

- HKFRS 10, ‘Consolidated financial statements’ builds on existing principles by identifying the concept of control as the determining factor as to whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- HKFRS 11, ‘Joint arrangements’ focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

- HKFRS 12, ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

- HKFRS 13, ‘Fair value measurement’ aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements are largely aligned between HKFRSs and US GAAP and do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- HKFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2012. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9’s full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

- Amendment to HKAS 32, ‘Financial instruments: Presentation’ on asset and liability offsetting. These amendments are to the application guidance in HKAS 32, ‘Financial instruments: Presentation’, and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendments to HKFRS 10, 12 and HKAS 27 'Consolidation for investment entities'. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

- Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures for non-financial assets. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' — Novation of derivatives. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets the specified criteria.

- HKFRIC 21 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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

3. 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, financial services, CNC machinery tools, high-voltage transformers and materials sales. The results of other products operations are included in the "all other segments" column.

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

Sales between segments are carried out in the ordinary course of business and in accordance with the 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 profit or loss.

The segment information provided to the operating management committee for the reportable segments for the year ended 31 December 2013 is as follows:

	Engines	Gear boxes	Hydroelectric generation equipment	Electrical wires and cables	General machinery	Financial services	CNC Machinery tools	High-voltage transformers	Material sales	All other segments	Total Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	—	845,278	351,288	2,584,169	704,820	94,099	1,368,711	—	4,039,635	1,652,888	11,640,888
Inter-segment revenue	—	—	(2,862)	(1,080)	(196)	(28,087)	(433,135)	—	(1,462,149)	(12,335)	(1,939,844)
Revenue from external customers	—	845,278	348,426	2,583,089	704,624	66,012	935,576	—	2,577,486	1,640,553	9,701,044
Operating profit	—	19,528	44,729	95,337	37,059	34,709	55,002	—	12,494	(10,092)	288,766
Finance income	—	1,056	1,593	1,680	6,050	—	10,137	—	94	14,639	35,249
Finance costs	—	(1,755)	(5,865)	(33,981)	(5,762)	—	(34,781)	—	(3,254)	(51,309)	(136,707)
Share of post-tax profits of associates and joint ventures	353,816	1,729	680	—	2,212	3,967	1,090	21,557	—	12,864	397,915
Profit before income tax											585,223
Income tax expense	—	(4,952)	(5,021)	(9,451)	(277)	(16,261)	(8,312)	—	(214)	(297)	(44,785)
Profit for the year											540,438
Other items											
Depreciation on property, plant and equipment and investment properties	—	28,197	10,959	19,211	28,929	121	43,960	—	293	40,628	172,298
Amortisation of lease prepayments and intangible assets	—	4,428	1,018	711	4,276	114	10,142	—	16	3,425	24,130
Write down/(write back) of inventories	—	56	—	5,575	455	—	(354)	—	—	336	6,068
Reversal of/(provision for) impairment on trade and other receivables	—	(215)	(7,414)	331	14	2,791	(549)	—	340	9,022	4,320
Total assets	310,143	1,329,946	1,119,986	881,227	1,579,141	1,987,212	2,671,388	163,020	67,437	2,740,803	12,850,303
Total assets include:											
Investments in associates and joint venture	310,143	4,871	10,545	—	91,570	93,967	2,971	163,020	—	141,473	818,560
Additions to non-current assets (other than financial instruments and deferred tax assets)	—	135,392	25,026	8,289	89,538	1,951	472,511	—	980	58,694	792,381

The segment information for the year ended 31 December 2012 is as follows:

	Engines *RMB'000* (Restated)	Gear boxes *RMB'000* (Restated)	Hydroelectric generation equipment *RMB'000* (Restated)	Electrical wires and cables *RMB'000* (Restated)	General machinery *RMB'000* (Restated)	Financial services *RMB'000*	CNC Machinery tools *RMB'000* (Restated)	High-voltage transformers *RMB'000*	Material sales *RMB'000* (Restated)	All other segments *RMB'000* (Restated)	Total Group *RMB'000* (Restated)
Total segment revenue	—	829,071	439,085	2,635,391	565,606	—	1,519,168	—	2,780,963	2,084,854	10,854,138
Inter-segment revenue	—	—	(17)	(369,354)	(453)	—	(488,520)	—	(1,087,246)	(516)	(1,946,106)
Revenue from external customers	—	829,071	439,068	2,266,037	565,153	—	1,030,648	—	1,693,717	2,084,338	8,908,032
Operating profit	—	28,289	35,786	109,935	31,267	—	57,211	—	2,409	(25,024)	239,873
Finance income	—	1,296	2,884	1,989	4,403	—	7,775	—	118	11,325	29,790
Finance costs	—	(8,434)	(7,280)	(40,918)	(2,584)	—	(38,043)	—	(1,942)	(63,833)	(163,034)
Share of post-tax profits of associates and joint ventures	381,282	59	—	—	8,940	—	—	1,584	—	(9,620)	382,245
Profit before income tax											488,874
Income tax expense	—	(6,668)	(5,321)	(14,088)	809	—	(9,014)	—	(355)	4,112	(30,525)
Profit for the year											458,349
Other items											
Depreciation on property, plant and equipment and investment properties	—	29,812	9,959	18,726	20,204	—	39,751	—	37	39,325	157,814
Amortisation of lease prepayments and intangible assets	—	3,303	1,002	1,358	4,195	—	10,395	—	—	3,065	23,318
Write down/(write back) of inventories	—	279	—	1,353	(4,535)	—	(3,741)	—	—	3,717	(2,927)
Provision for/(reversal of) impairment on trade and other receivables	—	65	2,854	7,369	(65)	—	(4,175)	—	316	11,023	17,387
Total assets(Restated)	366,689	1,339,388	974,369	1,037,407	1,412,199	—	2,438,206	153,024	347,441	4,174,782	12,243,505
Total assets include:											
Investments in associates and joint venture	366,689	1,129	—	—	79,368	—	—	153,024	—	151,213	751,423
Additions to non-current assets (other than financial instruments and deferred tax assets)	—	52,948	44,256	9,053	84,987	—	264,126	—	148	62,404	517,922

The segment information of engines is restated according to the adoption of HKFRS 11 Joint arrangement for the year ended 31 December 2012.

Except Holroyd Precision Limited, Precision Components Limited, PTG Heavy Industries Limited, Milnrow Investments Limited, PTG Advanced Developments Limited, PTG Deutschland GmbH ("PTG six entities"), Precision Technologies Group Investment Development Company Limited ("PTGHK") and Precision Technologies Group (PTG) Limited, the other entities of the Group are domiciled in the PRC. The result of the Group's revenue from external customers in the PRC for the year ended 31 December 2013 is approximately RMB9,362,389,000 (2012: RMB8,636,365,000), and the total of its revenue from external customers from other countries is approximately RMB338,655,000 (2012: RMB271,667,000).

The total of non-current assets other than financial instruments and deferred income tax assets located in the PRC was RMB4,130,217,000 (2012: RMB3,466,870,000), and the total of non-current assets located in other countries was RMB233,487,000 (2012: RMB242,040,000).

4. Other income

	Year ended 31 December	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
Government grants in relation to		
— Tax refunds (a)	**28,754**	25,253
— Further development of manufacturing technology (b)	**33,042**	43,810
— Relocation for environmental protection (b)	**56,006**	45,028
— Others	**6,973**	17,271
	124,775	131,362

(a) These tax refunds were granted by local tax authorities in relation to the sales of the Group's certain products.

(b) During the years ended 31 December 2013 and 2012, the Group received certain grants from the local government in compensation of the Group's expenditures on further development of manufacturing technology and relocation for environmental protection. Such amounts were considered as government grants and credited to 'other income' in profit or loss.

5. Finance costs, net

	Year ended 31 December	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
Finance income		
— Interest income on short-term bank deposits	**35,249**	29,790
Finance cost:		
— Bank borrowings wholly repayable within five years	**(89,481)**	(100,908)
— Corporate bonds	**(67,200)**	(67,200)
— Finance lease liabilities	**(1,420)**	(1,648)
— Net exchange gain	**874**	1,605
Less: amounts capitalized on qualifying assets	**20,520**	5,117
	(136,707)	(163,034)
Net finance costs	**(101,458)**	(133,244)

6. Taxation

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

	Year ended 31 December	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
Current income tax	**48,791**	43,494
Deferred tax	**(4,006)**	(12,969)
Income tax expense	**44,785**	30,525

7. Earnings per share

	Year ended 31 December	
	2013	2012
		(Restated)
Profit attributable to equity holders of the Company *(RMB'000)*	**506,829**	443,446
Weighted average number of ordinary shares in issue *(thousands)*	**3,684,640**	3,684,640
Basic and diluted earnings per share *(RMB per share)*	**0.14**	0.12

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential ordinary shares outstanding for all years presented.

8. Dividends

	2013	2012
	RMB '000	*RMB '000*
Interim dividend	**—**	—
Proposed final dividend of RMB0.05 (2012: RMB0.035) per share	**184,232**	128,962
	184,232	128,962

The dividends paid in 2013 and 2012 were RMB128,962,000 (RMB0.035 per share) and RMB221,078,000 (RMB0.06 per share) respectively. A dividend in respect of the year ended 31 December 2013 of RMB0.05 per share, amounting to a total dividend of RMB184,232,000, is to be proposed at the annual general meeting on 18 June 2014. These financial statements do not reflect this dividend payable.

9. Trade and other receivables

	Group As at 31 December 2013 *RMB '000*	2012 *RMB '000* (Restated)
Trade and bills receivables (a)	**3,365,881**	3,256,084
Less: provision for impairment of trade receivables	**(249,715)**	(249,922)
	3,116,166	3,006,162
Deposits paid	**76,698**	90,725
Less: provision for impairment of deposits paid	**(10,683)**	(10,639)
Deposits paid - net	**66,015**	80,086
Prepayments	**273,124**	408,244
Staff advances	**24,124**	35,589
Loans	**254,230**	—
Less: provision for impairment of loans	**(2,542)**	—
Loans — net	**251,688**	—
Others	**170,770**	122,374
Less: provision for impairment of receivables other than trade receivables and deposits paid	**(24,513)**	(24,456)
	3,877,374	3,627,999
Less: non-current portion	**—**	—
Current portion	**3,877,374**	3,627,999

As at 31 December 2013, all loans were provided to the related parties. The maturity of the above loans were within one year. The effective interest rate of the loans ranged from 4.20% to 7.02% for 2013 (2012: Nil).

(a) Ageing analysis of the trade and bills receivables at respective balance sheet dates are as follows:

	Group As at 31 December	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
Less than 30 days	**484,306**	798,386
31 days to 90 days	**530,460**	604,288
91 days to 1 year	**1,699,720**	1,275,411
1 year to 2 years	**308,064**	287,238
2 years to 3 years	**124,233**	98,964
Over 3 years	**219,098**	191,797
	3,365,881	3,256,084

As at 31 December 2013, trade and bills receivables of approximately RMB2,054,874,000 (2012: RMB1,584,881,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The analysis of ageing, which were counted from the day of recognition of trade receivables is as follows:

	Group As at 31 December	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
91 days to 1 year	**1,687,485**	1,267,607
1 year to 2 years	**281,902**	263,440
2 years to 3 years	**85,487**	53,834
	2,054,874	1,584,881

As at 31 December 2013, trade receivables of RMB294,873,000 (2012: RMB268,333,000) were individually impaired and provided for. The amount of provision was approximately RMB249,715,000 as at 31 December 2013 (2012: RMB249,922,000). The individually impaired receivables mainly relate to certain customers, which are in difficult financial situations. It was assessed that a portion of the receivables is expected to be recovered based on the past collection history under similar circumstances. The ageing of these receivables is as follows:

	Group	
	As at 31 December	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
91 days to 1 year	**12,236**	7,625
1 year to 2 years	**24,794**	23,757
2 years to 3 years	**38,745**	45,130
Over 3 years	**219,098**	191,821
	294,873	268,333

(b) There is no concentration of credit risk with respect to the Group's trade receivables, as the Group has a large number of customers which are internationally dispersed.

(c) The carrying amounts of the current portion of trade and other receivables approximate their fair value.

(d) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
RMB	**3,675,879**	3,397,070
UK pound ("UKP")	**176,574**	188,495
USD	**6,431**	30,650
Other currencies	**18,490**	11,784
	3,877,374	3,627,999

(e) Movement on the provision for impairment of trade and other receivables is as follows:

Trade receivables	Group Year ended 31 December 2013 *RMB '000*	2012 *RMB '000* (Restated)
At beginning of the year	**249,922**	246,209
Provision for impairment of receivables	**1,677**	12,063
Receivables written off during the year as uncollectible	**(1,884)**	(8,350)
At end of the year	**249,715**	249,922

Deposits paid	Year ended 31 December 2013 *RMB '000*	2012 *RMB '000* (Restated)
At beginning of the year	**10,639**	10,341
Provision for impairment of receivables	**44**	298
At end of the year	**10,683**	10,639

Loans	Year ended 31 December 2013 *RMB '000*	2012 *RMB '000* (Restated)
At beginning of the year	**—**	—
Provision for impairment of receivables	**2,542**	—
At end of the year	**2,542**	—

Others	**Year ended 31 December**	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
At beginning of the year	**24,456**	19,430
Provision for impairment of receivables	**57**	5,026
At end of the year	**24,513**	24,456

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in profit or loss.

(f) The general credit period granted to customers is up to 90 days.

(g) As at 31 December 2013, the Group's trade and bills receivables with carrying value of approximately RMB53,920,000 (2012: RMB180,459,000) were secured for the Group's borrowings.

(h) The maximum exposure to credit risk was the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

10. Trade and other payables

	Group	
	As at 31 December	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
Trade and bills payables (a)	**2,172,868**	1,925,758
Other taxes payables	**105,633**	116,506
Other payables	**372,834**	390,721
Interest payables	**26,893**	24,795
Deposit taking	**442,967**	—
Accrued payroll and welfare	**84,546**	100,359
Advances from customers	**622,690**	837,157
	3,828,431	3,395,296

As at 31 December 2013, all deposit taking were due to the related parties. The ageing of the above deposits were within one year. The effective interest rate of the deposit taking ranged from 0.37% to 3.30% for 2013 (2012: Nil).

(a) As at 31 December 2013 and 2012, ageing analysis of the trade and bills payables of the Group was as follows:

	As at 31 December	
	2013	2012
	RMB '000	*RMB '000*
		(Restated)
Less than 30 days	**574,192**	739,631
31 days than 90 days	**531,698**	528,911
91 days to 1 year	**804,383**	529,377
1 year to 2 years	**150,861**	80,066
2 years to 3 years	**71,194**	17,831
Over 3 years	**40,540**	29,942
	2,172,868	1,925,758

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to announce the annual results of the Group for the year ended 31 December 2013 (the "Period"). The Group's annual results have been audited by the auditor, PricewaterhouseCoopers. It is my pleasure to present the annual results of the Group as well as sustainable development strategy and outlook to the shareholders.

RESULTS REVIEW

In 2013, the world economic environment had improved, but was still in the phase of adjustment. The American economy started to recover but was still not stable enough, while the European economy gradually became stable. Under the regulation of a series of macro-policies such as "stable growth, structure adjustment and reform promotion", the overall Chinese economy was gradually recovering. GDP for the year still maintained a growth of 7.7%, which was higher than the expected 7.5%. In face of the impact from a number of factors such as the pressure from the change in the development and slowdown in investment of the Chinese economy, intensified market competition, decrease in demand, etc., the Group closely focused on the established goals, assessed the situation and upheld the overall thought of "driving structure adjustment with innovation and promoting development through improving quality and enhancing efficiency". In addition, it focused on the market externally and strengthened management internally. It emphasized on quality and benefits and insisted on innovation. The corporate governance, management and control were up to standards and effective. All the established goals have been well achieved.

Total revenue of the Group for the year ended 31 December 2013 was approximately RMB9,701.0 million (2012: RMB8,908.0 million), representing an increase of approximately RMB793.0 million or approximately 8.9% over last year. Gross profit was approximately RMB1,084.8 million (2012: RMB1,034.7 million), representing an increase of approximately RMB50.1 million or approximately 4.8% over last year. Profit attributable to the shareholders of the Company amounted to approximately RMB506.8 million (2012: RMB443.4 million), representing an increase of approximately RMB63.4 million or approximately 14.3% over last year.

During the Period, the Group's administrative expenses accounted for approximately 7.7% of the revenue while distribution and selling expenses accounted for approximately 2.7%, slightly lower than last year in general. The Group maintained a healthy financial position during the Period. As at 31 December 2013, total cash and bank deposits of the Group amounted to approximately RMB2,239.5 million, lower than last year by approximately 19.1%.

For the year ended 31 December 2013, earnings per share were approximately RMB0.14 (2012: approximately RMB0.12). Total assets as at 31 December 2013 amounted to approximately RMB12,850.3 million (as at 31 December 2012: RMB12,243.5 million), while total liabilities amounted to approximately RMB6,964.0 million (as at 31 December 2012: RMB6,761.3 million); total equity attributable to the shareholders was approximately RMB5,518.8 million (as at 31 December 2012: RMB5,143.4 million); net asset value per share was approximately RMB1.60 (as at 31 December 2012: RMB1.49).

BUSINESS REVIEW AND OUTLOOK

Automobile parts and components (gear boxes, steering systems)

In 2013, the Chinese automobile market maintained stable growth, driving the recovery of automobile industry, of which the sales of medium to large passenger cars recorded a slight increase and heavy-duty trucks saw a rapid growth, which drove the growth of gear box and steering systems business as closely related with the Group. The market shares of diesel engine business and power equipment increased, while the market demand of engineering machinery, vessels, etc. was still low and the sales throughout the year declined slightly. (During the period, the Company adopted HKFRS 11 "Joint Arrangements" to restate the gains from and interests in engine business using the equity method, which is reflected in the share of profits of jointly entities). The overall automobile parts and components business of the Group achieved growth, with revenue for the year amounting to approximately RMB1,247.3 million, representing an increase of approximately 1.4% from the corresponding period of last year.

On 28 August 2013, Chongqing Cummins entered into an agreement with the Cummins Inc. ("U.S. Cummins") to introduce QSK50, QSK60 and QSK72, the most advanced all-electric high-powered diesel engines in the world, to build the new product production base of high-powered diesel engines and large power engine R&D center. For details, please refer to the announcement of the Board published on the websites of Hong Kong Stock Exchange and the Company on 28 August 2013.

The Group's independently developed Automatic Mechanical Transmission (AMT) product for large and medium passenger vehicles won the recognition from the market and realized bulk production and sales. New energy saving and environment friendly gear boxes also achieved bulk sales; 200,000 units project of the Phase 1 of the production base for an annual output of 400,000 gear boxes for medium and heavy-duty vehicles is expected to be put into operation in the second half of 2014.

The segment of automobile parts and components is expected to realize stable growth in 2014 as driven by Chinese new-type urbanization construction.

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

In 2013, the electrical wires and cables and non-ferrous metal powder of the segment achieved growth, while their revenue declined due to the decrease in copper price and the delayed delivery of hydroelectric generation equipment as requested by some customers. The segment recorded revenue of approximately RMB3,446.4 million for the year, representing a decrease of approximately 4.9% from the corresponding period of last year.

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 and passed the international SGS certification, laying a good foundation for entering into the European market.

In 2014, with the increasing business in clean energy, intelligent grid project and turbanization construction as well as the increasing business in overseas hydroelectric generating sets, this business segment is expected to recover and sustain stable growth.

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

In 2013, in spite of the overall weak demand in the traditional market of this segment including the iron and steel, metallurgy and cement industries, the Group intensified the expansion in new markets of petroleum and petrochemicals, coal chemicals, mining, nuclear power and wind power. The industrial pumps, separation machines and compressors business maintained stable. In particular, wind power rotor blades achieved a substantial growth. The segment recorded revenue of approximately RMB1,439.6 million for the year, representing an increase of approximately 8.3% over the same period of last year.

The large reciprocating hydraulic diaphragmatic pump (大型往復式液壓隔膜泵) which was researched and manufactured by the Group independently gained recognitions and orders from customers in the market for long-distance pulp pipeline, the de-scaling pump (除鱗泵) expanded successfully in Korean market, LNG equipment for CNG-filling stations gained market orders of more than RMB40 million, and the all-in-one machine for subtraction and pulping of kitchen wastes had been distributed into the market massively. The high-end pump industrialization for capacity expansion and renovation project had been completed with an annual production capacity of 50 units/set of high-end pumps with the majority being nuclear pumps. The Xilinhot wind power rotor blade production base and the Erdos industrial base in Inner Mongolia had been completed and put into mass production. "Tongnan sewage treatment works BOT" project had been completed and is to be put into trial operation. After Chongqing Machine Tools (Group) Co., Ltd. ("Chongqing Machine Tools"), Chongqing General Industry (Group) Co., Ltd. ("Chongqing General") was also accredited as a national enterprise technology center.

In 2014, this business segment is expected to grow steadily due to the benefits from adjustments in the industrial structure and product structure.

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

In 2013, this segment as a whole suffered a decrease in demand due to the continuous impact from the slowed expansion of production capacity of industries such as the automobile, engineering machinery, general machinery industry and agricultural machinery. Although the Group held the leading position in the market and maintained their market share by relying on their product technology and brand advantage of the CNC hobbing machine and shaving machine, its revenue declined over the same period of last year. The segment recorded revenue of approximately RMB935.6 million, representing a decrease of approximately 9.2% over the same period last year.

The CNC all-purpose precision grinding machine researched and development independently by the Group achieved bulk sales, and the automatic production line for high-efficiency and precision dual-principal-axis lathes (雙主軸車床), CNC high-speed dry-cutting hobbing machine, CNC chamfering machine, precision CNC shaving machine and intelligent gear automatic production line had reached domestically leading and internationally advance levels. The environmental relocation project of Chongqing Machine Tools will be completed and put into operation in 2014.

In 2014, the segment of CNC machine tools will remain weak due to the slowed down investment and competitions from foreign powerful competitors, while the demand for high-end machine tools, robots and automatic production line will increase. This business segment is expected not to be viewed optimistically.

Trade business

In 2013, the bulk commodity procurement platform of the Group increased procurement types and quantities, directly reducing procurement cost of the Group by approximately RMB15.0 million. The turnover of this segment amounted to approximately RMB2,577.5 million, representing an increase of approximately 52.2% over the same period last year.

In 2014, the Group will further increase the commodity types and scope of its bulk material centralized procurement as well as the supervision and control of risks, so as to save trading costs. This segment is expected to maintain steadily in 2014.

Financial services

Chongqing Machinery and Electric Holding (Group) Finance Co., Ltd. ("Finance Company") which is controlled and owned by the Company, officially started operations on 10 April 2013. By the provision of full financial services, it provided loans, guarantees and deposits for the Group's enterprises, which resulted in a decrease in financial costs and an increase in fund efficiency. Revenues amounted to approximately RMB66.0 million during the period.

In 2014, the Group will continue to employ the financial service functions of Finance Company and carry out financial business within the national approved scope comprehensively. This segment is expected to maintain stable growth.

DEVELOPMENT FOUNDATION AND ADVANTAGES

The Group ranked in the "Fortune China 500 Companies" for 4 consecutive years from 2010 through 2013 and won the title of "2013 China Top 500 Industrial Listed Companies". It is a heavyweight equipment manufacturing enterprise based in western China and the following foundations and advantages will contribute to our future development:

Firstly, the Group benefits from the preferential policies such as the "314" overall state strategic deployment and the large-scale development of China's western region, and enjoys unique geographical and taxation advantages; secondly, the four core businesses of the Group are in line with the national industrial policies, its products have relatively big market shares in the niche markets and the diversified product portfolio of the Group enhanced the ability of the Group in mitigating and preventing market risks; thirdly, the Group is equipped with the fundamentals for technological development and renovation, possesses Chinese famous brand, Chinese well-known trademark and several Chongqing famous brands, as well as technological centers at national-level and municipal-level and numerous patented technologies, which, together with the industry-leading craftsmanship and technology accumulated over years as well as on-going investment in research and development, brings us a strong brand advantage and technological renovation and R&D ability; fourthly, the Group has established an efficient and standardized corporate governance structure and systems, and a monitoring and guarantee mechanism for decision-making, which has created good corporate governance with high efficiency and effective control; fifthly, the Group has a sound human resources management system and motivation mechanism, featuring the six mechanisms for talents management, i.e. "selection, cultivation, utilization, retaining, dismissal and backup", and through means of attracting talents both at home and abroad, job rotations, communications and training, the quality and ability of our staff are improved continuously, which provide talents support to the sustainable development of the Group. The Board, management and all employees of the Group have full confidence in future development.

DEVELOPMENT STRATEGY

The Group's development strategy and work priorities in 2014 are set out as follows:

I. Development Strategy

The Group will take the "Twelfth Five-Year Plans" as the blueprint, lead the whole industry with the "321" strategy focusing on "sharpening up existing business, beefing up new business and keeping up innovation", deepen the reformation, enhance the management and improve quality and profitability, so as to promote the continuous and healthy development of the Company.

II. Work Priorities

(1) Promote management and step up quality of economic operation. The focus will be placed on regulation and control of economic operation, precision management, integration of sales resources, in-depth promotion of procurement, more efforts in quality management, financial management and control (comprehensive budget management), etc.

(2) Deepen reform and add motive force for corporate development. The Group will divide enterprises into two types, strategic development and reform adjustment following the thought of "to move forward or backward depending on the situation; to do something and not to do everything" and insist on the principle of "one policy for one enterprise", striving to basically complete reform in about 3 years.

(3) Continue to make innovation to drive the sustainable development of the Company. The major works include construction of a research and development platform, boosting information construction, structure adjustment, environmental relocation, joint venture and mergers.

(4) Care for people and deal with concrete matters in relation to the foundation of human resources. The major works include promoting talent team construction, carrying out evaluation and employment of chief staff, strengthening cooperation between universities and enterprises, granting awards for invention patents, etc.

(5) Standardize management and control and strictly control operation risks of the Company. The major works include continuous promotion of inner control system construction, performing evaluation of the effectiveness of internal control, implementing supervision and review of effectiveness, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Operation Analysis

Automobile parts and components

In 2013, the Chinese automobile market maintained stable growth, driving the recovery of automobile industry, of which the sales of medium to large passenger cars recorded a slight increase over the same period last year and heavy-duty trucks saw a rapid growth, which drove the growth of gear box and steering systems business as closely related with the Group. The market shares of diesel engine business and power equipment increased, while the market demand of engineering machinery, vessels, etc. was still low and the sales throughout the year declined. (During the period, the Company adopted HKFRS 11 "Joint arrangements" to restate the gains from and interests in engine business using the equity method, which is reflected in the share of profits of jointly entities). The overall automobile parts and components business of the Group achieved growth, with revenue for the year amounting to approximately RMB1,247.3 million, representing an increase of approximately 1.4% from 2012.

Power equipment

In 2013, the electrical wires and cables and non-ferrous metal powder of the segment achieved growth, while their revenue declined due to the decrease in copper price and the delayed delivery of hydroelectric generation equipment as requested by some customers. The segment recorded revenue of approximately RMB3,446.4 million for the year, representing a decrease of approximately 4.9% from 2012.

General machinery

In 2013, in spite of the overall weak demand in the traditional market of general machinery including the iron and steel, metallurgy and cement industries, the Group achieved breakthrough and order growth in new markets of petroleum and petrochemicals, coal chemicals, mining, nuclear power and wind power. The industrial pumps, separation machines and compressors businesses maintained stable. In particular, wind power rotor blades and refrigeration machines achieved a substantial growth of approximately 24.7%. The segment recorded revenue of approximately RMB1,439.6 million for the year, representing an increase of approximately 8.3% from 2012.

CNC machine tools

In 2013, the CNC machine tools segment as a whole suffered a decrease in demand due to the continuous impact from the slowed expansion of production capacity of such industries as automobile, engineering machinery, general machinery industry, agricultural machinery, etc. Although the Group consolidated the leading position in the market and maintained the market share relying on the product technology and brand advantage of CNC hobbing machine and shaving machine, its revenue declined over the last year. The segment recorded revenue of approximately RMB935.6 million, representing a decrease of approximately 9.2% over the same period last year.

Trade business

In 2013, the bulk commodity procurement platform of the Group increased procurement types and quantities, directly reducing procurement cost of the Group by approximately RMB15.0 million. The revenue of this segment amounted to approximately RMB2,577.5 million, representing an increase of approximately 52.2% over the same period last year.

Financial business

Finance Company officially started operation on 10 April 2013. By playing entire role of its financial service functions, the Finance Company provided loans, guarantees and deposits for the Group's enterprises, resulted in a decrease in financial costs and an increase in fund efficiency. Revenue amounted to approximately RMB66.0 million during the period.

SALES

For the year ended 31 December 2013, the Group's total revenue amounted to approximately RMB9,701.0 million, an increase of approximately RMB793.0 million or approximately 8.9% as compared with approximately RMB8,908.0 million for 2012. As compared with 2012, the revenue of automobile parts and components was approximately RMB1,247.3 million (accounting for approximately 12.9% of total revenue), an increase of approximately 1.4%; revenue of power equipments was approximately RMB3,446.4 million (accounting for approximately 35.5% of total revenue), a decrease of approximately 4.9%; revenue of general machinery was approximately RMB1,439.6 million (accounting for approximately 14.8% of total revenue), an increase of approximately 8.3%; revenue of CNC machine tools was approximately RMB935.6 million (accounting for approximately 9.6% of total revenue), a decrease of approximately 9.2%; revenue of trade segment was approximately RMB2,577.5 million (accounting for approximately 26.6% of total revenue), an increase of approximately 52.2%; and revenue of new financial business segment was approximately RMB66.0 million (accounting for approximately 0.7% of total revenue).

GROSS PROFIT

The gross profit for 2013 was approximately RMB1,084.8 million, increased by approximately RMB50.1 million or approximately 4.8%, as compared with approximately RMB1,034.7 million for the same period of 2012. Gross profit margin was 11.2%, decreased by 0.4 percentage point as compared with 11.6% for the same period last year. If excluding the trade business and newly-launched financial services, the gross profit margin was 14.4%, increased by 0.2 percentage points as compared with 14.2% for the same period last year.

As compared with 2012, gross profit, gross profit margin and the proportion for automobile parts and components and general machinery increased. On the contrary, the gross profit and gross profit margin for power equipment and CNC machine tools relatively dropped. The Group's overall gross profit margin decreased by 0.4 percentage points due to the rapid growth in trade business with low gross profit margin and higher percentage in revenues.

OTHER INCOME AND GAINS

The other income and gains for 2013 were approximately RMB219.7 million, an increase of approximately RMB41.6 million or approximately 23.4%, as compared with approximately RMB178.1 million for the same period of 2012, mainly due to the government's subsidy, refund, environmental relocation and gains from disposal of lands of Chongqing Water Turbine.

SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses for 2013 were approximately RMB1,015.7 million, an increase of approximately RMB42.7 million or approximately 4.4%, as compared with approximately RMB973.0 million for the same period of 2012, mainly due to the increase in transportation expenses, administrative salaries and research and development costs. The overall selling and administrative expenses accounted for approximately 10.5% of sales, a slight decrease of approximately 0.4 percentage points as compared with 10.9% for the same period of 2012.

OPERATING PROFIT

The operating profit for 2013 was approximately RMB288.8 million, an increase of approximately RMB48.9 million or approximately 20.4%, as compared with approximately RMB239.9 million for the same period of 2012. Eliminating the effect of one-off gains included in other income and gains, operating profit increased by approximately RMB7.3 million, or approximately 11.8%, over the same period of 2012.

FINANCE COSTS

Interest expense for 2013 were approximately RMB136.7 million, a decrease of approximately RMB26.3 million or approximately 16.1%, as compared with approximately RMB163.0 million for the same period of 2012, mainly due to the fact that more financial expenses were capitalized and a decrease in borrowing interests by virtue of advantages of Finance Company in the Period.

SHARE OF PROFITS OF JOINT VENTURES

The Company has adopted HKFRS 11 "Joint Arrangements" to restate the gains from and interests in jointly entities using the equity method. The Group's share of profits of jointly entities for the year ended 31 December 2013 was approximately RMB353.8 million, a decrease of approximately RMB27.5 million or approximately 7.2%, as compared with approximately RMB381.3 million for the same period last year. Such decrease was due to the declines in the sales of Chongqing Cummins Engine Co., Ltd.

SHARE OF PROFITS OF ASSOCIATED COMPANIES

The Group's share of profits of associated companies for the year ended 31 December 2013 was approximately RMB44.1 million, a substantial increase of approximately RMB43.1 million or approximately 43.1 times, as compared with approximately RMB1.0 million for the same period of 2012. The increase was attributable to the fact that Chongqing ABB Power Transformer Co., Ltd. recorded higher profit of approximately RMB21.6 million, Chongqing Hongyan Fangda Automobile Suspension Co., Ltd. turned losses into gains and recorded profits of approximately RMB7.9 million and the profit attributable to new established Chongqing New North Zone Machinery and Electronic Microcredit Co., Ltd of approximately RMB4.9 million.

INCOME TAX EXPENSES

The corporate income tax expenses for the year ended 31 December 2013 were approximately RMB44.8 million, an increase of approximately RMB14.3 million, or approximately 46.9%, as compared with approximately RMB30.5 million for the same period of 2012, mainly due to the increase in taxes payable.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders for the year ended 31 December 2013 was approximately RMB506.8 million, an increase of approximately RMB63.4 million or approximately 14.3% as compared with approximately RMB443.4 million for the same period of 2012. Earnings per share increased from approximately RMB0.12 per share for 2012 to approximately RMB0.14 per share for 2013.

DISTRIBUTABLE RESERVES

According to the Articles of Association of the Company, the Company's reserves available for distribution based on the Company's profit are the lower of which is determined under HKFRSs and China Accounting Standards for Business Enterprises ("CAS").

The Company's reserves available for distribution as at 31 December 2013 under HKFRSs and CAS were RMB1,182,891,000 and RMB1,337,054,000 respectively. Thus, as at 31 December 2013, the Company's distributable reserve attributable to shareholders of the Company amounted to RMB1,182,891,000.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.05 per share (tax inclusive)(for the year ended 31 December 2012: RMB0.035 per share) for the year ended 31 December 2013, which is calculated based on the total share capital of 3,684,640,154 shares for the year ended 31 December 2013, totalling RMB184,232,007.70 (totalling RMB128,962,405.39 for the year ended 31 December 2012). Subject to approval by shareholders at the Annual General Meeting to be convened on Wednesday, 18 June 2014, the proposed final dividend will be paid on or about 31 July 2014 to shareholders whose names appear on the Register of Members of the Company on 29 June 2014 ("Record Date").

In order to ascertain the entitlements of the shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Tuesday, 24 June 2014 to Sunday, 29 June 2014 (both days inclusive), during which period no transfer of shares will be registered. All transfer documents accompanied by share certificates of the holders of H Shares of the Company must be lodged at our H Share Registrar at Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 23 June 2014.

WITHHOLDING OF ENTERPRISE INCOME TAX FOR NONRESIDENT CORPORATE SHAREHOLDERS

Pursuant to the Enterprise Income Tax Law of the People's Republic of China ("EIT Law") and the implementation rules thereof and the Circular on Issues Concerning the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Payable to H Share Non-resident Corporate Shareholders (Guo Shui Han [2008] No.897), the Company is liable to withhold and pay the enterprise income tax on dividends payable to non-resident corporate holders of H shares whose names appear on the register of holders of H shares of the Company ("H Share Register of Members") on the Record Date at a rate of 10% prior to the payment of such final dividends.

Any H shares registered in the name of non-individual shareholders will be treated as being held by non-resident corporate shareholders and hence the dividends payable to them will be subject to the withholding of enterprise income tax. Non-resident corporate shareholders may apply to the relevant taxation authorities for tax refunds in accordance with the applicable tax treaty (if any). The final dividends payable to natural person shareholders whose names appear on H Share Register of Members on the Record Date is not subject to the withholding of 10% enterprise income tax by the Company. For dividends payable to resident corporate shareholders whose names appear on H Share Register of Members on the Record Date, the Company will not withhold enterprise income tax on such dividends, provided that a legal opinion is provided by a resident corporate shareholder within the prescribed time period and confirmed by the Company.

If any resident enterprise (as defined in the EIT Law) whose name appears on the H Share Register of Members which is duly incorporated in the PRC or under the laws of a foreign country (or a territory) but with a PRC-based de facto management body does not wish to have the 10% enterprise income tax to be withheld by the Company, it should lodge all transfers with and submit a legal opinion issued by a PRC certified lawyer (with affixation of common seal of the law firm thereto) that establishes its resident enterprise status to the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 23 June 2014. Any natural person investor whose H shares are registered in the name of any such non-individual shareholders and who does not wish to have any enterprise income tax to be withheld by the Company, may consider transferring the legal title of the relevant H shares into his or her own name and lodging all relevant transfer instruments accompanied by the H share certificates with the Company's H Share Registrars for registration no later than 4:30 p.m. on 23 June 2014. Shareholders are recommended to consult their tax advisors regarding tax issues in respect of the ownership and disposal of H shares in the PRC and Hong Kong and other tax effects.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements of the shareholders to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 19 May 2014 to Wednesday, 18 June 2014 (both days inclusive), during which period no transfer of shares will be registered. All transfers accompanied by the relevant shares certificates must be lodged with the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 16 May 2014.

CASH FLOW

The Group's cash and bank deposits (including restricted cash) amounted to approximately RMB2,239.5 million as at 31 December 2013 (31 December 2012: approximately RMB2,769.7 million), representing a decrease of approximately RMB530.2 million or approximately 19.1%, mainly due to the increase in extended loans from newly-launched financial business and capital expenditure.

During the Period, the Group had a net cash outflow from operating activities of approximately RMB134.3 million (for the year ended 31 December 2012: approximately RMB143.9 million), a net cash outflow from investing activities of approximately RMB318.2 million (for the year ended 31 December 2012: a net cash inflow of approximately RMB157.0 million), and a net cash outflow from financing activities of approximately RMB280.6 million (for the year ended 31 December 2012: a net cash inflow of RMB28.0 million). Directors believe that the Group is financially sound and has sufficient resources to meet its operating capital needs and fund any predictable capital expenditure.

ASSETS AND LIABILITIES

As at 31 December 2013, the Group had total assets of approximately RMB12,850.3 million, representing an increase of approximately RMB606.8 million as compared with approximately RMB12,243.5 million as at 31 December 2012. Total current assets amounted to approximately RMB8,408.9 million, decreased by approximately RMB48.4 million as compared with approximately RMB8,457.3 million as at 31 December 2012, accounting for approximately 65.4% of total assets. However, total non-current assets was approximately RMB4,441.4 million, representing an increase of approximately RMB655.2 million as compared with approximately RMB3,786.2 million as at 31 December 2012, and accounting for approximately 34.6% of total assets.

As at 31 December 2013, total liabilities of the Group amounted to approximately RMB6,964.0 million, representing an increase of approximately RMB202.7 million as compared with approximately RMB6,761.3 million as at 31 December 2012. Total current liabilities were approximately RMB4,940.2 million, representing a decrease of approximately RMB61.3 million as compared with approximately RMB5,001.5 million as at 31 December 2012, accounting for approximately 70.9% of total liabilities. However, total non-current liabilities were approximately RMB2,023.8 million, representing an increase of approximately RMB264.0 million as compared with approximately RMB1,759.8 million as at 31 December 2012, and accounting for approximately 29.1% of total liabilities.

As at 31 December 2013, net current assets of the Group were approximately RMB3,468.7 million, representing an increase of approximately RMB12.9 million as compared with approximately RMB3,455.8 million as at 31 December 2012.

CURRENT RATIO

As at 31 December 2013, the Group's current ratio, being a ratio of current assets to current liabilities, was 1.70:1 (31 December 2012: 1.69:1).

GEARING RATIO

As at 31 December 2013, by dividing the borrowing by the total capital, the Group's gearing ratio was 29.7% (31 December 2012: 32.7%).

INDEBTEDNESS

As at 31 December 2013, the Group had an aggregate bank and other borrowings of approximately RMB2,486.1 million, representing a decrease of approximately RMB174.1 million as compared with approximately RMB2,660.2 million as at 31 December 2012.

Borrowings repayable by the Group within one year were approximately RMB996.9 million, representing a decrease of approximately RMB494.3 million as compared with approximately RMB1,491.2 million as at 31 December 2012. Borrowings repayable after one year were approximately RMB1,489.3 million, representing an increase of approximately RMB320.3 million as compared with approximately RMB1,169.0 million as at 31 December 2012.

SECURED ASSETS

As at 31 December 2013, approximately RMB447.2 million of the Group was deposited with the banks with pledge or restricted for use (31 December 2012: approximately RMB243.9 million). In addition, certain bank borrowings of the Group were secured by certain properties, plants and equipment, investment properties and inventories of the Group, and pledged by trade receivables of the Group, which had a net book value of approximately RMB982.5 million as at 31 December 2013 (31 December 2012: approximately RMB546.7 million).

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no significant contingent liabilities.

SIGNIFICANT EVENTS

Events in the period

(1) The Annual General Meeting of the Company re-elected the members of the Board. It was resolved at the Annual 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.

(2) Re-election of the members of the Supervisory Committee of the Company was held at the Annual General Meeting of Company convened on 18 June 2013, as a result of which members of the third session of the Supervisory Committee includes: Mr. Yang Mingquan and Mr. Wang Pengcheng as supervisors, Mr. Liu Xing and Mr. Du Chengrong as independent supervisors, and Mr. Chen Qing and Mr. Zhao Zicheng were elected as Supervisors as staff representatives. Terms for the above Supervisors commenced from the date of the AGM until expiry of the term of the third session of the Supervisory Committee of the Company. The Company also authorized the Board to fix the remuneration pursuant to the remuneration standard for Supervisors passed at the 2012 Annual General Meeting and to enter into a service agreement with each of Supervisors on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters;

(3) At the first meeting for 2013 of the third session of the Board held on 18 June 2013, Mr. Wang Yuxiang was elected as the Chairman and legal representative of Company for a term from the date of the meeting until expiry of the term of the third session of the Board;

(4) Following matters were considered and passed at the first Extraordinary General Meeting for 2013 of the Company held on 10 April 2013:

    1. To approve the transactions in respect of the deposit services under the financial services framework agreement entered into between the Company and the Finance Company on 17 February 2013 (as amended by the financial services framework supplemental agreement entered into between the Company and Finance Company on 13 March 2013) (the "Group Financial Services Framework Agreement"), and the proposed annual caps for such transactions for the year ended 31 December 2013 was set at RMB1,250 million (including the corresponding interests);

    2. To approve the transactions in respect of the loan services under the Group Financial Services Framework Agreement and the proposed annual caps for such transactions for the year ended 31 December 2013 was set at RMB960 million (including the corresponding interests);

    3. To approve the transactions in respect of the loan services under the financial services framework agreement entered into between Chongqing Machinery and Electric Holding (Group) Co., Ltd. ("Parent Company") and the Finance Company on 17 February 2013 (as amended by the financial services framework supplemental agreement entered into between the Parent Company and the Finance Company on 13 March 2013) (the "Parent Group Financial Services Framework Agreement"), and the proposed annual caps for such transactions for the year ended 31 December 2013 was set at RMB1,170 million (including the corresponding interests);

4. To approve the transactions in respect of the guarantee services under the Parent Group Financial Services Framework Agreement, and the proposed annual caps for such transactions for the year ended 31 December 2013 was set at RMB618 million (including the corresponding handling fees);

(5) Following matters were considered and passed at the second Extraordinary General Meeting for 2013 of the Company held on 30 December 2013:

1. Proposed annual caps in respect of the amounts payable by the Parent Company and its associates to the Group under the master sale agreement for the financial year ending 31 December 2014, 2015 and 2016 were set at RMB220 million, RMB250 million and RMB310 million, respectively;

2. Proposed annual caps in respect of the amounts payable by the Group to the Parent Company and its associates under the master supply agreement for the financial year ending 31 December 2014, 2015 and 2016 were set at RMB160 million, RMB84 million and RMB99 million, respectively;

3. Proposed annual caps in respect of the deposits of the Group with the Finance Company under the financial services framework agreement for the financial year ending 31 December 2014, 2015 and 2016 were set at RMB1,600 million, RMB1,840 million and RMB2,116 million (including corresponding interests), respectively;

4. Proposed annual caps in respect of the loans from the Parent Company to the Finance Company under the financial services framework agreement for the financial year ending 31 December 2014, 2015 and 2016 were set at RMB1,570 million, RMB2,130 million and RMB2,500 million (including corresponding interests), respectively;

5. Proposed annual caps in respect of the guarantee provided by the Parent Company in favor of the Finance Company under the financial services framework agreement for the financial year ending 31 December 2014, 2015 and 2016 were set at RMB618 million (including the corresponding handling fees);

(6) On 28 August 2013, the Board revolved to: (I) approve the entering-into of (i) QSK50 and QSK60 License Contract, (ii) QSK72 License Contract, and (iii) Component Supply Agreement between CCEC, a joint venture of the Company and U.S. Cummins to introduce the technology of the most advanced high-powered diesel engines in the world; (II) approve the entering-into of the CCEC Market and Channel Operating Agreement between CCEC and Cummins China; and (III) approve the entering-into of the CCEC Agency and Distribution Contract between CCEC and Cummins China. For details, please refer to the announcement of the Board published on the websites of the Hong Kong Stock Exchange and the Company on 28 August 2013.

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

SUBSEQUENT EVENTS

(1) As resolved by the Board on 24 January 2014, considering Mr. Chen Xianzheng ("Mr. Chen") will reach his statutory retirement age, resignation of Mr. Chen as the Secretary to the Board was accepted. For the purpose of facilitating the transition arrangement, Mr. Xiang Hu ("Mr. Xiang"), the former Vice General Manager of the Company, has been appointed as the Secretary to the Board of the Company.

(2) Chongqing Water Turbine, a wholly owned subsidiary of the Company disposed a land covering 181,485 square meters to Chongqing Land Group at a consideration of RMB544,460,000 and Chongqing Machine Tool, a wholly owned subsidiary of the Company disposed a land covering 278,572.7 square meters to Chongqing Land Group at a consideration of RMB752,148,000. For details, please refer to the announcement of the Board published on the websites of the Hong Kong Stock Exchange and the Company on 20 February 2014.

CAPITAL EXPENDITURE

As at 31 December 2013, the total capital expenditure of the Group was approximately RMB792.4 million, which was principally used for environmental relocation, plant expansion, production technology improvement and equipment upgrade (31 December 2012: approximately RMB517.9 million).

CAPITAL COMMITMENT

As at 31 December 2013, the Group had capital commitments of approximately RMB559.6 million (31 December 2012: approximately RMB86.0 million) in respect of fixed assets and intangible assets.

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.

As at 31 December 2013, the bank deposits of the Group included HK dollar valued at approximately RMB0.07 million, US dollar valued at approximately RMB1.9 million, GBP valued at approximately RMB7.3 million and EUR valued at approximately RMB3.4 million (31 December 2012: HK dollar valued at approximately RMB0.07 million, US dollar valued at approximately RMB12.4 million, GBP valued at approximately RMB17.8 million, and EUR valued at approximately RMB5.0 million). Save as the aforesaid, the Group was not exposed to any significant risk of foreign exchange.

EMPLOYEES

As at 31 December 2013, the Group had a total of 15,595 employees (31 December 2012: 16,140 employees). The Group will continue to upgrade 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 reviews of our management and employees, improve training on safety so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

OTHER CORPORATE INFORMATION

Competition and Conflict of Interests

As at 31 December 2013, the non-competition agreement entered into between Chongqing Machinery and Electronic Holding (Group) Co., Ltd., the Parent Company, and the Company remained effective. Please refer to the Prospectus for details of such undertakings.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the Company shall disclose the following continuing connected transactions in its annual report:

Master Sales Agreement

On 14 October 2013, a master sales agreement was renewed by and between the Company and Chongqing Machinery and Electronic Holding (Group) Co., Ltd. (the "Parent Company") (the "Master Sales Agreement"). Pursuant to the Master Sales Agreement, the Group has agreed to sell certain products such as control valves and parts for steering systems, gears and clutch assemblies and the BV series of electric cables (the "Products") to the Parent Company and its associates.

Additionally, in case where there is a material fluctuation in the prices of any or all of the Products, the parties will re-negotiate the terms of the Master Sales Agreement in good faith by way of entering into a supplemental agreement or a new master sales agreement. The Master Sales Agreement is valid for a period of three years from the date of the agreement and renewable for another three years by the Company giving at least three months' notice prior to the expiry of the initial term. Accordingly, as approved at the Annual General Meeting held on 6 June 2011, the approved annual caps of sales for 2013 were set at RMB210 million. As approved at the Extraordinary General Meeting held on 30 December 2013, the approved annual caps of sales for 2014, 2015 and 2016 were set at RMB220 million, RMB250 million and RMB310 million respectively.

The Master Sales Agreement is entered into in the ordinary course of business of the Group on normal commercial terms. Basis of pricing is as follows:

(i) according to the price set by the PRC Government (including the municipal government and other regulatory bodies which govern such transactions); or

(ii) if no such price is set by the PRC Government, not lower than the guide prices set by the PRC Government for such transactions; or

(iii) if there is no set price and no guide prices set by the PRC Government, not lower than such open market price between independent parties on normal commercial terms in comparable locality, or if there are no comparable localities, not lower than such open market price between independent parties on normal commercial terms in the PRC generally; or

(iv) if there is no set price and no guide prices set by the PRC Government and there is no open market price for such transactions, the parties are to negotiate on normal commercial terms for such transactions based on the actual or reasonable costs of such transactions (whichever is lower) together with a reasonable profit. A "reasonable profit" is a profit that is agreed between the parties as being no less than the Group's profit margins of the same products for the previous year.

For the year ended 31 December 2013, the monetary value of sales under the Master Sales Agreement by the Company to the Parent Company and its subsidiaries was approximately RMB113.0 million (for the year ended 31 December 2012: RMB119.2 million).

Master Supplies Agreement

On 14 October 2013, a master supplies agreement was renewed by and between the Company and the Parent Company (the "Master Supplies Agreement"). Pursuant to the Master Supplies Agreement, the Parent Company and its associates have agreed to supply the Company with parts and raw materials such as gears, component parts, YB2 series engines, electricity, water, gas and electrolytic copper (the "Supplies").

Additionally, in case where there is a material fluctuation in the price of any or all of the products, the parties will re-negotiate the terms of the Master Supplies Agreement in good faith by way of entering into a supplemental agreement or a new master supplies agreement. The Master Supplies Agreement is valid for a period of three years from the date of the agreement and renewable for another three years by the Company giving at least three months' notice prior to the expiry of the initial term. Accordingly, as approved at the Annual General Meeting held on 6 June 2011, the approved annual caps of supplies for 2013 were set at RMB550 million. As approved at the Extraordinary General Meeting held on 30 December 2013, the approved annual caps of supplies for 2014, 2015 and 2016 were set at RMB160 million, RMB84 million and RMB99 million respectively.

The Master Supplies Agreement is entered into in the ordinary course of business of the Group on normal commercial terms. Basis of pricing is as follows:

(i) according to the price set by the PRC Government (including the municipal government and other regulatory bodies which govern such transactions); or

(ii) if no such price is set by the PRC Government, not lower than the guide prices set by the PRC Government for such transactions; or

(iii) if there is no set price and no guide prices set by the PRC Government, not higher than such open market price between independent parties on normal commercial terms in comparable locality, or if there are no comparable localities, not higher than such open market price between independent parties on normal commercial terms in the PRC generally; or

(iv) if there is no set price and no guide prices set by the PRC Government and there is no open market price for such transactions, the parties are to negotiate on normal commercial terms for such transactions based on the actual or reasonable costs of such transactions (whichever is lower) together with a reasonable profit. A "reasonable profit" is a profit that is agreed between the parties as being no more than the Parent Group's profit margin of the same products for the previous year.

For the year ended 31 December 2013, the monetary value of supplies under the Master Supplies Agreement by the Parent Company and its associates to the Company was approximately RMB67.1 million (for the year ended 31 December 2012: RMB309.6 million).

Master Leasing Agreement

On 14 October 2013, the Company revised the master leasing agreement (the "Master Leasing Agreement") with the Parent Company for the leasing of land and buildings from the Parent Company and its associates to the Company as offices, production facilities, workshops and staff quarters.

The Parent Group leased a total area of 256,667.02 sq.m. and 242,740.15 sq.m. of land and buildings respectively to the Company. Accordingly, the annual caps of leasing amounts for 2013, 2014, 2015 and 2016 as approved by the Board were revised to be RMB38 million, RMB42 million, RMB44 million and RMB45 million respectively.

For the year ended 31 December 2013, the rent paid by the Company to the Parent Company and its associates under the Master Leasing Agreement was approximately RMB33.2 million (for the year ended 31 December 2012: RMB27.5 million).

Financial Services Framework Agreement

(I) Parent Group Financial Services Framework Agreement

Chongqing Machinery and Electric Holding (Group) Finance Co., Ltd., a subsidiary of the Company entered into a financial services framework agreement with the Parent Group on 17 February 2013 and 14 October 2013 respectively (as amended by the financial services framework supplemental agreement entered into between the Parent Company and the Finance Company on 13 March 2013) (the "Parent Group Financial Services Framework Agreement"), (i) the approved proposed annual caps for the transactions in respect of the loan services under which for the year ended 31 December 2013 (the Extraordinary General Meeting as at 10 April 2013) was RMB1,170 million (including the corresponding accrued interests), and the approved proposal annual caps for such transactions for the year ended 31 December 2014, 2015 and 2016 (the Extraordinary General Meeting at 30 December 2013) was RMB1,570 million, RMB2,130 million and RMB2,500 million (including the corresponding accrued interests); (ii) the proposed annual guarantee caps for the transactions in respect of the guarantee services under which for the year ended 2013 (the Extraordinary General Meeting on 30 December 2013), 2014, 2015 and 2016 was all RMB618 million (including the corresponding accrued interests); (iii) the proposed annual caps for transactions in respect of other financial services for the year ended 31 December 2013, 2014, 2015 and 2016 was all RMB46 million.

Parent Group Financial Services Framework Agreement is entered into in the ordinary course of business of the Group on normal commercial terms. Basis of pricing is as follows:

Loan service

The interest rates for loans provided to the Parent Group by the Finance Company will not be lower than the interest rates for loans of similar nature and under similar terms charging the Parent Group by other independent commercial banks in the PRC.

The Company will make inquiries to at least two banks among the national commercial banks in the PRC and the local commercial banks in Chongqing that have business relations with the Company in respect of loan services of similar nature and under similar terms with reference to the credit characteristics of the relevant company with the Parent Group, and submit the results to the Finance Company. The Finance Company will then make the final assessments and determine the final interest rates provided to the Parent Group by reference to the Parent Group's business risks, comprehensive returns, capital cost of the Finance Company and regulatory indictors and others factors, so as to ensure that the interests of loans provided by the Finance Company to the Parent Group are in compliance with the above pricing standards for loan services.

Guarantee services

The fees charged by the Finance Company for provision of guarantee services to the Parent Group will not be lower than the fees charged by any independent third party on the Parent Group for the same type of services or the fees charged by the Finance Company on any third party of same credit rating for the same type of services.

The Company will making inquiries to at least two banks or guarantee institutions among the national commercial banks in the PRC as well as the local commercial banks or guarantee institutions in Chongqing, which have business relations with the Company, in respect of guarantee services of similar nature and under similar terms and submit the results to the Finance Company. The Finance Company will then make the final assessments and determine the final price for guarantee services provided to the Parent Group by reference to the Parent Group's business risks, comprehensive returns, capital cost of the Finance Company and regulatory indictors and others factors, so as to ensure that the fees charged by the Finance Company are in compliance with the above pricing standards for guarantee services.

Other financial services (including bill discounting services, consultancy services, agency services and underwriting services, etc.)

The fees charged by the Finance Company for the provision of other financial services to the Group will not be higher than the fees charged by any independent third party on the Group for the same types of services.

For the year ended 31 December 2013, pursuant to the financial services framework agreement, the daily maximum limit amount in respect of loan service provided by the Finance Company to the Parent Group was approximately RMB1,035.6 million, the transaction amount in respect of guarantee service was approximately RMB100.5 million and the transaction amount of other financial services was approximately RMB1.7 million.

(II) Group Financial Services Framework Agreement

The Finance Company entered into a financial services framework agreement with the Company on 17 February 2013 and 14 October 2013 respectively (as amended by the financial services framework supplemental agreement entered into between the Parent Company and the Finance Company on 13 March 2013) (the "Group Financial Services Framework Agreement"), (i) the approved proposed annual caps for the transactions in respect of the deposit services under which for the year ended 31 December 2013 (the Extraordinary General Meeting at 10 April 2013) was RMB1,250 million (including the corresponding accrued interests), and the approved proposal annual caps for such transactions for the year ended 31 December 2014, 2015 and 2016 (the Extraordinary General Meeting at 30 December 2013) was RMB1,600 million, RMB1,840 million and RMB2,116 million (including the corresponding accrued interests); (ii) the proposed annual caps for transactions in respect of other financial services for the year ended 31 December 2014, 2015 and 2016 was all RMB52 million.

Parent Group Financial Services Framework Agreement is entered into in the ordinary course of business of the Group on normal commercial terms. Basis of pricing is as follows:

Deposit Services

The interest rates of deposits provided by the Finance Company to the Group will not be lower than interest rates for deposits of similar nature and under similar terms provided to the Group by other independent commercial banks in the PRC.

The Company will obtain the interest rates for deposits of similar nature and under similar terms from at least two banks among the national commercial banks in China and local commercial banks in Chongqing that have business relations with the Company, and compare with the interest rates provided by the Finance Company to the Group for deposits of similar nature and under similar terms to ensure that the interests the Group will receive on its deposits are in compliance with the above pricing standards for deposit services.

Other Financial Services

The fees charged by the Finance Company for the provision of other financial services to the Group will not be higher than the fees charged by any independent third party on the Group for the same types of services.

For the year ended 31 December 2013, pursuant to the financial services framework agreement, the daily maximum limit amount in respect of deposit services provided by the Finance Company to the Group was approximately RMB1,112.6 million, the daily maximum limit amount of loan services was approximately RMB542.1 million and the daily maximum limit amount of other financial services was approximately RMB5.1 million.

The independent non-executive Directors of the Company, namely Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and MR. Yang Zhimin, have reviewed the abovementioned continuing connected transactions and confirmed that such transactions are:

(1) the aforementioned proposed annual caps were fair and resonable;

(2) entered into in the ordinary and usual course of business of the Company ;

(3) on normal commercial terms or on terms no less favourable than terms available to or from (as the case may be) independent third parties; and

(4) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Under Rule14A.38 of the Listing Rules, the Company's auditor PricewaterhouseCoopers has performed certain agreed procedures for the above continuing connected transactions ("Transactions") in accordance with Hong Kong Standard on Related Services 4400, "Engagement to Perform Agreed-Upon Procedures Regarding Financial Information" issued by Hong Kong Institute of Certified Public Accountants, and reported that:

(1) the Transactions have been approved by the Board of the Company;

(2) the pricing of the Transactions, on a sample basis, are in accordance with the Company's pricing policies;

(3) the Transactions, on a sample basis, have been entered into in accordance with the relevant agreements governing such Transactions; and

(4) the amounts of the Transactions have not exceeded the annual caps.

Compliance with Corporate Governance Code

The Company believes that the incessant upgrading of its standard of corporate governance is the underlying cornerstone for safeguarding the interests of shareholders and investors as well as enhancing corporate value of the Company. The Company, in compliance with the Company Law of the People's Republic of China, the Listing Rules, the Articles of Association and other relevant laws and regulations, and taking into considerations its own characteristics and requirements, has been making enormous efforts in enhancing its standard of corporate governance.

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2013 in compliance with the code provisions under the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

Audit Committee

The Company has established an audit committee with terms of reference, which clearly defined the powers and duties of the committee. The major duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Company, as well as providing opinion and recommendation to the Directors of the Company.

The Audit Committee comprises three independent non-executive Directors and one non-executive Director, namely Mr. Lo Wah Wai, Mr. Jin Jingyu, Mr. Yang Zhimin and Mr. Deng Yong. Mr. Lo Wah Wai is the chairman of the Audit Committee. The Audit Committee has reviewed the Company's results for the period under review and respective recommendation and opinion have been made.

Remuneration Committee

The Remuneration Committee of the Company consists of three independent non-executive Directors (Mr. Ren Xiao Chang, Mr. Lo Wah Wai and Mr. Jin Jingyu) and one non-executive Director (Mr. Wang Jiyu). The primarily duties of the Remuneration Committee are to formulate the Company's policies for remuneration of the Directors, Supervisors and senior management, and evaluate the performance of executive Directors and the terms of their service contracts.

Nomination Committee

Chaired by the Chairman, the Nomination Committee of the Company consists of one executive Director (Chairman), three independent non-executive Directors and one non-executive Director, namely, Mr. Wang Yuxiang, Mr. Ren Xiaochang, Mr. Jin Jingyu, Mr. Yang Zhimin and Mr. Huang Yong. The Nomination Committee is responsible for the identification and evaluation of candidates for appointment or reappointment as Directors and senior management, as well as the development and maintenance of the Company's overall corporate governance policies and practices.

Strategic Committee

A Strategic Committee of the Board has been established by the Board of the Company based on the Company's needs for strategic development. The Strategic Committee of the Company comprises four executive Directors, namely Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Ren Yong and Mr. Chen Xianzheng, one non-executive Director, Mr. Huang Yong, and three independent non-executive Directors, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Yang Zhimin. Mr. Wang Yuxiang serves as the chairman of the Strategic Committee. The Strategic Committee is mainly in charge of studying and proposing suggestions on the Company's long-term development strategies and material investment decisions and providing decision-making references to the Board.

Supervisory Committee

The Supervisory Committee of the Company comprises six supervisors, namely Mr. Yang Mingquan, Mr. Wang Pengcheng, Mr. Liu Xing, Mr. Du Chengrong, Mr. Chen Qing, Mr. Zhao Zicheng. The Supervisory Committee of the Company is responsible for supervising the financial activities of the Company and the performance of the Board and its members as well as the senior management of their duties, so as to safeguard the interests of shareholders.

Securities Transaction by Directors

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Individual confirmation has been obtained from all Directors to confirm compliance with the Model Code during the year ended 31 December 2013.

Purchase, Sale or Redemption of Securities

During the year ended 31 December 2013, none of the Company and its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Publication of Annual Results on the Websites of the Stock Exchange and the Company

The annual results announcement has been published on the Company's website (http://www.chinacqme.com) and the Stock Exchange's website. The annual report will also be available at the Company's and the Stock Exchange's websites on or about 8 April 2014 and will be dispatched to shareholders of the Company thereafter according to the means they chose to receive communications.

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

Chongqing, the PRC
25 March 2014

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

* *For identification purposes only*