重慶機電股份有限公司
CHONGQING MACHINERY & ELECTRIC CO., LTD.*

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

Stock Code: 02722

Sophisticated Manufacturing
Unlimited Possibilities

2013
Annual Report

* *For identification purposes only*

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMMITTEES UNDER BOARD OF DIRECTORS

Members of the Audit Committee

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

Members of the Remuneration Committee

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

Members of the Nomination Committee

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

Members of the Strategic Committee

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

SUPERVISORS

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

LEGAL REPRESENTATIVE

Mr. Wang Yuxiang

COMPANY SECRETARY

Mr. Wang Xiaojun *(Practising Lawyer)*

QUALIFIED ACCOUNTANT

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

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS TO THE COMPANY

Jun He Law Offices *(As to Hong Kong Laws)*
Beijing Grandway Law Offices
Chongqing Branch *(As to PRC Laws)*

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 1 Connaught Place, Central,
Hong Kong

WEBSITE OF THE COMPANY

www.chinacqme.com

AUTHORIZED REPRESENTATIVES AND CONTACT INFORMATION

Mr. Chen Xianzheng
No. 60 Middle Section of Huangshan Avenue
New North Zone, Chongqing City, the PRC
Postal code: 401123
Tel.: (86) 023-63075686

Mr. Wang Xiaojun
Suite 2008, 20th Floor, Jardine House, No. 1
Connaught Place, Central, Hong Kong
Tel.: 852-2167 0000

ALTERNATE AUTHORIZED REPRESENTATIVE AND CONTACT INFORMATION

Mr. Lo Wah Wai
33rd Floor, Shui On Centre,
No. 6-8 Harbour Road, Wanchai,
Hong Kong
Tel.: 852-2802 2191

REGISTERED ADDRESS

No. 60 Middle Section of
Huangshan Avenue, New North Zone,
Chongqing City, the PRC

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Merchants Bank
Chongqing Shangqingsi Sub-branch
1st Floor, Zhong-an International Building
No. 162 Zhongshan Third Road
Yuzhong District
Chongqing City, the PRC

SHARE INFORMATION

Listing Place

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

STOCK CODE

02722

FINANCIAL YEAR END

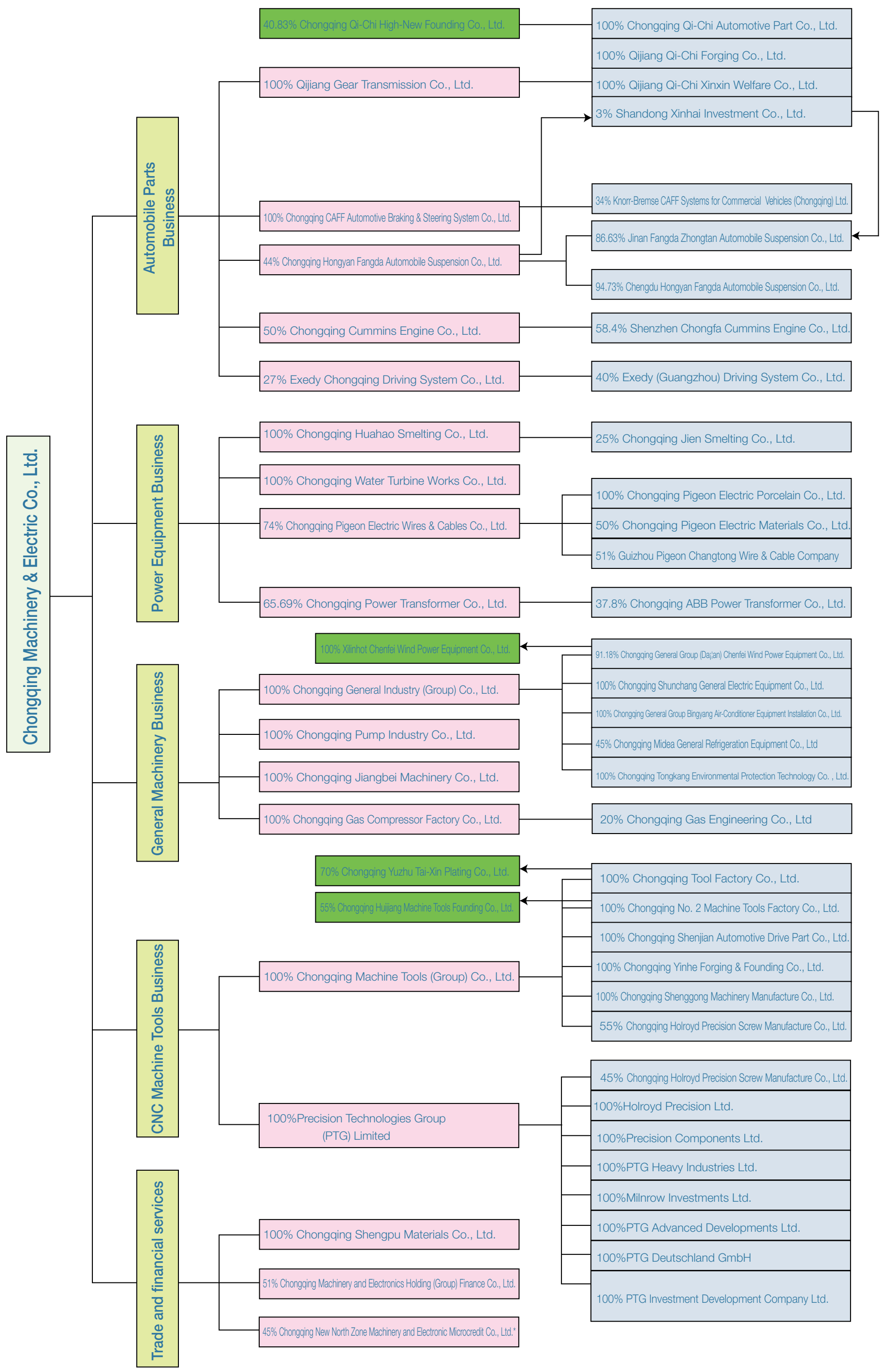
31 December

FINANCIAL HIGHLIGHTS

(RMB'000)	2009	2010	2011	2012 (Restated)	**2013**
Revenue and profit					
Revenue	6,893,290	8,883,202	10,546,001	8,908,032	**9,701,044**
Profit before taxation	684,470	765,058	913,658	488,874	**585,223**
Taxation	(59,914)	(66,298)	(168,463)	(30,525)	**(44,785)**
Profit for the year	624,556	698,760	745,195	458,349	**540,438**
Attributable to					
Equity holders of the Company	594,277	687,732	737,277	443,446	**506,829**
Non-controlling interests	30,279	11,028	7,918	14,903	**33,609**
Dividends - Proposed final dividends	221,078	294,771	221,078	128,962	**184,232**
Earnings per share attributable to equity holders of the Company —Basic *(RMB)*	0.16	0.19	0.20	0.12	**0.14**
Assets and liabilities					
Non-current assets	2,554,216	2,907,784	3,299,965	3,786,175	**4,441,363**
Current assets	6,194,348	7,264,453	8,460,007	8,457,330	**8,408,940**
Current liabilities	3,951,129	4,442,554	4,669,679	5,001,485	**4,940,234**
Net current assets	2,243,219	2,821,899	3,790,328	3,455,845	**3,468,706**
Total assets less current liabilities	4,797,435	5,729,683	7,090,293	7,242,020	**7,910,069**
Non-current liabilities	678,163	1,155,475	2,123,434	1,759,829	**2,023,804**
Net assets	4,119,272	4,574,208	4,966,859	5,482,191	**5,886,265**
Equity attributable to equity holders of the Company	4,045,392	4,509,996	4,924,901	5,143,392	**5,518,845**
Non-controlling interests	73,880	64,212	41,958	338,799	**367,420**

The financial information of 2009, 2010 and 2011 are not restated with effect of the adoption of HKFRS 11 'Joint Arrangements' and HKAS 19 'Employee Benefit'.

STRUCTURE OF CHONGQING MACHINERY & ELECTRIC CO., LTD.



* Chongqing Machinery & Electric Co., Ltd., Qijiang Gear Transmission Co., Ltd and Chongqing Machine Tools (Group) Co., Ltd. held 10% equity interests respectively, while Chongqing Pump Industry Co., Ltd., Chongqing General Industry (Group) Co., Ltd. and Chongqing Water Turbine Works Co., Ltd. held 5% equity interests respectively.

RESULTS HIGHLIGHTS

Results highlights of Chongqing Machinery & Electric Co., Ltd. (the "Company" or "Chongqing Machinery & Electric") and its subsidiaries (collectively the "Group").

The revenue of the Group for the year ended 31 December 2013 amounted to approximately RMB9,701.0 million, representing an increase of approximately 8.9% as compared with approximately RMB8,908.0 million for 2012.

Profit attributable to the shareholders of the Company for the year ended 31 December 2013 was approximately RMB506.8 million, representing an increase of approximately 14.3% as compared with approximately RMB443.4 million for last year.

Basic earnings per share for the year ended 31 December 2013 was approximately RMB0.14 (2012: approximately RMB0.12).

The board of directors (the "Board") proposed to declare a final dividend of RMB0.05 per share for the year ended 31 December 2013 (2012: RMB0.035).

CHAIRMAN'S STATEMENT

Dear Shareholders,

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 Company's auditor, PricewaterhouseCoopers. It is my pleasure to present the annual results of the Group as well as its sustainable development strategy and outlook to shareholders of the Company.

CHANGE IN ACCOUNTING POLICIES

The Company has adopted HKFRS 11 "Joint Arrangements" in this Period to restate the gains from and interests in jointly controlled entities for the Period and 2012 using the equity method. The Company has also adopted HKAS 19 "Employee Benefits" to restate the benefit liabilities and assets for the Period and 2012. Financial data for 2012 as set out in the Condensed Consolidated Financial Information and financial review and analysis were revised according to these standards. Before 1 January 2013, the Group's interests in its jointly controlled entities (Chongqing Cummins Engine Co., Ltd. (Chongqing Cummins") and Shenzhen Chongfa Cummins Engine Co., Ltd. ("Shenzhen Cummins") were accounted for using proportionate consolidation in its consolidated financial statements. The adoption of HKFRS 11 has resulted in using equity accounting for Chongqing Cummins and Shenzhen Cummins, in which the Group owns 50% and 25% equity interests respectively. Relevant details are set out in note 41 to the consolidated financial statements.

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 of "stable growth, structure adjustment and reform promotion", etc., the overall Chinese economy was gradually recovering. GDP for the year still maintained a growth of 7.7%, higher than the expected 7.5%. In face of the impact imposed by 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, 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 standard 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% from 2012.

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 the 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 the gear box and steering systems business that are closely related with the Group. The market shares of the 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 the engine business using the equity method, which is reflected in the share of profits of jointly controlled 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.

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 for high-powered diesel engines and R&D center for the high-powered engines. 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 at the second half of 2014.

The segment of automatic parts and components is expected to realize stable growth in 2014 as driven by the new urbanization of China.

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 sales 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.

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 expansion of business, such as clean energy, intelligent grid project and the speeding-up of urbanization as well as in overseas hydroelectric generating sets, this business segment is expected to recover and see 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 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 business maintained stable. In particular, wind power rotor blades and refrigeration machines achieved a substantial growth. The segment recorded revenue of approximately RMB1,439.6 million for the year, representing an increase of approximately 8.3% from 2012.

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 the long-distance pulp pipeline, the de-scaling pump（除鱗泵）expanded successfully in the 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 waste had been put on the market massively. The high-end pump industrialization for capacity expansion and renovation project had been completed and put into production, and which is equipped with an annual production capacity of 50 units/sets of high-end pumps with being nuclear pumps. Xilinhot and the Erdos base in Inner Mongolia had been completed and is put into mass production. "Tongnan sewage treatment works BOT" project had been completed and is to be put into operation. After Chongqing Machine Tools (Group) Co., Ltd. ("Chongqing Machine Tools"), Chongqing General Industry 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 within the structure of the industry and structure of the products.

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

In 2013, the 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 their market share by relying on the product technology and brand advantage of the CNC hobbing machine and shaving machine, its sales revenue declined over the last year. The segment recorded trading income 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 which was independently researched and developed by the Group achieved sales in small quantities, 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, demand for high-end machine tools and intelligent gear automatic production lines will rise, but due to the slowed down of investment and fierce competitions from foreign powerful competitors, this business segment is not expected to be too optimistic.

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 centralized bulk material procurement and strengthen the supervision and risks control, so as to save trading costs. This segment is expected to grow steadily in 2014.

Financial services

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

In 2014, the Group will further exert its sale in the provision of the financial services function of the 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 to 2013 and won the title of "2013 China Top 500 Industrial Listed Companies" and is a heavyweight equipment manufacturing enterprise based in western China, the following foundations and advantages will contribute to our future development:

Firstly, the Group benefits from the preferential policies such as the Chongqing Municipal "314" overall 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 enhances the ability of the Group in mitigating and preventing market risks; thirdly, the Group is equipped with the fundamentals for technological development and innovation by possessing a famous Chinese brand, a Chinese well-known trademark and several Chongqing famous brands, national-level and municipal-level technological centers and numerous patented invention 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 innovation and R&D ability; fourthly, the Group has established an efficient and standardized corporate governance structure and system, 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 incentive mechanism, featuring the six mechanisms for talents management, i.e. "selection, cultivation, utilization, retaining, dismissal and backup", and through means of attracting talents both locally 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 of the Company.

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 to incorporate the "321" strategy focusing on "sharpening up existing business, boosting new business and continuous 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 operations. The focus will be placed on regulation and control of economic operations, precision management, integration of sales resources, in-depth promotion of procurement, improving products' quality and promoting comprehensive budget management,

(2) Deepen reform and generate motivation for corporate development. According to the thought of "to move forward or backward depending on the situation; to do something and not to do everything", the Group will divide enterprises into two types, strategic development and reform adjustment, implement sort management and the principle of "one policy for one enterprise", making advance and retreat in due manner, accelerate the reform of mixed ownership and boost acquisition, merger and reorganization, with the aim of striving to complete the aforementioned tasks in about three years and achieve the activation of system and mechanism.

(3) Continue to innovate to drive the sustainable development of the Company. The major works include: constructing a scientific research platform, investing more in research and development, boosting information construction and the adjustment concerning the industry, products and business mode, and achieve "three transformations", i.e. Transformation from single manufacturing to the combination of product manufacturing and industrial technical services, transformation from single manufacturing to integration of product manufacturing and industry, and transformation of business operation model from olive type to dumbbell type.

(4) Care for people and deal with concrete matters in relation to the foundation of human resources. The major works include: encouraging 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 the internal control system construction, performing evaluation of the effectiveness of internal controls, implementing supervision and review of effectiveness, etc.

AWARDS

During the Period, the Group received the following awards:

- The Company won the second prize for innovation achievement in the national modernization of enterprise management and the first prize for management innovation achievement of Chongqing Municipality;
- The Company won the title of "2013 Top 500 Listed Chinese Industrial Enterprises";

- The Technical Conditions of Centrifugal Ventilator for the Cement Industry, a product standard of Chongqing General, a subsidiary of the Company, was granted the title of 2012 Product Standard Award of Chongqing Municipality by Chongqing Municipal People's Government;
- The centrifugal refrigerating unit and industrial fan of Chongqing General won the title of "2012 Brand Product of Chongqing";

- The enterprise technology center Chongqing General was granted "State-Certified Enterprise Technology Center";

- Chongqing Water Turbine Works Co., Ltd. ("Chongqing Water Turbine"), a subsidiary of the Company, a subsidiary of Chongqing Machine Tools, was officially granted the title of "Reliable and Credible Enterprise" for 2010-2011 by the State Administration for Industry & Commerce of the PRC;

- The development and industrialization project of ultrahigh-head impact hydroelectric generating sets（超高水頭衝擊式水輪發電機組）of Chongqing Water Turbine received the second prize of Chongqing Municipal Award for Progress in Science and Technology;

- Chongqing Pigeon Electric Wires & Cables Co., Ltd. ("Chongqing Pigeon") won the 2013 Award for Technological Innovation Demonstration Enterprises of Chongqing;

- Chongqing Pigeon was ranked among "Chongqing Top 100 Industrial Enterprises";

- The Y31200CNC6 high-efficiency hobbing machine of Chongqing Machine Tools, a subsidiary of the Company, won the First Prize of Excellent New Products of Chongqing;

- Chongqing Machine Tools was awarded the title of 2012 "Model Enterprises of Industrial Brand Cultivation" by the Ministry of Industry and Information Technology;

- Chongqing Tool Factory Co., Ltd. ("Chongqing Tool") a subsidiary of Chongqing Machine Tools, was listed in the 2012 Name List of Key Hi-Tech Enterprises in National Torch Plan;

- Precision Technologies Group (PTG) Limited, a Britain based subsidiary of the Company, was awarded the Greater China Business Award 2014 by the Northwest England of UK Trade & Investment.

SUMMARY

In 2013, the domestic and international macro-economic situations were complex. The European debt crisis weakened but its impact unquenched. The American economy started to recover, while uncertainty still existed. The growth of emerging economies slowed down. All these factors resulted in decelerated growth of global economy. Meanwhile, under the impact of the adjustment of the domestic economic structure and reduced investment in fixed assets, the demand for comprehensive equipment manufacturing industry declined, while the market competition in the industry intensified and the production price of manufactured goods was in a downward trend.

The management of the Company proactively coped with the severe market situation and fierce competition, and worked hard to overcome difficulties, by focusing on the market externally and strengthened management internally; reinforced regulation and control to achieve steady progress of economic operation; conducted prudent investments to guarantee the orderly performance of projects; continuous innovation allowing the adjustment of product structure to achieve significant results; achieved efficient internal governance and regulation through the improvement of platforms and systems. Through the above efforts, the Company successfully accomplished annual goals and achieved sustainable, sound and stable development.

In 2014, notwithstanding the dual pressure in the domestic economy from structural adjustments, the macroeconomy and equipment manufacturing industry will show a trend of mild recovery due to the stimulation of factors such as the gradual establishment of the way of growth dominated by domestic demand by the Chinese government and the gradual development of comprehensive and in-depth reform, the increasing acceleration of new-types of urbanization and industrial modernization processes. The Group's business is expected to maintain a slight growth in 2014.

The Company's sustainable development relies on the support and efforts from all parties. I, on behalf of the Board, would like to extend my heartfelt gratitude to customers, suppliers, business partners and shareholders for their full support. My appreciation also goes to all our staff for their hard work and contributions in the past year. The Group will work together with you for brilliant achievements with the vision to "Equip China and Advance towards the World".

Mr. Wang Yuxiang
Executive Director and Chairman

Chongqing, the PRC
25 March 2014

OUTLOOK AND PROSPECT

Principal business is to keep stable growth in 2014

In 2013, in the face of the difficult situation with the complex and changeable economic environment and the increasing pressure from the domestic economic downturn, the new session of government's innovated management philosophy proposed the "upper and lower limit" interval management policy framework to stabilize the market expectation, and to emancipate market dynamics through cancellation and adjustment of administrative approvals and other reform measures. China's macro economy presented a generally stable growth trend of rise after downturn.

Looking into 2014, the comprehensive and in-depth reform will greatly stimulate market dynamics. A new round of higher level openings to the outside world such as the construction of Shanghai Free Trade Zone will inject new motive force of development. The state will continue to insist on the overall work keynote of making progress while maintaining stability and continue to implement the proactive fiscal policy and prudent monetary policy. China's economy will maintain a stable growth at a medium and high speed of about 7.5%. In respect of the equipment manufacturing industry, the overall industry will make progress steadily in 2014 stimulated by many factors such as the gradual development of comprehensive and in-depth reform, the increasingly accelerated new-type urbanization and industrial modernization process.

In 2014, with improving quality and enhancing efficiency as the center, the Group will take the "year of management enhancement" as the main theme, place focus on regulation and control over economic operation, promote financial management and control, deal with concrete matters relating to the talent foundation and promote the continued and sound development of the Company relying on deepened reform and continuous innovation as the impetus. The Group's business is expected to keep stable operation while achieving a slight growth in 2014.

BUSINESS REVIEW

Operating revenue stayed stable

The Group periodically studied the market situation and implemented classified guidance and management; the Company put more efforts into marketing and winning effective orders; powerful measures were taken to strictly control special indicators, trade receivable and inventories were under effective control, and product quality loss obviously reduced; the procurement of bulk commodity was continuously boosted and the cost reduction achieved remarkable effects. The operating revenue remained stable and recorded a slight year-on-year growth against the severe market situation.

Projects proceeded solidly

In 2013, the Group closely followed the project construction progress, strengthened project quality management and orderly promoted 15 construction projects.

For phase 1 of the environmental relocation project of Chongqing Machine Tools, the construction of the main works of complex factories 1, 3 and 4, science building, comprehensive station house and other buildings had been fundamentally completed, and the environmental relocation of the project can be achieved in 2014. For the environmental relocation of phase 2 of Chongqing Machine Tools (the relocation of Chongqing Tool Factory, Chongqing Yinhe Forging & Founding Co., Ltd., apart from Chongqing Shenjian Automotive Drive Part Co., Ltd., for which no new land usage will be increased as it will be relocated to the existing site of Chongqing No.2 Machine Tools Factory), Chongqing Water Turbine and Chongqing Jiangbei Machinery Co., Ltd., ("Chongqing Jiangbei Machinery"), the early-stage preparations including project construction design have been completed and bidding for the project is being organized for construction units, so as to carry out project construction as soon as possible; the civil construction for phase 1 of 200,000 gear boxes of the project of Qijiang Gear Transmission Co., Ltd. ("Qijiang Gear Transmission") for an annual output of 400,000 gear boxes for medium and heavy-duty vehicles was accelerated and about 70% of the total work amount had been completed, and the project aims at being completed and put into production in the second half of 2014; Chongqing Holroyd Precision Screw Project, the large wind power rotor blades industrialization expansion project of Chongqing General Group and the BOT project of Tongnan Sewage Treatment Plant have been completed and will be put into operation soon.

Innovation Ability and Patent Construction

The Group increased investment in research and development and obtained the support of the state preferential policy of "Twelfth Five-Year" development plan of energy conservation and environmental protection industry; attracted technical research talents and promoted the technical innovation ability through the good technical innovation system; well carried out patent report and analysis and promoted the management standard of enterprise patent.

On 28 August 2013, Chongqing Cummins entered into an agreement with the 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.

The newly-developed electric wire products including "low-smoke halogen-free flame-retardant refractory cable for urban rail transit" (「城市軌道交通用低煙無鹵阻燃耐火電纜」) and "the silver-coated copper wire for 1000MW supercritical turbine rotor" (1000MW超臨界汽輪發電機組轉子用銀銅線) passed the RoHS test by SGS and obtained a green passport, laying a good foundation for the products to enter the European electric wire market. In addition, the AMT series of products of Qijiang Gear Transmission, SGTH200 complex machine tool of Chongqing Machine Tools, the phosphorus removal system of Pohang Iron & Steel in Korea of Chongqing Pump, the M-37/250 type natural gas compressor of Chongqing Gas Compressor Factory Co., Ltd. ("Chongqing Gas Compressor"), the CCJ-600 machine integrating impurity removal and pulping for kitchen garbage of Chongqing Jiangbei Machinery, and other products have been developed and achieved sales in batches. During the Year, the Group pressed ahead with the development of 145 new products, 29 of which passed the evaluation of key new products of Chongqing Municipality.

In addition, the Company and the Intellectual Property Office of Chongqing Municipality entered into the Agreement on Promoting Management Standard of Enterprise Patent, creating the model of strategic cooperation between government and enterprise in Chongqing Municipality. During the Year, the Group applied for patents for new 488 projects and was granted 412 patents, including 23 patents for invention. As at 31 December 2013, the Group held a total of over 1,100 patented technologies of various types.

Financing channels were expanded

The Group insisted on innovation of financing and expanding financing channels and explored the diversified overseas financing models. During the period, the Finance Company was licensed for operation and was responsible for providing financial services to the members of the Group, providing support for the enhancement of capital efficiency and reduction of financial cost; applied financial lease including various kinds of financing instruments to ensure the demand for development funds.

Management was effectively perfected

The Company strengthened corporate governance and management through multiple measures, implemented and executed the internal control system and enhanced the risk resistance capacity. During the period, the Company continuously improved the Funds Management Procedures, Operation Management Procedures, Assets Management, Personnel and Remuneration Management Procedures, etc. in the Internal Control Manual. 14 subsidiaries of the Company including Chongqing Pigeon, Chongqing Pump, Qijiang Gear Transmission, Chongqing Machine Tools, etc. have completed the construction of internal system control. The enterprises started to effectively integrate the internal control system with production and operation.

Talent management and training

The Group comprehensively advanced the implementation of the "Twelfth Five-Year" talent development special project, continuously improved the performance evaluation system, to ensure the performance appraisal system to be more scientific, rational and market oriented. The Group provided training for 750 persons on special topics of exploration of economic value added (EVA) assessment, analysis of macro-economic situation, management and auditing of construction project; and arranged EMBA courses in Xiamen University and MBA courses in Chongqing University for 25 managers of the Group. In 2013, the Group spent almost RMB10 million in providing training.

RESULTS OVERVIEW

Change in Accounting Policies

The Company has adopted HKFRS 11 "Joint Arrangements" in this Period to restate the gains from and interests in jointly controlled entities for the Period and 2012 using the equity method. The Company has also adopted HKAS 19 "Employee Benefits" to restate the benefit liabilities and assets for the Period and 2012. Financial data for 2012 as set out in the Condensed Consolidated Financial Information and financial review and analysis were revised according to these standards. Before 1 January 2013, the Group's interests in its jointly controlled entities Chongqing Cummins and Shenzhen Cummins were accounted for using proportionate consolidation in its consolidated financial statements. The adoption of HKFRS 11 has resulted in using equity accounting for Chongqing Cummins and Shenzhen Cummins, in which the Group owns 50% and 25% equity interests respectively. Relevant details are set out in note 41 to the consolidated financial statements.

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 and heavy-duty trucks saw a rapid growth; these led to 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. remained 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 controlled 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

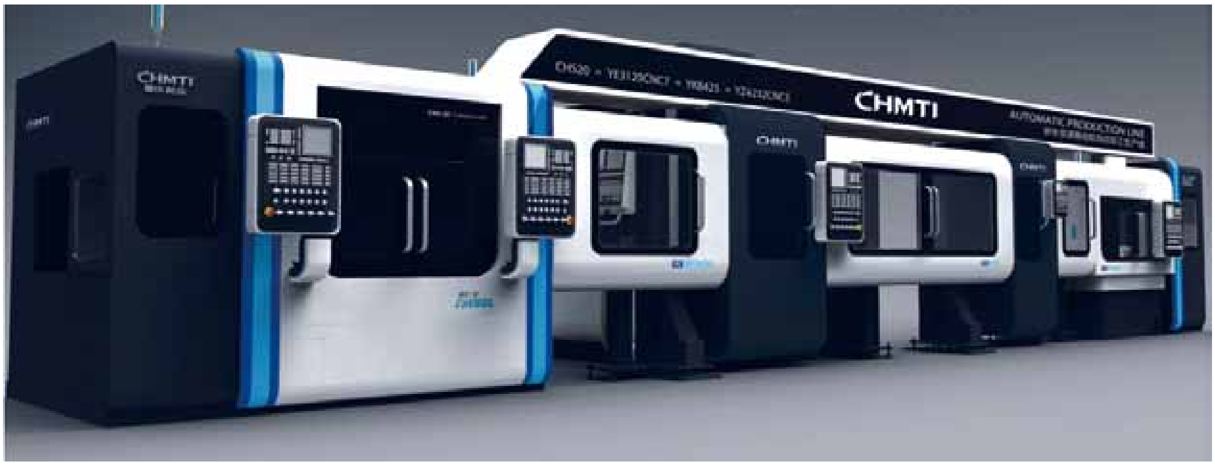
In 2013, the electrical wires and cables and non-ferrous metal powder of the segment achieved growth, while their sales revenue declined due to the decrease in copper price and the delayed delivery of hydroelectric generation equipment as requested by some customers. The segment recorded revenue of approximately 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 low 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 business remained 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 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 sales 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 turnover of this segment amounted to approximately RMB2,577.5 million, representing an increase of approximately 52.2% over the same period last year.

Financial services

Finance Company officially started operation on 10 April 2013. By exerting its sale in the provision of the financial services functions, providing loans, guarantees and deposits for the Group's enterprises, which resulted in a decrease in financial costs and an increase in the efficient use of funds. 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 the year of 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 equipment 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 business 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 services 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. Excluding the trade business and new financial services, the gross profit margin was 14.4%, increased by 0.2 percentage point 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 other hand, 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 point 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 tax 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 JOINTLY CONTROLLED ENTITIES

The Company has adopted HKFRS 11 "Joint Arrangements" to restate the gains from and interests in jointly controlled entities using the equity method. The Group's share of profits of jointly controlled entities for the 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 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 payables.

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 that 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.

BUSINESS PERFORMANCE

The table below sets forth the revenue, gross profit and segment results attributable to our major business segments for the periods indicated:

	Revenue		Gross Profit		Segment Results	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2013	2012 (Restated)	**2013**	2012 (Restated)	**2013**	2012 (Restated)
	(RMB in millions, except for percentage)					
Automobile parts and components						
Domestic						
Engines	**—**	—	**—**	—	**—**	—
Gear boxes	**845.3**	829.1	**154.0**	161.3	**19.6**	28.3
Other products	**402.0**	400.9	**47.4**	28.0	**1.7**	(7.2)
Total	**1,247.3**	1,230.0	**201.4**	189.3	**21.3**	21.1
% of total	**12.9%**	13.8%	**18.6%**	18.3%	**7.4%**	8.8%
Power equipment						
Domestic						
Hydroelectric generation equipment	**348.4**	439.1	**75.4**	105.6	**44.7**	35.8
Electrical wires and cables	**2,583.1**	2,266.0	**173.4**	169.8	**95.4**	109.9
Other products	**514.9**	919.0	**3.8**	2.7	**(19.1)**	(15.0)
Total	**3,446.4**	3,624.1	**252.6**	278.1	**121.0**	130.7
% of total	**35.5%**	40.7%	**23.3%**	26.9%	**42.0%**	54.5%
General machinery						
Domestic						
Total	**1,439.6**	1,329.6	**349.0**	304.9	**72.3**	50.3
% of total	**14.8%**	14.9%	**32.1%**	29.5%	**25.0%**	21.0%
CNC machine tools						
Domestic	**573.1**	720.7	**115.1**	166.5	**53.2**	59.3
Foreign	**362.5**	309.9	**98.4**	88.7	**1.8**	(2.1)
Total	**935.6**	1,030.6	**213.5**	255.2	**55.0**	57.2
% of total	**9.6%**	11.6%	**19.7%**	24.7%	**19.0%**	23.8%
Trade business						
Domestic						
Total	**2,577.5**	1,693.7	**14.7**	7.2	**8.6**	2.4
% of total	**26.6%**	19.0%	**1.4%**	0.6%	**2.9%**	1.0%
Financial business						
Domestic						
Total	**66.0**	—	**53.6**	—	**34.7**	—
% of total	**0.7%**	—%	**4.9%**	—%	**12.0%**	—%
Headquarters						
Total	**(11.4)**	—	**—**	—	**(24.1)**	(21.8)
% of total	**(0.1%)**	—%	**—%**	—%	**(8.3%)**	(9.1%)
Total	**9,701.0**	8,908.0	**1,084.8**	1,034.7	**288.8**	239.9

AUTOMOBILE PARTS AND COMPONENTS

Revenue from the automobile parts and components segment for the year ended 31 December 2013 was approximately RMB1,247.3 million, representing an increase of approximately RMB17.3 million or approximately 1.4%, as compared with approximately RMB1,230.0 million for the same period of 2012. The Company has adopted HKFRS 11 "Joint Arrangements" in this Period, the gains and interests in relation to engines had been restated in profit attributable to joint controlled entities by using the equity method. Revenue from gear boxes and steering systems business increased by approximately RMB16.2 million or approximately 2.0% and approximately RMB1.1 million or approximately 0.3% respectively as compared with the same period of 2012.

During the Period, gross profit for the automobile parts and components segment was approximately RMB201.4 million, representing an increase of approximately RMB12.1 million or approximately 6.4%, as compared with approximately RMB189.3 million for the same period of 2012. Gross profit margin increased to approximately 16.1% for 2013 from approximately 15.4% for 2012, primarily due to the increase in gross profit margin for steering systems business, which increased to approximately 11.8% for 2013 from approximately 7.0% for 2012.

Overall, the result for the automobile parts and components segment for the year ended 31 December 2013 was approximately RMB21.3 million, representing a slight increase of approximately RMB0.2 million or approximately 0.9%, as compared with approximately RMB21.1 million for the same period of 2012.

POWER EQUIPMENT

Revenue from the power equipment segment for the year ended 31 December 2013 was approximately RMB3,446.4 million, a decrease of approximately RMB177.7 million or approximately 4.9%, as compared with approximately RMB3,624.1 million for the same period of 2012, primarily due to the decrease in revenue of approximately RMB90.7 million or approximately 20.7% and approximately RMB404.1 million or approximately 44.0%, respectively, from hydroelectric generation equipment and non-ferrous metal powder business. On the contrary, revenue from electrical wires and cables increased by approximately RMB317.1 million, or approximately 14.0%.

During the Period, gross profit for the power equipment segment was approximately RMB252.6 million, a decrease of approximately RMB25.5 million or approximately 9.2%, as compared with approximately RMB278.1 million for the same period of 2012. The overall gross profit margin slightly decreased to approximately 7.3% for 2013 from approximately 7.7% for 2012, primarily due to the increase in the proportion of electrical wires and cables business, and the gross profit margin slightly decreased to approximately 6.7% for 2013 from approximately 7.5% for 2012, while the gross profit margin decreased to approximately 21.6% for 2013 from approximately 24.0% for 2012 due to the changes in product sales structure of hydro turbine generators.

Overall, the result for the power equipment segment for the year ended 31 December 2013 was approximately RMB121.0 million, a decrease of approximately RMB9.7 million or approximately 7.4%, as compared with approximately RMB130.7 million for the same period of 2012, primarily due to the loss of non-ferrous metal powder business increased to approximately 19.1 million for 2013 from approximately 15.0 million for 2012.

GENERAL MACHINERY

Revenue from the general machinery segment for the year ended 31 December 2013 was approximately RMB1,439.6 million, an increase of approximately RMB110.0 million or approximately 8.3% as compared with approximately RMB1,329.6 million for the same period of 2012, primarily due to the significant increase in the revenue from wind power rotor blades and the stable sales of industrial pumps.

During the Period, gross profit for the general machinery segment was approximately RMB349.0 million, an increase of approximately RMB44.1 million or approximately 14.5% as compared with approximately RMB304.9 million for the same period of 2012. Gross profit margin increased to approximately 24.2% for 2013 from approximately 22.9% for 2012. The increase in the gross profit margin of the segment was mainly due to the adjustment in product structure and the increase in partition of products with high gross profit.

Overall, the result for the general machinery segment for the year ended 31 December 2013 was approximately RMB72.3 million, an increase of approximately RMB22.0 million or approximately 43.7%, as compared with approximately RMB50.3 million for the same period of 2012, which was mainly due to the significant improvement in the results of separation machines business and the rapid growth of wind power rotor blades.

CNC MACHINE TOOLS

Revenue from the CNC machine tools segment for the year ended 31 December 2013 was approximately RMB935.6 million, a decrease of approximately RMB95.0 million or approximately 9.2%, as compared with approximately RMB1,030.6 million for the same period of 2012, which was mainly due to the decrease in revenues resulted from the decline in overall industrial demands.

During the Period, gross profit for the CNC machine tools segment was approximately RMB213.5 million, a decrease of approximately RMB41.7 million or approximately 16.3%, as compared with approximately RMB255.2 million for the same period of 2012. Gross profit margin decreased to approximately 22.8% for 2013 from approximately 24.8% for 2012, primarily due to the decrease in revenue and increase in unit costs.

Overall, the result for the CNC machine tools segment for the year ended 31 December 2013 was approximately RMB55.0 million, a decrease of approximately RMB2.2 million or approximately 3.8%, as compared with RMB57.2 million for the same period of 2012.

TRADE BUSINESS

For the year ended 31 December 2013, the trade business segment recorded revenue of approximately RMB2,577.5 million, representing an increase of RMB883.8 million or approximately 52.2%, as compared with RMB1,693.7 million for the same period of 2012.

During the period, the gross profit for the trade business segment amounted to approximately RMB14.7 million, representing an increase of RMB7.5 million or approximately 104.2%, as compared with RMB7.2 million for the same period of 2012. The gross profit margin slightly increased to approximately 0.6% for 2013 from approximately 0.4% for 2012.

Overall, for the year ended 31 December 2013, the results attributable to the trade business segment amounted to approximately RMB8.6 million, representing an increase of approximately RMB6.2 million or approximately 2.6 times as compared with approximately RMB2.4 million for the same period of 2012.

FINANCIAL SERVICES

For the year ended 31 December 2013, the new financial services segment recorded revenue of approximately RMB66.0 million.

During the period, the gross profit for the new financial services segment amounted to approximately RMB53.6 million, the gross profit margin was approximately 81.2%.

Overall, for the year ended 31 December 2013, the results attributable to the new financial services segment amounted to approximately RMB34.7 million.

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 (as at 31 December 2012: approximately RMB143.9 million), a net cash outflow from investing activities of approximately RMB318.2 million (as at 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 (as at 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.

TRADE AND OTHER RECEIVABLES

As at 31 December 2013, the Group's trade and other receivables totalled approximately RMB3,877.4 million, representing an increase of approximately RMB249.4 million, as compared with approximately RMB3,628.0 million as at 31 December 2012, primarily due to an increase of extended loans of approximately RMB664.5 million from the newly-launched financial business. On the contrary, receivables from general machinery, power equipment and CNC machine tools decreased by approximately RMB460.1 million. Please refer to note 19 to the consolidated financial statements for detailed ageing analysis of the trade and bills receivables.

TRADE AND OTHER PAYABLES

As at 31 December 2013, the Group's trade and other payables totalled approximately RMB3,828.4 million, representing an increase of approximately RMB433.1 million, as compared with approximately RMB3,395.3 million as at 31 December 2012, primarily due to an increase in the deposits from newly-launched financial business. Please refer to note 26 to the consolidated financial statements for detailed ageing analysis of the trade and bills payables.

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, 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, current ratio (the ratio of current assets to current liabilities) of the Group was 1.70:1 for 2013 (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 Company convened on 18 June 2013 its Annual General Meeting to re-elect the members of the Board. It was resolved at that Annual General Meeting 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 Electronics 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); and

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; and

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 Chongqing Cummins and Cummins China; and (III) approve the entering-into of the Chongqing Cummins Agency and Distribution Contract between Chongqing Cummins 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 approximately 181,485 square meters to Chongqing Land Group at a consideration of RMB544,460,000 and Chongqing Machine Tools, a wholly owned subsidiary of the Company disposed a land covering approximately 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 the upgrade of its technical talent base, foster and recruit technical and management personnel possessed with extensive professional experiences, optimize the distribution system that links with the remunerations and performance reviews of our management and employees, improve training on safety so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets out information regarding our Directors:

Name	Age	Position
Wang Yuxiang	52	Executive Director, Chairman
Yu Gang	49	Executive Director
Ren Yong	56	Executive Director
Chen Xianzheng	59	Executive Director
Huang Yong	51	Non-executive Director
Wang Jiyu	57	Non-executive Director
Yang Jingpu	58	Non-executive Director
Deng Yong	54	Non-executive Director
Lo Wah Wai	50	Independent Non-executive Director
Ren Xiaochang	57	Independent Non-executive Director
Jin Jingyu	48	Independent Non-executive Director
Yang Zhimin	63	Independent Non-executive Director

EXECUTIVE DIRECTORS

Mr. Wang Yuxiang, aged 52, has served as the Chairman, executive Director, chairman of the nomination committee and strategic committee of the Company since 18 June 2013. He joined the Parent Group and served as the chairman and Party Committee secretary since April 2013, and has also served as a director and chairman of Chongqing Machinery and Electronics Holding (Group) Finance Co., Ltd. since August 2013. Mr. Wang has over 30 years of experience in business and economic management. Mr. Wang served as the deputy director and a member of the Party Committee of Chongqing State-owned Assets Supervision and Administration Commission from June 2009 to April 2013 (and concurrently served as the Party Committee secretary of Chongqing Consultation Research Institute (重慶市諮詢研究院) from November 2011 to April 2013), the deputy director and a member of the Party group of Chongqing Economic and Information Technology Commission (重慶市經濟和信息化委員會) from March 2009 to June 2009, the deputy director and a member of the Party Group of Chongqing Economic Commission (重慶市經濟委員會) from April 2004 to March 2009 (during which he was delegated by three ministries and commissions including the Organization Department of the CPC Central Committee to take a temporary post as the deputy director of the Marketing Department of China Southern Power Grid from March to October 2006), the secretary of the Disciplinary Inspection Committee of China National Erzhong Group Co. from July 2000 to April 2004 (and concurrently served as the Party Committee secretary of Deyang Heavy Industry Park (德陽重工園區) from November 2000 to April 2004 and took a temporary post as the deputy secretary of Enterprise Work Committee of Chongqing Municipal Party Committee and the deputy secretary of the Communist Party Committee of SASAC of Chongqing City successively), the secretary of the Communist Youth League, vice-section level inspector and section level inspector of the Disciplinary Inspection Committee, Party branch secretary of heavy machinery workshop, office director, deputy plant manager, general Party branch secretary and plant manager of the Heavy Machinery Branch Factory (重機分廠) of China National Erzhong Group Co. from November 1984 to July 2000, and a worker of No. 3 metal workshop and an officer of the Communist Youth League of China National Erzhong Factory (中國第二重型機械廠) from December 1979 to November 1984. Mr. Wang is a senior economist and senior political scientist who graduated from Sichuan Cadre Correspondence School（四川幹部函授學院）with an associate degree in Party policy in September 1988, the correspondence course of economic management of the Party School of Sichuan Provincial Committee in December 1995, the program of Master of Business Administration (MBA) of Chongqing University in December 1999 and the program of EMBA in Xiamen University in December 2011. He graduated from the Class of Chongqing Enterprise Leaders of Tsinghua University (one-year term) in December 2013.

Mr. Yu Gang, aged 49, joined the Parent Group in September 2003, joined the Group in July 2007. Since October 2010, he has been the general manager of the Company, and has served as an executive Director of the Company since 30 December 2010. He serves as the Acting Chairman from 25 January 2013 to 18 June 2013. He has served as a director of the Parent Group since September 2003. Since May 2009, he has also been serving as a director and vice chairman at Chongqing Wanli New Energy Co., Ltd. (stock code: 600847.SH). In addition, Mr. Yu has concurrently been a director of Kunlun Financial Leasing Company Limited since August 2010. Mr. Yu has been a director and the chairman of Chongqing Cummins Engine Co., Ltd. since January 2011. He also serves as a director and vice chairman of Chongqing Machinery and Electronics Holding (Group) Finance Co., Ltd since October 2012. Mr. Yu has over 20 years of experience in the government service and the management of large enterprises. He served as the vice president of the Parent Group from September 2003 to September 2010, and an non-executive Director of the Company from July 2007 to December 2010. Prior to joining the Company, Mr. Yu was the deputy mayor of Jiangjin Municipal Government from 2001 to 2003 in charge of industrial development of the municipality, the assistant to the mayor of Jiangjin Municipal Government and the section chief of Economic Committee and the minister of the political department of the Industry and Transportation Department from 1997 to 2001 in charge of the industry and economy of the municipality. Between 1989 and 1997, he was an officer in the political department of the Chongqing Municipality Industrial Transportation Department in charge of human resources management, and an officer in the Chongqing Machinery School from 1984 to 1989. Mr. Yu is a senior engineer who graduated from Chongqing Machinery Manufacturing School with a professional degree in machinery engineering in 1984 and from Chongqing Party School in 1997. He graduated from Southwest Normal School with a master's degree in business management in 2002. He also graduated from the college of online education（網絡學院）of Xiamen University with a college degree in business administration in July 2012, and from Xiamen University major in EMBA, with a master's degree in June 2013.

Mr. Ren Yong, aged 56, is a Vice General Manager of the Company, and serves as an executive Director of the Company since April 2013. He joined the Parent Group in February 1982 and the Group in March 2005. He has been the chairman and Party Committee secretary of Chongqing Heavy Vehicle Group Co., Ltd. since July 2005, and served as the chairman of Chongqing CAFF Automotive Braking & Steering System Co., Ltd. from March 2005 to December 2011. Mr. Ren has been a director and vice chairman of SAIC-IVECO HONGYAN Commercial Vehicle Co., Ltd.（上汽依維柯紅岩商用車有限公司）since June 2006, and concurrently served as a director of Chongqing Machinery and Electric Holding (Group) Forging Co., Ltd. （重慶機電控股集團鑄造有限公司） since November 2010, a director of Chongqing Cummins Engine Co., Ltd. since October 2011, a director of Chongqing Power Transformer Co., Ltd.（重慶變壓器有限責任公司）since October 2011, a director of Chongqing Pigeon Electric Wire & Cable Co., Ltd. since December 2011, a director of Chongqing ABB Transformers Co. Ltd. since March 2012 as well as the chairman of Chongqing Power Transformer Co., Ltd.（重慶變壓器有限責任公司）since August 2012. Mr. Ren has over 20 years of management experience in the automobile industry. He served as a director of the Parent Group from November 2004 to October 2013. From March 2003 to July 2005, he was the general manager, deputy secretary of Party Committee and director of Chongqing Heavy the Vehicle Group Co., Ltd., during which he concurrently served as the Party Committee secretary and director of Chongqing Hongyan Motor Co., Ltd., from January 2013 to July 2005, the chairman of Chongqing Heavy Vehicle Group Special Purpose Vehicle Co., Ltd. from June 2004. From December 2000 to March 2003, he served as deputy general manager and deputy secretary of Party Committee of Chongqing Heavy Vehicle Group Co., Ltd.. From February 1982 to November 1998, he was the deputy manager, head of the assembly division, director of manager office of a branch company of Sichuan Truck Plant. From November 1998 to December 2000, he was the deputy manager of such plant in charge of human resources, salary, education, forces and security, etc. Mr. Ren is a senior engineer who graduated from the Taiyuan Heavy Machinery Institute with a bachelor's degree in equipment and process in February 1982. From September 2002 to July 2008, he studied in and graduated from the Chongqing University with a master's degree in Business and Administration.

Mr. Chen Xianzheng, aged 59, joined the Parent Group in August 1976 and joined the Group in December 2001. Since July 2007, he has been an executive Director of the Company and the secretary to the Board responsible for handling all matters of the Board. He has resigned from the position of the secretary to the Board since January 2014. Mr. Chen has concurrently served as a director of Chongqing General Industry (Group) Co., Ltd. since July 2007 and a director of Chongqing CAFF Automotive Braking & Steering System Co., Ltd. and Chongqing Huahao Smelting Co., Ltd. since December 2011. Mr. Chen has over 20 years of experience in business management. From July 2006 to July 2007, he was the head of the securities department of the Parent Company, in charge of the Listing. Mr. Chen was the department chief of the asset management department and the enterprise reform department of the Parent Company from 2000 to July 2006 in charge of asset management, reorganization and merger, and general management matters. He worked for the state-managed Jianan Machinery Factory from 1976 to 2000 and was the deputy plant manager from 1995 to 2000 in charge of operations, management of research and development, restructuring, medium and long term planning and legal matters. Mr. Chen is a senior economist who graduated from the Party School of Chengdu Municipal Party Committee with a college degree in 1986.

NON-EXECUTIVE DIRECTORS

Mr. Huang Yong, aged 51, joined the Parent Group in July 1984 and the Group in 2004. Since July 2007, he has been a non-executive Director of the Company. Mr. Huang has over 20 years of experience in the automobile industry. Mr. Huang has been a director and the president of the Parent Company since 2004 in charge of operations, assets management, finance and human resources of the Parent Group. Since January 2011, Mr. Huang has concurrently served as the chairman and general manager of Chongqing Helicopter Investment Corporation Limited(重慶直升機產業投資有限公司). Mr. Huang was the vice chairman and general manager of Chongqing Hongyan Motor Co. Ltd. from 2003 to 2004 in charge of marketing, product development and quality management. From 2000 to 2004, Mr. Huang has been involved in the management of Chongqing Heavy Vehicle Group Co., Ltd. and was the general manager and thereafter the chairman in charge of operation, technology development, quality control and planning. From 1996 to 2000, Mr. Huang was the deputy plant manager of Sichuan Automobile Manufacturing Plant, and from 1984 to 1996, he worked in Sichuan Automobile Manufacturing Plant. Mr. Huang is a senior engineer who graduated from Hunan University with a bachelor's degree in automobile manufacturing in 1984. He obtained his master's degree in engineering from Chongqing University in 2000.

Mr. Wang Jiyu, aged 57, joined the Parent Group in December 1980. He has been the vice president and a member of the Party Committee of the Parent Company since October 2001 in charge of economic operation, safety and environmental protection, personnel and labour as well as comprehensive statistics. He has been non-executive Director of the Company since December 2010. He has been serving as a director and vice chairman of Chongqing Lifan Automobile Co., Ltd. since May 2004 and a director and vice chairman of Chongqing Electric Machine Federation Ltd. since November 2007 and June 2010 respectively. He has been the chairman of Chongqing Communications, Transport, Electromechanical & Logistics Co., Ltd.（重慶交運機電物流有限公司）since April 2011. Mr. Wang has over 20 years of experience in business management. He was an assistant to president and head of the economic operation department at the Parent Company from 2000 to October 2001, in charge of economic operation, safety and hygiene, labour and salaries as well as comprehensive statistics. From November 1984 to August 2000, he served at Chongqing Municipal Machinery Industry Bureau as secretary of the organization and personnel division, deputy secretary of the communist youth league, deputy director of the enterprise management division and deputy director of the general production division (in charge of operation) in tandem. Mr. Wang was the deputy secretary of the Work Committee of Communist Youth League of Chongqing Engineering & Mining Machinery Industry Company（重慶工程礦山機械工業公司）from October 1982 to November 1984 and a teacher at the Technical School of Chongqing Mining Machine Factory（重慶礦山機器廠技校）from December 1980 to October 1982. Mr. Wang is a senior economist who graduated from the Correspondence Institute of the Party School of C.C. of C.P.C. with a diploma in economic management in June 1988. He is currently attending an EMBA course in Xiamen University.

Mr. Yang Jingpu, aged 58, joined the Company in August 2007 and has been a non-executive Director of the Company since then. Mr. Yang has been the chairman and the general manager of Chongqing Construction Engineering Holdings Investment Co., Ltd. (重慶建工控股投資有限公司) since May 2010 and the chairman of Chongqing Construction Engineering Group Co., Ltd. (重慶建工集團股份有限公司), in charge of board matters, strategic planning and investment. Mr. Yang has over 15 years of experience in managing large enterprises. Mr. Yang was the chairman and the general manager of Chongqing Construction Engineering Group Co., Ltd. (重慶建工集團股份有限公司) from July 2007 to May 2010. Mr. Yang was the general manager of Chongqing Coal Group from 2004 to 2007 responsible for general management and was the deputy director of Chongqing City Coal Industrial Bureau from 2001 to 2004 in charge of restructuring and reformation, operational and administrative management. From 1992 to 2001, Mr. Yang was the deputy director and thereafter, director of Chongqing City Songzao Mining Bureau in charge of coal production, safety, sales and finance. Mr. Yang is a senior economist and a senior engineer. He graduated from Jiaozuo Coal Academy with a bachelor's degree in industrial management engineering in 1988 and a master's degree in mining engineering from Chinese University of Mining and Technology in 2001.

Mr. Deng Yong, aged 54, is the chief financial officer of Chongqing Yufu Assets Management Co., Ltd. He joined the Company with the position of non-executive Director since April 2013. He has served as a non-executive director of Bank of Chongqing Co., Ltd.* (1963.HK) since February 2013 and a director of Chongqing Chuanyi Automation Co., Ltd. since April 2013. Mr. Deng Yong has over 20 years of experience in the financial industry. He served as a president assistant and the general manager of the planning and financial department of the Southwest Securities Co., Ltd. (600369.SH) from August 2008 to April 2012, a general manager assistant and the manager of the financial department of Chongqing Yufu Assets Management Co., Ltd. from March 2004 to August 2008, deputy general manager of the Linjiang Road and Jiulongpo Divisions of China Galaxy Securities Co., Ltd. from September 2000 to March 2004, deputy general manager of the Chongqing Securities Division of China Cinda Trust & Investment Company (中國信達信託投資公司重慶證券營業部) from June 1997 to September 2000 (he was seconded to work for the work group of red chips of Chongqing Municipal Government (重慶市政府紅籌股工作小組) from September 1997 to June 1998), the manager of the securities investment department of Chongqing Trust & Investment Company (重慶市信託投資公司) from September 1992 to June 1997 and an employee at the Chongqing branch of the China Construction Bank from July 1988 to September 1992. Mr. Deng Yong is an engineer graduated from Chongqing University with a bachelor's degree in Applied Mathematics in July 1982. He studied and obtained a master of science degree majoring in econometrics from the Applied Mathematics Faculty of Chongqing University from September 1986 to July 1988.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wah Wai, aged 50, joined our Company in January 2008 and has been an independent non-executive Director of the Company and the chairman of our Company's audit committee since January 2008. He had more than eight years of experience in auditing and business consulting services in an international accounting firm, two years of which were spent in the United States. Mr. Lo was an independent non-executive director of Far East Pharmaceutical Technology Limited (stock code: 399.HK) in September 2004. A petition was filed on 15 September 2004 to wind up Far East Pharmaceutical Technology Limited in respect of the default of a syndicated bank loan and since then, liquidators have been appointed. Mr. Lo was not involved in the arrangement of the syndicated bank loan and his appointment was made after the said default had occurred. Mr. Lo is also an independent non-executive director of Tenfu (Cayman) Holdings Company Limited (stock code: 6868.HK). He has served as an independent non-executive director of Chongqing Medicines (Group) Co., Ltd.（重慶醫藥（集團）股份有限公司）since July 2012. He is a practising member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lo graduated from The Chinese University of Hong Kong with a bachelor's degree in business administration in 1986 and New Jersey Institute of Technology, the U.S. with a master's degree in science in 1992.

Mr. Ren Xiaochang, aged 57, joined the Company in July 2007 and has been an independent non-executive Director of the Company and the chairman of our remuneration committee since then. He is currently the chairman and legal representative of China Automotive Engineering Research Institute Co., Ltd. (stock code: 601965.SH). Mr. Ren has over 30 years of experience in the automobile industry. Mr. Ren has been with Chongqing Research Institute of Automobile (renamed as China Automotive Engineering Research Institute Co., Ltd.) since January 1982 and once served as the deputy director of Car Design Department, vice chief, chief, the vice chairman, general manager (superintendent), chairman and deputy secretory to the Party Committee of it in charge of operational management, strategic planning, human resources and assets management,etc. Mr. Ren is also currently an independent director of China Chang'an Automobile Group Co., Ltd. in charge of matters relating to the board of directors. Mr. Ren graduated from Hunan University with a bachelor's degree in engineering in 1982 and the Management School of Wuhan University of Technology with a master's degree in business administration in 2004. Mr. Ren is a senior engineer of researcher's grade, an expert of Machinery Industrial Scientific Technology Specialist of the PRC and an expert with special allowance from the State Council.

Mr. Jin Jingyu, aged 48, joined the Company in June 2012 and has served as an independent non-executive Director of the Company since June 2012. He has been serving at Chongqing Technology and Business University as the Chairman of the Academic Council of the School of Finance, director of the Investment and Insurance Department and professor of finance and tutor of PhD student & postgraduate since March 2009. He has served as an independent non-executive director of Bank of Chongqing Co., Ltd.* (1963.HK) since March 2014. Mr. Jin joined the Chonging Technology and Business University (known as Chongqing Business School before 2003) in May 1997 and served as the deputy director of the Finance and Investment Department from March 2000 to March 2001 and an associate professor and professor of finance from November 2000 to November 2005. He studied in the Mathematics Department of Henan University from September 1988 to July 1992 as an undergraduate student; studied in the University of Science and Technology of China majored in management science from September 1992 to July 1995 and received a master's degree in engineering; studied in the Southwest Jiaotong University majored in management science and engineering from March 2003 to January 2007 and received a doctor's degree in management. Mr. Jin held several concurrent posts as follows: from September 1997 to September 2002, a business director of the Financing Service Company (融資服務公司) and general manager of the 1st Business Department of Dapeng Securities Company Limited (大鵬證券有限責任公司); from July 2002 to June 2003, a director and secretary to the board of directors of Southwest Synthetic Pharmaceutical Co., Ltd. (西南合成製藥股份公司) (Stock code: 000788.SZ); from January 2006 to March 2010, a director and secretary to the board of directors of Chongqing Wanli New Energy Co., Ltd. (stock code 600847.SH, formerly known as Chongqing Wanli Storage Batteries Co., Ltd. (重慶萬里蓄電池股份有限公司)); from June 2005 to February 2010, the chairman of Chongqing Tiandi Pharmaceutical Co., Ltd. (重慶天地藥業有限公司). Mr. Jin Jingyu is now a member of Guiding Committee on Education of Financial Majors in Universities and Colleges of Ministry of Education (教育部高等學校金融學類專業教學指導委員會), a member of the China Investment Professional Construction Committee (中國投資專業建設委員會), a member of the Enterprises Operations Branch of the Operations Research Society of China, adjunct researcher of the Research Center of the Economy of the Upper Reaches of Yangtze River (a major research center of humanities and social science of the Ministry of Education), a member of the Evaluation Committee of Professional Titles, the Teaching Steering Committee and the School of Economics of Chongqing Technology and Business University.

Mr. Yang Zhimin, aged 63, serves as an independent non-executive Director of the Company since June 2013. Mr. Yang has over 30 years' experience in industrial economic management. Mr. Yang served as a consultant to Chongqing Yufu Assets Management Co. Ltd.* (重慶渝富資產經營管理公司) and the group leader of the bankruptcy administrators of Chongqing PUTIAN Communication Equipment Co., Ltd. (重慶普天通信設備有限公司) from May 2010 to April 2013. Mr. Yang worked in the State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government from October 2003 to May 2010, holding the positions of deputy chief (division level), consultant and deputy inspector of Enterprise Reform Office (Business Regulatory Division I). He also worked in Chongqing Economic Commission (重慶市經濟委員會) from March 1989 to October 2003, holding the positions of senior staff member, principal staff member, assistant consultant, deputy chief of the General Office, and the assistant consultant, consultant of Corporate Reform Office. Mr. Yang served as a scout of the Criminal Police Force of Public Security Sub-Bureau of the Downtown District of Chongqing (重慶市市中區公安分局刑警隊) from May 1988 to March 1989. He once worked in the Second Light Industry Bureau of Chongqing from July 1976 to May 1988, with the positions of cadre of the Supply and Marketing Department, office secretary and senior staff member of the Policy Research Office. Mr. Yang is an economist who graduated from Chongqing Second Light Industry School majoring in tanning in July 1976 and from the Department of Business Administration of China Cadre Institute of Light Industry Management (中國輕工業管理幹部學院) with a college diploma in cooperative economics in July 1987.

SUPERVISORS

The following table sets out information regarding our Supervisory Committee:

Name	Age	Position
Yang Mingquan	59	Supervisor and Chairman of Supervisory Committee
Wang Pengcheng	46	Supervisor
Liu Xing	57	Independent Supervisor
Du Chengrong	61	Independent Supervisor
Chen Qing	58	Employee Supervisor
Zhao Zicheng	43	Employee Supervisor

Mr. Yang Mingquan, aged 59, has served as the Supervisor and Chairman of Supervisory Committee since April 2013. He is the chairman of the supervisory committee of the Parent Company. Mr. Yang has over 30 years of experience in corporate management. He served as the vice president of the Parent Company from October 2001 to September 2012. Mr. Yang Mingquan was the director of Chongqing Changke Urban Rail Transit Vehicle Co., Ltd. (重慶長客城市軌道交通車輛有限責任公司) from February 2009 to October 2012 (during this period, he was the chairman of board of directors of Chongqing Changke Urban Rail Transit Vehicle Co., Ltd. from May 2010 to October 2012). He was a director and chairman of board of directors of Chongqing Machinery and Electric Holding (Group) Engineering Technology Co., Ltd. (重慶機電控股集團機電工程技術有限公司) from February 2010 to October 2012, and a director and chairman of the board of directors of Chongqing Machinery and Electric Holding (Group) Forging Co., Ltd. (重慶機電控股集團鑄造有限公司) from November 2010 to October 2012. He served as a director and vice chairman of Chongqing ABB Power Transformer Co., Ltd. from January 2004 to July 2007. He also served as the president assistant and the head of the planning and development department of the Parent Company from August 2000 to October 2001, the chief of the technology department of the Chongqing Machinery and Industrial Management Bureau (the predecessor of the Parent Company) from May 1991 to August 2000 and an engineer at the Chongqing Machinery and Industrial Management Bureau from July 1983 to May 1991. Mr. Yang is a professor-level senior engineer. He graduated from the Chongqing Machinery School in September 1976 majoring in machine manufacturing and from Yuzhou University (now known as Chongqing Technology and Business University) in September 1983 with a bachelor's degree in enginnering.

Mr. Wang Pengcheng, aged 46, has servd as a Supervisor of the Company since April 2013. He is a member of the Party Committee and deputy general manager of the Chongqing office of China Huarong Asset Management Co., Ltd.. He has been a director of Chongqing Construction Engineering Group Co., Ltd. since August 2009 and the vice chairman of Southwest Aluminum (Group) Co. Ltd. (西南鋁業集團公司) since May 2012. Mr. Wang Pengcheng is an economist with over 20 years of experience in finance. He acted as the senior deputy manager, senior manager and assistant to general manager of the Chongqing office of China Huarong Asset Management Co., Ltd. from January 2000 to August 2012, an accountant, head of the office of personnel, deputy chief of the personnel department, deputy chief of the organization department of the Chongqing branch of Industrial and Commercial Bank of China from July 1992 to December 1999. Mr. Wang Pengcheng graduated from Lanzhou University with a bachelor's degree in executive management in 1990 and is currently pursuing MBA degree at Chongqing University.

Mr. Liu Xing, aged 57, has been an independent supervisor of the Company since June 2010 and is currently the head, accounting professor and tutor of doctoral graduates of the Economy, Industry and Business Management Institute of Chongqing University. He obtained a bachelor's degree in engineering studies from Chongqing University in 1983, joined the China - Canada Joint Postgraduate Training Project (中國—加拿大聯合培養研究生項目) and obtained a master's degree in management from Xi'an Jiaotong University in 1987 and obtained a doctor's degree in management from Chongqing University in 1997. From 1991 to 1992 and in 1996 and 2000, he engaged in international cooperation and research projects of City University of Hong Kong and The Chinese University of Hong Kong or served as a visiting scholar, and participated in academic visits or academic exchanges in countries such as the U.S. and Canada. Mr. Liu is currently a council member of Accounting Society of China (中國會計學會), the chairman of the education division of Accounting Society of China, the standing council member of the Accounting Society of Chongqing (重慶市會計學會常務理事), and a non-practicing certified public accountant in the PRC. Mr. Liu is also currently an independent director of Chongqing Three Gorges Water Conservancy and Electric Power Co. Ltd. (stock code: 600116.SH), Chongqing Gangjiu Co., Ltd. (stock code: 600729.SH), Huapont-Nutrichem Co., Ltd. (stock code: 002004.SZ) and PKU Health Care Corp., Ltd. (stock code: 000788.SZ).

Mr. Du Chengrong, aged 61, has served as an independent Supervisor of the Company since June 2013. Mr. Du has nearly 40 years of experience in business administration and governmental economic management. Mr. Du was the general manager, deputy party secretary and director of Chongqing International Investment Consultation Group Co., Ltd. from May 2010 to December 2012 and the chairman, general manager and a member of the Party Committee of Chongqing International Investment Consultation Group Co., Ltd. from January 2004 to May 2010. Mr. Du served as deputy chief, chief and secretary general of the Party branch of the Chongqing Mechanical and Electrical Equipment Tendering Bureau (重慶機電設備招標局) in succession from September 1998 to January 2004, the assistant to general manager of Chongqing Mechanical and Electrical Equipment Tendering Corporation (重慶機電設備招標公司) from November 1997 to September 1998, secretary, deputy chief and chief of the science and technology division of the Chongqing Foreign Trade and Economic Relations Commission from January 1983 to November 1997, technician and assistant engineer of the design division of the Chongqing Instrument Factory (重慶儀錶廠) from January 1977 to January 1983, and worker at the No.2 workshop of the Chongqing Instrument Factory (重慶儀錶廠) from January 1972 to September 1973. Mr. Du is a senior engineer. He graduated from the Department of Electrical Engineering of Shanghai Institute of Mechanical Engineering majoring in electric meters (上海機械學院電機系電錶專業) with a bachelor's degree in January 1977.

Mr. Chen Qing, aged 58, has been an Employee supervisor of the Company since June 2010. He joined the Parent Group and the Group in June 1985 and served as the chairman of Chongqing General Industry (Group) Co., Ltd. and the chairman of Chongqing Pump Industry Co., Ltd. from September 2007 to February 2010. Mr. Chen has been the chairman and Secretary of the Party Committee of Chongqing Pump Industry Co., Ltd. since November 2002. Mr. Chen has over 20 years of experience in the industrial pump research and development and manufacturing industry. From November 2002 to September 2007, Mr. Chen was the general manager of Chongqing Pump Industry Co., Ltd. (formerly known as Chongqing Pump Plant). From June 1985 to September 2002, he was the deputy department chief, deputy plant manager and plant manager of Chongqing Pump Plant. From August 1982 to June 1985, he worked in the Guizhou Mountain Land Agricultural Machinery Research Institute (貴州山地農機研究所). From June 1978 to September 1978, he worked in the Chongqing Architectural Design Institute. From January 1976 to May 1978, he served in the Chinese People's Liberation Army. Mr. Chen has been a senior engineer since August 1995 who graduated from Central China College of Technology (華中工學院) with a bachelor's degree in engineering, majoring in hydro power in August 1982. He completed the Senior Management Programme of the School of Economics and Management of Tsinghua University from February 1995 to July 1995.

Mr. Zhao Zicheng, aged 43, has served as an Employee Supervisor since April 2013. He is the chairman and secretary of the Party Committee of Chongqing Water Turbine Works Co., Ltd., the Company's wholly-owned subsidiary. Mr. Zhao Zicheng is a professor-level senior engineer with over 20 years of experience in engineering technology. He served as the general manager of Chongqing Pump Industry Co., Ltd. and a director and deputy general manager of Chongqing General Industry (Group) Co., Ltd. (both being the Company's wholly-owned subsidiaries) from October 2007 to January 2010, executive deputy general manager and member of the Party Committee of Chongqing Pump Industry Co., Ltd. from May 2003 to September 2007, deputy general manager of Chongqing Pump Industry Co., Ltd. from July 1998 to May 2003, technician at the tool workshop and second workshop and deputy chief and chief of the technique division of Chongqing Pump Plant from August 1991 to June 1998. Mr. Zhao Zicheng graduated from the Environmental and Chemical Engineering Institute of Chongqing University with a master of engineering degree in environmental engineering in July 2005 and from Southwest Jiaotong University in July 1991 with an associate degree in machine manufacturing process and equipment. He has been taking EMBA courses in Xiamen University since September 2011.

SENIOR MANAGEMENT

The following table sets out information regarding our senior management officers:

Name	Age	Position
Yu Gang	49	General Manager
Ren Yong	56	Vice General Manager
Duan Caijun	49	Vice General Manager
Yang Quan	49	Vice General Manager
Xiang Hu	49	Secretary to the Board
Chen Yu	44	Vice General Manager
Liu Yonggang	49	Vice General Manager
Kam Chun Ying	47	Qualified Accountant

Mr. Yu Gang, aged 49, is an executive Director and the general manager of the Company. For details regarding Mr. Yu's experience, please refer to "Executive Directors" set out above.

Mr. Ren Yong, aged 56, is an executive Director and Vice General Manager of the Company. For details regarding Mr. Yu's experience, please refer to the subsection entitled "Executive Directors" above.

Mr. Duan Caijun, aged 49, is a Vice General Manager of the Company. He joined the Parent Group in July 1987. Mr. Duan has concurrently served as a director and vice chairman of Exedy (Chongqing) Driving System Co., Ltd. (愛思帝(重慶)驅動系統有限公司) since April 2011, a director of Chongqing Machine Tool (Group) Co., Ltd. (重慶機床(集團)有限責任公司) since December 2011, and a director of Qijiang Gear Transmission Co., Ltd. from December 2012 up to now. Mr. Duan has over 20 years of experience in enterprise management. He served as the chairman and general manager of Chongqing Pigeon Electric Wires & Cables Co., Ltd. (重慶鴿牌電線電纜有限公司) from March 2001 to December 2011. From October 1998 to June 2003, he served as the general manager of Chongqing Electric Wire & Cable Co., Ltd. (重慶電線電纜有限責任公司). From July 1997 to October 1998, he was deputy general manager and general manager of Chongqing Electric Wire & Cable Co., Ltd.. From August 1995 to July 1997, He was deputy general manager of Chongqing Electricity Wire Plant (重慶電線總廠). From June 1992 to August 1995, he was the general manager of Chongqing Jiatai Enamelled Wire Company Limited (重慶嘉泰漆包線有限責任公司). Mr. Duan is a senior engineer. He graduated from Department of Electronic Engineering of Wuhan Institute of Technology with a bachelor's degree in July 1987. He graduated from MBA Institute of Chongqing University with a MBA degree in 2003. He graduated from Senior MBA program Class No. 61 of College of Economics and Management of Tsinghua University in 2008, and obtained Senior Professional Manager Certificate in 2009. He studied for EU-China Business Development Certificate Program, which was jointly provided by Frankfurt School of Finance and Management and China Europe International Business School in 2010, and studied from EMBA in Xiamen University from November 2010. Mr. Duan currently serves as vice chairman of Chongqing Volunteers Association. Mr. Duan is a model worker of Chongqing City, winner of Chongqing "May 1st" labor medal, winner of the sixth contest for Top Ten Outstanding Young Entrepreneurs of Chongqing City, and the eight session of Chongqing Youth "May 4th" medal. He was the deputy of the third session of Chinese Party Committee in Chongqing and the deputy of the third session of Chongqing People's Congress. He was also recognised as a Paragon of Moral Rectitude of Chongqing and winner of an Honourable Mention Award in the first selection of National Paragon of Moral Rectitude.

Mr. Yang Quan, aged 49, Vice General Manager of the Company, joined the Group in July 1987, and has served as a Vice General Manager of the Company since May 2012 up to now. He concurrently serves as a director of Chongqing Hongyan Fangda Automotive Suspension Co., Ltd.（重慶紅岩方大汽車懸架有限公司）from June 2013 up to now and a director of Precision Technology Investment and Development Co., Ltd.（精密技術投資發展有限公司）from April 2012 up to now, a director of Chongqing Huahao Smelting Co., Ltd. and Chongqing Gas Compressor Factory Co., Ltd. from December 2011 up to now, and an executive director and general manager of Chongqing Shengpu Materials Co., Ltd. from December 2011 up to now. Mr. Yang has over 20 years of experience in enterprise management, once served as the manager and assistant to general manager of the business management department of the Company from August 2007 to May 2012, the head of the economic operation department and head of the business management department of the securities work steering team of Chongqing Machinery and Electronics Holding (Group) Co., Ltd. from March 2004 to August 2007, the party branch secretary of the foundry workshop, deputy director of the “”five-initiative” reform office, secretary and deputy director of the hot plate workshop, chief of the equipment division, managing factory director, and chief economist of Chongqing No. 2 Machine Tools Factory（重慶第二機床廠）from July 1987 to March 2004. Mr. Yang is an engineer; he graduated from the College of Mechanical Engineering of Sichuan University with a bachelor’s degree in foundry in July 1987, and studied for EMBA in Xiamen University from November 2011.

Mr. Xiang Hu, aged 49, the secretary to the Board of the Company, joined the Company in September 2012, and has served as a the secretary to the Board of the Company since January 2014 up to now. He concurrently serves as a director of Chongqing New North Zone Machinery and Electronic Microcredit Co., Ltd. (重慶市北部新區機電小額貸款有限公司) since March 2013 up to now, a director of Chongqing Water Turbine Works Co., Ltd. and Chongqing Jiangbei Machinery Co., Ltd. from October 2012 up to now. Mr. Xiang has over 20 years of experience in government service and news media. From September 2012 to January 2014, he served as a Vice General Manager of the Company. He once served as the deputy director of the Chongqing Intellectual Property Rights Bureau from November 2004 to September 2012, the president of the Modern Workers newspaper office (現代工人報報社) (now known as Chongqing Times) from January 2003 to November 2004, the deputy party secretary of Nanchuan, Chongqing from May 1998 to January 2003, the general manager of Chongqing News Development Company (重慶新聞發展公司) under Xinhua News Agency from July 1993 to May 1998, and a journalist with the Sichuan branch office of Xinhua News Agency from July 1986 to July 1993. Mr. Xiang graduated from the Department of Law of Southwest University of Political Science and Law in July 1986, from the Graduate School of Southwest University of Political Science and Law majoring in law of economy in June 1997, and from Nanyang Technological University, Singapore, majoring in managerial economics in July 2002.

Mr. Chen Yu, aged 44, is a Vice General Manager of the Company. He joined the Group in July 1991. He has served as a Vice General Manager of the Company since June 2013 up to now. He has also served as a supervisor of Chongqing Water Turbine Works Co., Ltd., Qijiang Gear Transmission Co., Ltd., Chongqing CAFF Automotive Braking Co. Ltd.（重慶卡福汽車制動有限公司）, Chongqing Shengpu Materials Co., Ltd. from December 2012 up to now. He concurrently serves as the financial controller of Chongqing Power Transformer Co., Ltd.（重慶變壓器有限責任公司）from March 2012 up to now. Mr. Chen serves as a supervisor and chairman of the supervisory committee of Chongqing Machinery and Electronics Holding (Group) Finance Co., Ltd. from January 2013 up to now. He has served as a director of Precision Technologies Group Limited from June 2013 up to now. Mr. Chen has more than 20 years' financial management experiences and once served as the manager of Financial Department, financial controller of the Company from December 2007 to June 2013. He served as the financial controller of Chongqing Machine Tools Group from December 2005 to December 2007, and held the positions of an accountant, deputy director of the financial section, assistant to the general accountant, general accountant and etc. of Chongqing No. 2 Machine Tools Factory（重慶第二機床廠）from July 1991 to December 2005, Mr. Chen is an assistant accountant, who graduated from the Trading Department of Southwestern University of Finance and Economics, major in price theory in June 1991 with a bachelor degree in economics. He has studied EMBA in Xiamen University since July 2013.

Mr. Liu Yonggang, aged 49, is a Vice General Management of the Company. He joined the Group In July 1988 and has served as a Vice General Management of the Company since January 2014. He has concurrently served as a director of Chongqing Machinery and Electronics Holding (Group) Co., Ltd. from August 2013 up to now, the vice chairman of Chongqing Midea General Refrigeration Equipment Co., Ltd.（通用製冷設備有限公司）from January 2012 up to now, the chairman of Da'an Chenfei Wind-Power Equipment Co., Ltd. from September 2011 up to now, and the chairman of Chongqing General Industry (Group) Co., Ltd. from January 2012 up to now. Mr. Liu has over 20 years' experiences in corporate operation and management. He served as a general manager and secretary to the Party Committee of Chongqing General Industry (Group) Co., Ltd. from January 2006 to January 2014. From July 1988 to December 2005, he worked in Chongqing Machine Tools Plant Co., Ltd., holding the positions of cadre in the Safe Technology and Environmental Protection Office, General Office, Restructuring Management Office, the deputy executive and executive of Labour and Personnel Department, the deputy director in charge of personnel and education, the deputy secretary to the Party Committee, secretary to the discipline and inspection committeee, the deputy director, secretary to the Party Committee. Mr. Liu is a senior economist, enginner, who graduated from Southwest Agriculture University, major in gardening in July 1988 with a bachelor degree in agronomy.

Mr. Kam Chun Ying, Francis, aged 47, joined the Company in February 2008. Since then, he has been the qualified accountant of our Company. He has served as the chief risk officer of Precision Technology Group Limited of UK since July 2013 up to now. Prior to joining the Company, Mr. Kam was the financial controller of TFH Management Limited, and was responsible for finance operations and corporate compliance in both the private and listed companies within that group. Between August 1986 and April 1989, Mr. Kam worked for Deloitte Touche Tohmatsu, previously known as Deloitte Haskins Sells, as a senior account assistant and has over 20 years of experience in corporate and finance management. He has been a member of the Hong Kong Institute of Certified Public Accountants since June 1996 and a fellow of the Chartered Association of Certified Accountants since June 2001. Mr. Kam graduated from Heriot-Watt University in the United Kingdom in November 2004 with a master's degree in business administration.

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL BUSINESS

The Group is principally engaged in designing, manufacturing and sales of automobile parts and components, power equipment, general machinery, CNC machine tools and trade & finance business. The principal businesses of its major subsidiaries are set out in Note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statements in this annual report on pages 107 to 109.

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 NON-RESIDENT 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 on 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 share 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.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2013, equity attributable to the shareholders of the Group amounted to approximately RMB5,518.8 million (31 December 2012: approximately RMB5,143.4 million), representing an increase of approximately RMB375.4 million or approximately 7.3%. During this Period, the Group's working capital was mainly internal working capital flow. As at 31 December 2013, the Group's gearing ratio (calculated as borrowings divided by total capital (total capital comprises equity and borrowings as shown in the consolidated financial statements) was approximately 29.7% (31 December 2012: approximately 32.7%). The Group's current ratio (being the current assets as a percentage of current liabilities) was approximately 1.70:1 (31 December 2012: approximately 1.69:1).

As at 31 December 2013, cash, bank balances and time deposits (including restricted cash) were approximately RMB2,239.5 million, indicating a healthy financial position (31 December 2012: approximately RMB2,769.7 million).

FINANCIAL HIGHLIGHTS

Summary of the Group's results, assets, liabilities and minority interests for the latest five financial years is set out on page 5 in this annual report, which is not included in the auditors' report.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group invested approximately RMB792.4 million in acquisition of property, plant and equipment for business expansion (as at 31 December 2012: approximately RMB517.9 million). Details of the changes in investment properties, property, plant and equipment of the Group and the Company are set out in Note 17 and Note 16 to the consolidated financial statements respectively.

SHARE CAPITAL

Share capital structure	Number of shares	Approximate percentage in total issued shares (%)
Domestic shares	2,584,452,684	70.14
H shares	1,100,187,470	29.86
Total	3,684,640,154	100

There was no change in the share capital of the Company during the year ended 31 December 2013. Details of the share capital of the Company are set out in Note 24 to the consolidated financial statements.

BONDS

Details of the changes in bonds of the Company during the year under review are set out in Note 28 to the consolidated financial statements.

RESERVES

Details of changes in reserves of the Group and the Company during the year under review are set out in Note 25 to the consolidated financial statements.

CHARITY DONATIONS

During the period, the Group's charity donation amounted to approximately RMB0.24 million (as at 31 December 2012: approximately RMB0.7 million).

MAJOR CUSTOMERS AND SUPPLIERS

Set out below are revenues derived from products sales and service provision to major customers as a percentage of the Group's total revenue during the reporting period:

Chongqing Xinnanjie Aluminum Co., Ltd. (重慶新南杰鋁業有限公司)	5.9%
Zhengzhou Yutong Bus Co., Ltd	2.6%
China Aluminum Chongqing International Trade Co., Ltd. (中鋁重慶國際貿易有限公司)	2.0%
Chongqing No.2 Light Industry Supply & Sale Co. (重慶二輕工業供銷總公司)	1.9%
Chongqing Soonbest Aluminum Alloy Co., Ltd. (重慶順博鋁合金有限公司)	1.4%
Total amount of the top five customers	13.8%

None of the top five customers are connected persons of the Group.

Set out below are costs expensed for purchase of products and services from major suppliers as a percentage of the Group's total cost of sales during the reporting period:

Chongqing Zhuoyue Industrial Development Co , Ltd.	5.6%
Chongqing Construction & Logistics Group Co., Ltd. (重慶建工物流集團有限公司)	5.0%
Shenzhen Sitewai Industry Co., Ltd. (深圳市斯特威實業有限公司)	4.1%
Gansu Jinyu Materials co., Ltd. (甘肅金宇物資有限公司)	3.9%
Chongqing Dongjie Materials Co., Ltd. (重慶東杰物資有限公司)	2.5%
Total amount of the top five suppliers	21.1%

None of the top five suppliers are connected persons of the Group.

Save as disclosed above, none of our Directors or their respective associates, or our existing substantial shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital, has any beneficial interest in any of our top five customers and suppliers.

COMPETING INTEREST

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

DIRECTORS AND SUPERVISORS

During the year and as at the date hereof, the Directors and Supervisors are as follows:

Executive Directors	**Appointment Date**
Wang Yuxiang	18 June 2013
Yu Gang	30 December 2010
Ren Yong	10 April 2013
Chen Xianzheng	27 July 2007
Non-executive Directors	
Huang Yong	27 July 2007
Wang Jiyu	30 December 2010
Yang Jingpu	9 August 2007
Deng Yong	10 April 2013
Independent Non-executive Directors	
Lo Wah Wai	10 January 2008
Ren Xiaochang	27 July 2007
Jin Jingyu	18 June 2012
Yang Zhimin	18 June 2013
Supervisors	
Yang Mingquan	10 April 2013
Wang Pengcheng	10 April 2013
Liu Xing	15 June 2010
Du Chengrong	18 June 2013
Chen Qing	15 June 2010
Zhao Zicheng	10 April 2013

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors have submitted to the Company the annual written confirmation of their independency as required by Rule 3.13 of the Listing Rules. The Company is of the opinion that all four independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Pursuant to such service contracts and the Articles of Association, Chairman of the Board and other executive Directors of the Company will hold office for a term of three years starting from their respective appointment date. Upon expiry, such contracts can be renewed under the relevant provisions of the Articles of Association and the Listing Rules, and Directors may offer themselves for re-election at Annual General Meetings. The contracts may be terminated by giving not less than three months' notice in writing by either party on the other, or according to terms thereof.

Save as mentioned above, none of the Directors has entered into service contract with the Company which could not be terminated without compensation (other than statutory compensation) within 1 year.

OFFICE TERM OF NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Office term of Non-executive Directors and Independent Non-executive Directors of the Company is three years. Upon expiry of the office term, each Director (including Directors appointed with specific term) may offer himself for re-election at Annual General Meetings.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and senior management of the Company are set out on pages 46 to 66 of this annual report.

DIRECTORS' REMUNERATION

The Directors' fees of the Company are proposed by the Remuneration Committee, considered by the Board and approved by the Annual General Meeting. Other remunerations are determined by the Remuneration Committee based on the position and responsibility of each Director and the operating results of the Group. Please refer to Note 9 to the Consolidated Financial Statements set out on pages 172 to 178 of this annual report.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, none of Directors or Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2013, none of the directors, chief executive or supervisors of the Company had any interests or short positions in the shares, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the"SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND BONDS

During the year, none of Directors of the Company or their spouse or juvenile children was granted the right to make profit by acquiring the shares or bonds of the Group; none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party to any arrangement which enables the Directors to acquire such rights in any other corporations.

SIGNIFICANT LITIGATION

During the year, the Group was not involved in material litigation and arbitration.

SIGNIFICANT EVENTS

Please refer to pages 40 to 43 of this annual report.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN SHARES AND UNDERLYING SHARES

For the year ended 31 December 2013, so far as the Directors of the Company are aware, the following persons (not being a director, chief executive or supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long position in domestic shares of RMB1.00 each of the Company

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

(L): Long Position

H shares of RMB1.00 each of the Company

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

(L) Long Position
(S) Short Position
(P) Lending Pool

Note:

1. As Chongqing Machinery and Electronics Holding (Group) Co., Ltd. and Chongqing Yufu Assets Management Co., Ltd. were wholly owned by State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government, State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government is deemed to be interested in 1,924,225,189 domestic shares and 232,132,514 domestic shares of the Company held by the two companies.

2. Chongqing Construction Engineering Group Co., Ltd. is held as to 96.18% by State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government through its three wholly-owned subsidiaries and as to 3.82% by the Ministry of Finance of the People's Republic of China through China Huarong Asset Management Co., Ltd. *(中國華融資產管理股份有限公司), a wholly-owned subsidiary of the Ministry. Therefore, State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government and the Ministry of Finance of the People's Republic of China are deemed to be interested in 232,132,514 domestic shares of the Company held by Chongqing Construction Engineering Group Co.,Ltd.

3. China Huarong Asset Management Co., Ltd. *(中國華融資產管理股份有限公司) is held as to 98.06% directly by the Ministry of Finance of the People's Republic of China and as to 1.94% indirectly by the Ministry of Finance of the People's Republic of China through China Life Insurance (Group) Company, a wholly-owned subsidiary of the Ministry. Therefore, the Ministry of Finance of the People's Republic of China is deemed to be interested in 195,962,467 domestic shares of the Company held by China Huarong Asset Management Co., Ltd.

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

Save as disclosed above, the Directors of the Company are not aware of any persons holding any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register pursuant to section 336 of the SFO as at 31 December 2013.

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 Electronics 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 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 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 Serviced Framework Agreement

(I) Parent Group Financial Services Framework Agreement

Chongqing Machinery and Electronics 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 years 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 years ended 2013 (the Extraordinary General Meeting on 10 April 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 years 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 on 10 April 2013) was RMB1,250 million (including the corresponding accrued interests), and the approved proposal annual caps for such transactions for the years ending 31 December 2014, 2015 and 2016 (the Extraordinary General Meeting on 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 years ended/ending 31 December 2013, 2014, 2015 and 2016 was/is RMB52 million.

The Group Financial Services Framework Agreement was entered into in the ordinary course of business of the Finance Company 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 on 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.

Details of the said transactions are set out in Note 36 to the consolidated financial statements as prepared in accordance with the HKFRS.

The independent non-executive Directors, 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) fair and resonable in respect of the aforementioned proposed annual caps;

(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 agreements 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 terms of relevant agreements governing such Transactions; and

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the PRC laws which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

COMMITTEES UNDER THE BOARD

The Board of the Company has established Audit Committee, Remuneration Committee, Nomination Committee and Strategic Committee ("Board Committees"). Details of the Board Committees are set out in the section of Corporate Governance Report on pages 96 to 99 of this annual report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2013, the Group had a total of approximately 15,595 employees (31 December 2012: 16,140 employees). Their salaries were determined based on the market trends and their performance, and welfare includes insurance and pension schemes, which are strictly executed in accordance with national regulations.

Remuneration of the Directors of the Company was determined by the Remuneration Committee, taking the operating results of the Company and comparable market statistics into consideration. Please refer to the Directors' Report set out on pages 67 to 89 in this annual report.

The Company's policies relating to remunerations of non-executive Directors are to ensure that they can be fully compensated for their efforts made and time spent on the Company, and policies relating to remunerations of employees (including executive Directors and senior management) are to ensure that remuneration is offered in line with their duties and market practice. Remuneration policies are designed to ensure the competitiveness of remuneration, and to effectively attract, retain and motivate employees. Directors or any of their associates and the executives are not allowed to participate in the determination of their own remuneration.

POST BALANCE SHEET DATE EVENTS

Details of significant events after the balance sheet date are set out on pages 43 to 44 of this annual report.

PUBLIC FLOAT

During the year ended 31 December 2013, the Company had 1,100,187,470 H shares in its total share capital of 3,684,640,154 shares. Therefore, public shareholding was 29.86%, indicating a sufficient public float throughout the year.

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 HKFRS and China Accounting Standards for Business Enterprises ("CAS").

The Company's reserves available for distribution as at 31 December 2013 under HKFRS 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 owners of the Company amounted to RMB1,182,891,000.

AUDITORS

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as international and domestic auditors respectively for the year ended 31 December 2013. PricewaterhouseCoopers has performed audit on the Group's consolidated financial statements prepared in accordance with HKFRS. A resolution in respect of re-appointing PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP will be proposed at the forthcoming Annual General Meeting 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 on 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.
Executive Director and Chairman
Mr. Wang Yuxiang

Chongqing, the PRC, 25 March 2014

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, the Supervisory Committee of Chongqing Machinery & Electric Co., Ltd. diligently performed its duties in the interests of shareholders and the Company in accordance with relevant provisions of the Company Law of the PRC, Securities Law of the PRC, Articles of Association and the Listing Rules, and has supervised all operating and management activities of the Company in a legal, timely and effective manner, which practically protected the interests of shareholders and the Company.

During the reporting period, the Supervisory Committee conducted supervision closely focusing on the annual business objectives and development strategy of the Company in accordance with the Rules of Procedures of the Supervisory Committee of the Company. In order to improve the effectiveness of supervision, the supervision conducted by the Supervisory Committee was based on the practical conditions of the Company, and the comprehensive and three-dimensional supervision was effectively implemented through strengthening the collaboration with the internal audit department and interacting with the supervisory committees of subsidiaries. During the year, the Supervisory Committee concentrated on conducting annual inspections, special inspections involving property rights transfer, asset disposal and overseas investment projects, supervision and evaluation of effectiveness of internal control, analysis of financial statements for a half year, comprehensive investigation of subsidiaries, supervision and evaluation of business procedures in joint ventures as well as major project tracking supervision. In respect of daily supervision, it reviewed the interim results and annual financial accounts, financial budget and profit distribution plans of the Company as well as participated in the review of the auditor's report and provided constructive advice through convening four special meetings of Supervisory Committee, attending three General Meetings, sitting in ten Board meetings, carrying out audit supervision and conducting on-site inspections for relevant matters. The supervision procedures of the Supervisory Committee were thorough and the meetings were normative and orderly resulting in the attention drawn to and use of the supervisory results.

With respect to annual progress of the Company in 2013, the Supervisory Committee has the following views:

- The Supervisory Committee has supervised the operating activities of the Company and conducted supervision throughout the Company's first evaluation of the effectiveness of internal control. It believes that the Company has established a relatively mature internal control system and an internal control management structure, and has made great efforts to improve and execute the system and structure. In 2013, the Company established and revised 13 rules and regulations. These systems have been effectively implemented, which prevented operational risks for the Company.

- The Supervisory Committee has examined details of the implementation of financial management system and the financial reports of the Company. It confirms that the financial budget report, annual report and interim report are true and reliable and the auditing opinions presented by the auditors engaged by the Company are objective and fair.

- The Supervisory Committee has inspected the connected transactions of the Company. It believes that the significant connected transactions arising from the Company's operation during the reporting period are fair and impartial without damaging the interests of other shareholders and the Company.

- The Supervisory Committee has supervised duty fulfillment of the Directors and management of the Company. It confirms that the Directors, General Manager and other senior management members have exercised rights granted by shareholders and discharged their duties in strict compliance with the principle of diligence and good faith. The Committee is not aware of any abuse of authority which impairs our shareholders' interests and the legitimate rights of our employees as of the date of this report.

Based on supervision and inspection, the Supervisory Committee is of the opinion that the members of the Board, General Manager and other senior management members strictly complied with the principle of good faith, acted truthfully in the best interests of the Company and performed their duties according to the Company's Articles of Association. The Company is operated rationally and the internal control is improving gradually. Transactions between the Company and its connected parties were conducted in the interests of shareholders of the Company as a whole and on a fair and reasonable basis. To date, none of the Directors, General Manager and other senior management members were found abusing authority to impair the interests of Company and the rights of our shareholders and employees, or acting in contradiction with the laws, regulations and the Articles of Association of the Company.

The Supervisory Committee is satisfied with the business activities conducted by the Company and the economic benefits thereof in 2013, and is confident in the development prospect of the Company.

The Supervisory Committee has duly reviewed and approved the report of the board of directors, audited financial report and other proposals to be proposed by the Board at the 2013 Annual General Meeting.

By Order of the Supervisory Committee
Chairman of the Supervisory Committee
Mr. Yang Mingquan

Chongqing, the PRC, 25 March 2014

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 consideration of its own characteristics and requirements, has been making enormous efforts in enhancing its standard of corporate governance.

None of the Directors are 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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.

THE BOARD

The Board of the Company is responsible for formulating the Company's governance rules, overseeing the Company's business, making financial decisions and reporting to the General Meetings. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board of the Company has also specified respective responsibilities of the Audit Committee, Nomination Committee, Remuneration Committee and the Strategic Committee. Details of the abovementioned committees are set out in this annual report.

According to Provision A2.1 of Corporate Governance Code, the Chairman and General Manager should be assumed by different members of the Board with distinct roles and responsibility. The Board appointed Mr. Wang Yuxiang as an executive Director and the Chairman of the Company since 18 June 2013, who is responsible for the Group's overall strategic planning, investment, audit and provides such leadership to the Board that the Board can operate effectively and discuss and approve all significant matters in a timely manner, including project investment, annual budgeting and business planning. In accordance with the working rules of the Board of the Company, the Board is responsible for executing the resolutions of General Meetings, deciding on strategic planing for medium and long-term development, annual operation and investment plans and schemes of the Company; preparing annual financial budgets plans, profit distribution plans, financing, acquisition and merger plans and significant events of the Company. The General Manager is responsible for the Group's daily operations and business management.

Notice of Board meetings shall be delivered to each Director at least 14 days prior to the date of the regular Board meetings. The Company has made proper arrangements to ensure matters proposed by Directors to be included into the agenda of the Board meeting. Upon the conclusion of a meeting, the finalized minutes will be delivered to all Directors in a timely manner for their review and record.

The minutes of Board meetings shall be prepared by the Secretary to the Board of the Company and shall be signed by Directors present at the meeting for archiving. Minutes for each meeting are available to Directors for their inspection.

The Board of the Company consists of 12 Directors, including 4 executive Directors, 4 non-executive Directors and 4 independent non-executive Directors.

The Board of the Company has received from each independent non-executive Director a written confirmation of their independence and has satisfied their independence up to the approval date of this report in accordance with the Listing Rules.

ATTENDANCE OF DIRECTORS TO BOARD MEETINGS

From 1 January 2013 to 31 December 2013, the Board held 10 meetings.

Attendance of Directors to the Board meetings of the Company is as follows:

Name of Director	Position	Meetings attended/ total meetings held
Wang Yuxiang	Executive Director, Chairman of the Board *(appointed on 18 June 2013)*	5/5
Yu Gang	Executive Director	10/10
Chen Xianzheng	Executive Director	10/10
Ren Yong	Executive Director *(appointed on 10 April 2013)*	6/6
Liao Shaohua	Executive Director *(resigned on 10 April 2013)*	4/4
Xie Huajun	Executive Director *(resigned on 18 June 2013)*	5/5
Huang Yong	Non-executive Director	10/10
Wang Jiyu	Non-executive Director	10/10
Yang Jingpu	Non-executive Director	10/10
Deng Yong	Non-executive Director *(appointed on 10 April 2013)*	6/6
Liu Liangcai	Non-executive Director *(resigned on 10 April 2013)*	4/4
Lo Wah Wai	Independent Non-executive Director	10/10
Ren Xiaochang	Independent Non-executive Director	10/10
Jin Jingyu	Independent Non-executive Director	10/10
Yang Zhimin	Independent Non-executive Director *(appointed on 18 June 2013)*	5/5
Kong Weiliang	Independent Non-executive Director *(resigned on 18 June 2013)*	5/5

Biographical details of Directors are set out on pages 46 to 56 of this annual report.

THE TERM OF OFFICE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All current independent non-executive Directors of the Company were appointed for a term of three years, and eligible for re-election at the Annual General Meeting of the Company upon expiry of their term of office.

REMUNERATION COMMITTEE

The Remuneration Committee under the Board of the Company assumes the role of consultant of the Board and its articles of association has written terms of reference in accordance with the Corporate Governance Code, which are available on the websites of the Hong Kong Stock Exchange and the Company. The Remuneration Committee of the Company consists of 3 independent non-executive Directors and 1 non-executive Director. The chairman shall be an independent non-executive director. 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. Executive Directors shall not participate in the preparation of resolutions related to their own remuneration. In accordance with the Articles of Association of the Company, remuneration packages of Directors and Supervisors are subject to the approval at the General Meeting.

During the year, the Remuneration Committee was responsible for reviewing the performance of the senior management and fixing their remunerations, which were approved by the Board.

The Remuneration Committee convened 2 meetings during the year, attendance of which is as follows:

Name of Director	Position	Meetings attended/ total meetings held
Ren Xiaochang *(Chairman)*	Independent Non-executive Director	2/2
Lo Wah Wai	Independent Non-executive Director	2/2
Jin Jingyu	Independent Non-executive Director	2/2
Wang Jiyu	Non-executive Director	2/2

NOMINATION COMMITTEE

The Nomination Committee under the Board of the Company assumes the role of consultant of the Board and its articles of association has written terms of reference in accordance with the Corporate Governance Code, which are available on the websites of the Hong Kong Stock Exchange and the Company. The Nomination Committee of the Company consists of 1 executive Director (Chairman), 3 independent non-executive Directors and 1 non-executive Director, and shall be chaired by the Chairman. 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.

The Nomination Committee follows a formal, fair and transparent procedure for the new appointment of directors to the Board. The committee will first consider necessary changes in respect of the structure, size and composition of the Board, identify suitably qualified candidates by considering their professional knowledge and industry experience, personal ethics, integrity and personal skills and time commitments, and makes recommendation to the Board for decision. In accordance with the Articles of Association of the Company, every newly appointed director is subject to election at the General Meeting. The independence of the independent non-executive Directors shall be examined.

The Nomination Committee under the Board convened 3 meetings during the year, attendance of which is as follows:

Name of Director	Position	Meetings attended/ total meetings held
Wang Yuxiang *(Chairman)*	Executive Director *(appointed on 18 June 2013)*	0/0
Ren Xiaochang	Independent Non-executive Director	3/3
Jin Jingyu	Independent Non-executive Director	3/3
Yang Zhimin	Independent Non-executive Director *(appointed on 18 June 2013)*	0/0
Huang Yong	Non-executive Director	3/3
Yu Gang	Executive Director *(acting as the Chairman from 25 January 2013 to 18 June 2013)*	3/3
Kong Weiliang	Independent Non-executive Director *(resigned on 18 June 2013)*	3/3

AUDIT COMMITTEE

The Board of the Company established the Audit Committee in accordance with requirements of the Corporate Governance Code. The committee has written terms of reference, which is available on the websites of the Hong Kong Stock Exchange and the Company. The Audit Committee of the Company consists of 3 independent non-executive Directors and 1 non-executive Director. The chairman shall be an independent non-executive Director. The major responsibilities of the Audit Committee are to supervise the relationship with external auditors, review the Group's reviewed and audited interim and annual financial reports, supervise the Company's compliance with relevant laws and regulations, and review the scope, depth and effectiveness of the Group's internal control.

The Audit Committee convened 6 meetings during the year, attendance of which is as follows:

Name of Director	Position	Meetings attended/ total meetings held
Lo Wah Wai *(Chairman)*	Independent Non-executive Director	6/6
Jin Jingyu	Independent Non-executive Director	6/6
Yang Zhimin	Independent Non-executive Director *(appointed on 18 June 2013)*	3/3
Deng Yong	Non-executive Director *(appointed on 10 April 2013)*	3/3
Kong Weiliang	Independent Non-executive Director *(resigned on 18 June 2013)*	3/3
Liu Liangcai	Non-executive Director *(resigned on 10 April 2013)*	3/3

During the year, the Audit Committee approved the 2012 Condensed Consolidated Financial Information and the 2013 Condensed Consolidated Interim Financial Information of the Company audited by PricewaterhouseCoopers, considered and discussed the accounting policies as set out in the financial report and the Company's financial position and internal control with external auditors, qualified accountant and the management of the Company.

STRATEGIC COMMITTEE

Based on the Company's needs of corporate internal control system construction, the Board of the Company has established a Strategic Committee. The committee has written terms of reference, which are available on the websites of the Hong Kong Stock Exchange and the Company. The Strategic Committee of the Company consists of 4 executive Directors, 3 independent non-executive Directors and 1 non-executive Director, and shall be chaired by the Chairman. The major responsibilities of the Strategic Committee are to study and propose suggestions on the Company's long-term development strategies and material investment decisions and provide decisions to the Board for reference.

The Strategic Committee convened 1 meeting during the year, attendance of which is as follows:

Name of Director	Position	Meetings attended/ total meetings held
Wang Yuxiang *(Chairman)*	Executive Director *(appointed on 18 June 2013)*	1/1
Yu Gang	Executive Director	1/1
Ren Yong	Executive Director *(appointed on 10 April 2013)*	1/1
Chen Xianzheng	Executive Director	1/1
Huang Yong	Non-executive Director	1/1
Ren Xiaochang	Independent Non-executive Director	1/1
Jin Jingyu	Independent Non-executive Director	1/1
Yang Zhimin	Independent Non-executive Director *(appointed on 18 June 2013)*	1/1

SUPERVISORY COMMITTEE

Pursuant to the provisions of Article 124 of the Articles of Association, during the reporting period, the Supervisory Committee of the Company completed its re-election and appointment, thus all of the Supervisors of the second Supervisory Committee of the Company resigned at the 2012 Annual General Meeting. Mr. Yang Mingquan, Mr. Wang Pengcheng, Mr. Liu Xing, Mr. Du Chengrong, Mr. Chen Qing and Mr. Zhao Zicheng have been appointed as the Supervisors of the third session of the Supervisory Committee of the Company, with Mr. Yang Mingquan as the Chairman of the Supervisory Committee. The Supervisory Committee of the Company comprises 6 members, 2 of whom are independent Supervisors. For relevant details, please refer to the announcement in relation to the Poll Results of the 2012 Annual General Meeting dated 18 June 2013 published by the Company.

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 the shareholders. In 2013, the Supervisory Committee has examined the financial position and the legal compliance of the operations of the Company and conducted the due diligence review of the senior management through convening Supervisory Committee's meetings and attending important meetings such as the Board meetings, General Meetings of the Company, establishing duty performance files, etc. The Supervisory Committee undertakes its duties in a proactive and diligent manner under the principles of prudence.

INTERNAL CONTROL

It is the Board's responsibility for developing and maintaining an internal control system of the Company to effectively protect shareholders' interest and safeguard the Group's property and assets by reviewing major control procedures for financial, compliance and enterprise risk management. Reliable and complete financial information has been presented to the management and the internal control system has been improved in a continuous manner to ensure the identification and control of investment and business risks of the Group. However, it is not designed to completely eliminate the risk of failure to achieve the business objectives of the Group. Therefore it can provide reasonable but not absolute assurance against material misstatement of the management as well as financial information and records, or financial fraud or losses.

The internal audit department of the Company supervises the compliance with the asset preservation policy, evaluates the efficiency of economic operation, continuously inspects business activities and management behaviours, identifies business risks and defects in internal control, formulates regular audit plans to determine the focus and frequency of inspections and makes advice and suggestions for improvement.

INTERNAL AUDIT

The internal audit department of the Company has reviewed, in an independent, objective, scientific and effective manner, the Company's systems of internal control under the direct leadership of the Board and the Audit Committee. The internal audit department carries out inspection and monitoring of the Company's financial information disclosures, operations and internal control procedures on a regular or in an ad hoc basis, with a view to ensuring transparency in information disclosures, operational efficiencies and the overall effectiveness of corporate control.

During the Period, the internal audit department seriously performed its functions of supervision, authentication, evaluation and consultation. In accordance with the working strategy of “to manage assets”, “to manage compliance”, “to manage personnel”, “to manage matters”, and “to manage risk” , the Company executed the internal audit function of 370 items. The main working tasks of the internal audit department included: first, it conducted the project audit training; second, a joint audit was carried out by the internal audit departments from both the Chinese and foreign shareholders in the joint venture; third, it conducted the evaluation on the effectiveness of the subsidiaries’ internal control; fourth, it carried out comprehensive investigations on the subsidiaries; fifth, it audited on the financial management of the subsidiaries. During the year, the internal audit department organized and implemented 103 sporadic engineering project audits, 34 financial audits and 2 comprehensive investigations. It fully fulfilled the supervision duties in respect of finance, risk control and “three significances and one large” and achieved “in-place service, in-place supervision and in-place compliance”.

ENHANCEMENT OF INTERNAL CONTROL

During the year, the Company adopted various measures to strengthen internal control, revised the “Method of Accountability Audits in Subsidiaries”, as well as organized and implemented 29 accountability audits. On the basis of completion of the self-evaluation on the effectiveness of the Company in 2012, it summarized experience and consolidated results. It also promoted and extended the effective evaluation work to the subsidiaries. Meanwhile, it carried out the effectiveness evaluation on the internal control once again, further optimized the internal control system, optimized business procedures to strengthen the execution, operation and coordination of each internal control measure, in respect of the weakness found during the inspection. The internal control of the Company was effective in general.

RISK MANAGEMENT

During the Period, the Company was in strict compliance with requirements of the Listing Rules of the Hong Kong Stock Exchange and five ministries including the Ministry of Finance of the PRC, to strengthen risk control and management in the domestic and overseas subsidiaries of the Company. As a result, the subsidiaries that have conducted internal control construction have established and operated 721 internal control systems with 3,386 control points. In addition, the Company conducted the inspection of the execution of corporate internal control construction and proposed 102 pieces of improvement advice by submitting the "Report on the Operation of Internal Control System for 2013". It supervised and urged the detection and promotion of the internal control management system in subsidiaries, and revised the "Internal Control Code" (《內控手冊》) and "Authorization Code" (《授權手冊》) by adding 11 control activities, including those within the fund management process, operation management process, and assets and personal remuneration management process. It also revised and newly added "Code of Annual Target Evaluation on Corporate Engineering Construction Project "(《企業工程建設項目年度目標考核細則》), "Overall Budget Management System (Trial Implementation)"(《全面預算管理制度(試行)》), "Management System of Information System Security and Secrecy and Responsibility Investigation of Secret Leak"(《資訊系統安全保密及洩密責任追究管理制度》) and "Risk Fund Management Methods of Safe Production, Environment Protection and Occupational Health"(《安全生產、環境保護及職業健康管理風險金管理辦法》). The above measures laid a solid foundation of defence and management measures for the completeness of the internal control system execution and the effectiveness of the continuous revision and review system of the Company.

The Company appointed senior management staff to regularly station in UK for a long term in Precision Technologies Group (PTG) Limited by holding the position of Chief Risk Officer (CRO), who is responsible for the execution, establishment and inspection of the internal control process and system, investigating operational activities and management behaviours, identifying business risk and internal flaws. The CRO proposed 20 pieces of internal control advice in relation to the optimization of finance, human resources, sales and procurement by submitting a risk management report to the Board of the enterprise. Furthermore, CRO conducted various risk evaluation, financial investigation and prevention measures on merger and acquisition and investment of targeted companies to safeguard the benefits of the Company.

ACCOUNTABILITY AND AUDIT

The Board of the Company are responsible for overseeing the management's preparation of accounts for each financial period and making appropriate publication in accordance with Listing Rules to disclose to shareholders all information necessary for their evaluation of the Company's financial position and other matters. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international and PRC auditors of the Company respectively. The fees for the services provided by the above auditors to the Group for the year ended 31 December 2013 amounted to approximately RMB4.7 million (2012: approximately RMB4.7 million).

GENERAL MEETINGS

The General Meeting holds the highest authority of the Company. The Company highly values the functions of the General Meetings, and therefore encourages all shareholders to attend the General Meetings, which serve as a direct and effective communication channel between the Board and the investors of the Company. The Articles of Association of the Company expressly provides for the rights of the shareholders, including the rights to attend, to receive notices of, and to vote at General Meetings.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In respect of any discloseable and significant event, the Company makes accurate and complete disclosure in a timely manner in the newspapers and websites as specified by the relevant supervisory authorities for information disclosure pursuant to the disclosure requirements under the Listing Rules. This is to ensure the right to information and participation of the shareholders.

The Company has established a department to be responsible for investor relations and places strong emphasis on its communications with investors, and considers that maintaining an on-going and open communications with investors can promote investors' understanding of and confidence in the Company. During the year, the Company communicated with 122 institutional investors or investors in 43 meetings such as roadshows, investor presentations, site meetings, enterprise visits, and telephone interviews. The full communication with investors enhanced the Group's relationship with investors and allowed them to better understand and enhance confidence in operations and developments of the Group.

In 2013, the Company strengthened communication and propaganda with a number of media including China Industry News, Hong Kong Wen Wei Po, Chongqing Daily, etc. To promote good relations between the Company and investors, and improve the transparency of corporate operations, the Company introduced its development strategy and bright future plans through propaganda by means of website, publicity pamphlet, image film, etc., to guide the continuous attention of the public and investors on the growth of the Company.

TRAINING OF DIRECTOR

In accordance with the code provisions, the Company arranged 5 trainings on relevant laws and regulations including the Listing Rules for 51 Directors, supervisors and senior management of the Company through the Hong Kong Institute of Chartered Secretaries, securities regulatory institutions and special trainings, etc. During the year, the Company has received the written training records of all Directors.

ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

While striving to develop business, the Group actively performs its social responsibilities. In 2013, the Group did not have any environmental liability accidents that occurred during the year. The energy consumption of unit production value decreased by 5% as compared to the same period last year. The Group's subsidiaries participated in local social services based on the actual conditions of their places of business. Chongqing Gepai (重慶鴿牌) provided assistance to construct Yubei Hope Primary School (渝北希望小學) to establish a good corporate image and contribute to the local social development. During the period, the Company held "Lushan, We Stay Together — Donation Activity" (蘆山我們在一起--愛心募捐活動) to assist others and help the victims of Lushan Earthquake. The Company fulfilled environmental protection responsibilities in an active manner to enhance the solidarity and cooperation consciousness of the staff. We also held the voluntary tree planting activity with the theme of "To Establish A Civilized Green Home With Lei Feng Spirit" (創文明學雷鋒共建綠色家園).

During the Period, the Group made charitable donations of approximately RMB0.24 million. The Company will continue to support and participate in diversified social and public benefit activities.

羅兵咸永道

To the shareholders of Chongqing Machinery & Electric Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Chongqing Machinery & Electric Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 107 to 264, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2014

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000 (Restated)
Revenue	5	**9,701,044**	8,908,032
Cost of sales	8	**(8,616,264)**	(7,873,291)
Gross profit		**1,084,780**	1,034,741
Distribution costs	8	**(266,446)**	(264,710)
Administrative expenses	8	**(749,257)**	(708,265)
Other gains, net	6	**94,914**	46,745
Other income	7	**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	10	**(101,458)**	(133,244)
Share of post-tax profits of joint ventures	12	**353,816**	381,282
Share of post-tax profits of associates	12	**44,099**	963
Profit before income tax		**585,223**	488,874
Income tax expense	13	**(44,785)**	(30,525)
Profit for the year		**540,438**	458,349

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000 (Restated)
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
Profit attributable to:			
Owners of the Company		506,829	443,446
Non-controlling interests		33,609	14,903
		540,438	458,349

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000 (Restated)
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	14	0.14	0.12
Dividends proposed after the balance sheet date to all shareholders	32	184,232	128,962

The notes on pages 117 to 264 are an integral part of these financial statements.

(All amounts in RMB unless otherwise stated)

		Group			Company	
		As at 31 December		As at 1	**As at 31 December**	
		2013	2012	January 2012	**2013**	2012
	Note	***RMB'000***	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*
			(Restated)	(Restated)		
ASSETS						
Non-current assets						
Property, plant and equipment	16	**2,734,318**	2,182,750	2,079,674	**7,265**	7,644
Investment properties	17	**29,825**	33,006	36,007	**—**	—
Lease prepayments	15	**482,704**	462,078	301,674	**—**	—
Intangible assets	18	**286,872**	266,127	252,011	**—**	—
Investments in associates	12	**508,417**	384,734	397,655	**229,206**	209,206
Investments in subsidiaries	11	**—**	—	—	**2,826,027**	2,332,189
Investments in joint ventures	12	**310,143**	366,689	274,207	**200,929**	200,929
Trade and other receivables	19	**—**	—	—	**224,155**	581,000
Deferred income tax assets	30	**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	**—**	306,000
		4,441,363	3,786,175	3,427,567	**3,487,582**	3,636,968
Current assets						
Inventories	22	**1,669,709**	1,646,077	1,632,978	**—**	—
Trade and other receivables	19	**3,877,374**	3,627,999	2,926,837	**570,722**	216,254
Dividend receivable		**157,464**	60,737	236,210	**171,164**	60,838
Amount due from customers for contract work	20	**464,871**	352,777	283,991	**—**	—
Restricted cash	21	**447,163**	243,859	294,574	**5,074**	5,056
Cash and cash equivalents	23	**1,792,359**	2,525,881	2,482,570	**1,052,989**	1,137,728
		8,408,940	8,457,330	7,857,160	**1,799,949**	1,419,876
Total assets		**12,850,303**	12,243,505	11,284,727	**5,287,531**	5,056,844

		Group			Company	
		As at 31 December		As at 1	As at 31 December	
		2013	2012	January 2012	**2013**	2012
	Note	**RMB'000**	RMB'000	RMB'000	**RMB'000**	RMB'000
			(Restated)	(Restated)		
EQUITY						
Capital and reserves attributable to owners of the Company						
Share capital	24	**3,684,640**	3,684,640	3,684,640	**3,684,640**	3,684,640
Reserves	25	**(752,910)**	(787,733)	(826,881)	**(732,276)**	(769,513)
Retained earnings						
— Proposed final dividend	32	**184,232**	128,962	221,078	**184,232**	128,962
— Others	25	**2,402,883**	2,117,523	1,844,425	**998,659**	806,651
		5,518,845	5,143,392	4,923,262	**4,135,255**	3,850,740
Non-controlling interests		**367,420**	338,799	41,958	**—**	—
Total equity		**5,886,265**	5,482,191	4,965,220	**4,135,255**	3,850,740
LIABILITIES						
Non-current liabilities						
Borrowings	28	**1,489,258**	1,169,038	1,458,364	**1,021,064**	1,046,417
Deferred income	29	**475,757**	520,808	556,000	**—**	—
Deferred income tax liabilities	30	**21,786**	24,526	32,120	**—**	—
Long-term employee benefit obligations	31	**37,003**	45,457	78,420	**—**	—
		2,023,804	1,759,829	2,124,904	**1,021,064**	1,046,417

		Group			Company	
		As at 31 December		As at 1	As at 31 December	
		2013	2012	January 2012	**2013**	2012
	Note	***RMB'000***	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*
			(Restated)	(Restated)		
Current liabilities						
Trade and other payables	26	**3,828,431**	3,395,296	2,859,543	**106,093**	133,791
Dividends payable		**25,381**	23,228	40,184	**—**	—
Amount due to customers for contract work	20	**8,568**	10,589	7,852	**—**	—
Current income tax liabilities		**50,796**	48,785	43,997	**—**	—
Borrowings	28	**996,881**	1,491,167	1,210,938	**25,119**	25,896
Current portion of long-term employee benefit obligations	31	**9,316**	10,417	12,554	**—**	—
Provisions for warranty	27	**20,861**	22,003	19,535	**—**	—
		4,940,234	5,001,485	4,194,603	**131,212**	159,687
Total liabilities		**6,964,038**	6,761,314	6,319,507	**1,152,276**	1,206,104
Total equity and liabilities		**12,850,303**	12,243,505	11,284,727	**5,287,531**	5,056,844
Net current assets		**3,468,706**	3,455,845	3,662,557	**1,668,737**	1,260,189
Total assets less current liabilities		**7,910,069**	7,242,020	7,090,124	**5,156,319**	4,897,157

The financial statements on pages 107 to 264 were approved by the Board of Directors on 25 March 2014 and were signed on its behalf

Director *Director*

The notes on pages 117 to 264 are an integral part of these financial statements.

		Attributable to owners of the Company				Non-	
	Note	Share capital RMB'000	Other reserves RMB'000 Note 25	Retained earnings RMB'000 Note 25	Total RMB'000	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	41	—	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

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained earnings	Total		
		RMB'000	*RMB'000* *Note 25*	*RMB'000* *Note 25*	*RMB'000*	*RMB'000*	*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

The notes on pages 117 to 264 are an integral part of these financial statements.

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	33	**72,859**	57,719
Interest paid		**(156,004)**	(163,199)
Income tax paid		**(51,168)**	(38,401)
Net cash used in operating activities		**(134,313)**	(143,881)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		**(714,000)**	(5,066,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**723,986**	5,095,082
Proceeds from government grants related to assets		**12,025**	38,792
Purchase of property, plant and equipment and investment properties		**(549,542)**	(271,921)
Increase in lease prepayments		**(34,347)**	(171,322)
Purchase of intangible assets		**(32,636)**	(26,653)
Investments in associates		**(94,439)**	—
Proceeds from disposal of property, plant and equipment	33	**3,409**	48,264
Proceeds from sale of lease prepayment		**—**	2,003
Interest received		**35,249**	29,790
Proceeds from disposal of non-current assets		**2,800**	—
Dividends received		**329,326**	478,921
Net cash (used in)/generated from investing activities		**(318,169)**	156,956

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
			(Restated)
Cash flows from financing activities			
Proceeds from borrowings		**1,667,192**	1,564,288
Repayments of borrowings		**(1,812,093)**	(1,578,782)
Finance lease paid		**(1,758)**	(1,385)
Contribution from non-controlling interests		**—**	294,000
Dividends paid to Company's shareholders		**(128,962)**	(236,755)
Dividends paid to non-controlling interests		**(4,988)**	(13,341)
Net cash (used in)/generated from financing activities		**(280,609)**	28,025
Net (decrease)/increase in cash and cash equivalents		**(733,091)**	41,100
Cash and cash equivalents at beginning of the year		**2,525,881**	2,482,570
Exchange (losses)/gains on cash and cash equivalents		**(431)**	2,211
Cash and cash equivalents at end of the year	23	**1,792,359**	2,525,881

The notes on pages 117 to 264 are an integral part of these financial statements.

1. GENERAL INFORMATION

Chongqing Machinery & Electronics 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 Electronics 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, Huangshan Road Central, Northern New District, 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 of Directors on 25 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group (continued)

- 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). See Note 41 for the impact on the consolidated financial statements.

- Amendment to HKFRS 7, 'Financial instruments: Disclosures', on asset and liability offseting. 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 in 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group (continued)

- 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. See Note 41 for the impact of adoption on the consolidated financial statements.

- 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, which are largely aligned between HKFRSs and US GAAP, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(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 is 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 2010. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standards and interpretations not yet adopted (continued)

- 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 clarify 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 specified criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standards and interpretations not yet adopted (continued)

- HK(IFRIC) 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 should a liability 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 HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former equity holders of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) *Business combinations (continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Associates *(continued)*

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2012. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Joint arrangements *(continued)*

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 January 2012.

The effects of the change in accounting policies on the financial position, comprehensive income and the cash flows of the Group at 1 January 2012 and 31 December 2012 are shown in Note 41. The change in accounting policy has had no impact on earnings per share.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the operating management committee that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains - net'.

Changes in fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings and plants	20–50 years
— Equipment and machinery	3–28 years
— Motor vehicles	6–12 years

For the moulds included in equipment machinery, the depreciation is calculated using the unit-of-production method to allocate their cost to their residual values over their estimated frequency of use, as follows:

	Estimated production units	Depreciation rate per unit
— Moulds	300–500	0.1%–0.2%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains - net' in profit or loss.

Assets under construction represent buildings under construction and plant and equipment pending installation, and are stated at cost. Costs include construction and acquisition costs. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.8 Investment properties

Investment properties, comprising buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life of 45 years. The residual values and useful lives of investment properties are reviewed and adjusted as appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.9 Lease prepayments

Lease prepayments represent upfront prepayments made for the land use rights. Lease payments are stated at cost or, in case of restructuring, at valuation which represented the deemed cost to the Group, and are expensed in profit or loss on a straight-line basis over the period of the land use rights or when there is impairment, the impairment is expensed in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Technical know-how

Separately acquired technical know-how is shown at historical cost. Technical know-how acquired in a business combination is recognised at fair value at the acquisition date. Technical know-how has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technical know-how over its estimated useful life of 6 to 10 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Intangible assets *(continued)*

(c) Brand and customer relationships

Brand and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Brand has an indefinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 10-12 years.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to10 years.

(e) Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receive in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. In accordance with HK(IFRIC) 12, "Service concession arrangements", the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangible assets if the operator receives a right (a licence) to charge user of the public service, or as financial assets if paid by the granting authority. If intangible assets model is applicable, the Group classifies the non-current assets linked to the long-term investment in these concession arrangements as "concession assets" within intangible assets classification on the consolidated balance sheets. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortised over the term of the concession period on the straight-line basis under the intangible assets model. If financial assets model is applicable, the Group classifies the assets in relation to these concession arrangements within financial assets classification on the consolidated balance sheet. Once the underlying infrastructure of the concession arrangements have been completed, the interest of financial assets will be calculated using effective interest rate method and related gain/loss will be charged to the profit or loss accordingly over the concession period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill and brand - are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 Financial assets *(continued)*

2.12.1 Classification *(continued)*

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted cash' and 'cash and cash equivalents' in the balance sheets (Notes 2.17 and 2.18).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment maturities or management intends to dispose of it within 12 months of the end of the reporting period.

2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 Financial assets *(continued)*

2.12.2 Recognition and measurement *(continued)*

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within 'other gains — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Group's right to receive payments is established.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 Impairment of financial assets *(continued)*

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.15 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not have any derivative instruments that qualifying for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.19 Share capital

Share capital is classified as equity.

Incremental costs directly attributable to the issue of new shares or optional are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Employee benefits

(a) Pension obligations

The Group's subsidiaries in the PRC contribute on a monthly basis to various defined contribution retirement schemes managed by the PRC Government. The contributions to the schemes are charged to profit or loss as and when incurred. The Group's obligations are determined at a certain percentage of the salaries of the employees.

The Group also provided supplementary pension subsidies to certain retired employees. Such supplementary pension subsidies are considered as under defined benefit plans. The liability recognised in the balance sheet in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

The Group's subsidiaries in the United Kingdom operate a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the companies. The annual contributions payable are charged to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Employee benefits *(continued)*

(b) Other post-employment obligations

Some group companies provided post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Early retirement benefits

Some companies within the Group bore certain benefits obligation to the qualified early retired staff. Early retirement benefits are for staffs who have retired before the retirement age as specified by the national rules. The Group provides various benefits, including early retirement subsidies, continuous contribution of the medical and other welfare benefits to the local governmental authorities up to the retirement age as specified by the national rules. Such benefits are considered as under defined benefit plans. These obligations are valued annually by independent qualified actuaries. The liability recognised in the balance sheet is the present value of the defined obligation at the balance sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income over the expected average remaining lives of the related employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Employee benefits *(continued)*

(d) Housing fund and other benefits

All full-time employees of the Group's subsidiaries in the PRC are entitled to participate in various government-sponsored housing and other benefits funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(e) Bonus entitlement

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 Provisions

Provisions, mainly warranty costs, are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Construction contracts

Contract costs are recognised as expenses by reference to the stage of the contract of activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Construction contracts *(continued)*

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from the sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the ultimate customers or dealers, as appropriate (normally in the form of delivery of goods to ultimate customers, dealers or parties designated by the dealers), and the ultimate customers, dealers or parties designated by the dealers have accepted the products and collectability of the related receivables is reasonably assured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.28 Revenue recognition *(continued)*

(b) Revenue from construction contracts

Revenue from construction contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be reliably determined and is measured mainly by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs. Anticipated losses are fully provided on contracts when identified.

(c) Sales of services

Revenue for services rendered is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

(d) Rental income

Rental income is recognised in the profit or loss on a straight-line basis over the term of the lease.

(e) Interest income

Interest income from the segment of financial service is recorded in revenue, interest income from other segments is recorded in financial income.

2.29 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivable are recognised using the original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.30 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.31 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.32 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(b) management intends to complete the intangible asset and use or sell it;

(c) there is an ability to use or sell the intangible asset;

(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.33 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.34 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit or loss within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge the risk exposures.

Risk management is carried out by finance department under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar ("USD"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency.

As at 31 December 2013, if RMB had weakened/strengthened by 1% (2012: 1%) against USD with all other variables held constant, the Group's net profit for the year then ended would have been approximately RMB921,000 (2012: RMB275,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD-denominated bank deposits and trade receivables and foreign exchange losses/gains on translation of USD-denominated bank borrowings and trade and other payables.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest bearing bank deposits and borrowings. Bank deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. The Group determines the related proportions of its fixed and variable rate contracts depending on the prevailing market conditions. During 2013 and 2012, the Group's bank deposits and borrowings at variable rates were denominated in RMB/UK pound. The Group currently does not hedge its exposure to interest rate risk.

As at 31 December 2013, if the interest rate of the Group's bank deposits had been increased/decreased by 10% (2012: 10%) and all other variables were held constant, the Group's post-tax profit for the year then ended would have been increased/decreased by approximately RMB2,333,000 (2012: RMB1,434,000).

As at 31 December 2013, if the interest rate of the Group's bank borrowings at variable rates had been increased/decreased by 10% (2012: 10%) and all other variables were held constant, the Group's net profit for the year then ended would have been decreased/increased by approximately RMB8,013,000 (2012: RMB5,768,000).

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and amount due from customers for contract work shown on balance sheets.

As at 31 December 2013 and 2012, substantially all the Group's bank deposits are deposited in major banks which are state-owned entities incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2013 and 2012 were as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Big four commercial banks *(i)*	**861,776**	780,542
Other listed banks	**1,150,078**	1,572,207
Other non-listed banks	**226,481**	414,872
	2,238,335	2,767,621

(i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

All the Group's trade and other receivables have no collateral. However, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group assesses the credit quality of each customer by taking into account its financial position, past experience and other factors. Credit limit and terms are reviewed on periodic basis, and the financial department is responsible for such monitoring procedures. In determining whether provision for impairment of receivables is required, the Group takes into consideration the future cash flows, ageing status and the likelihood of collection. In this regards, the directors of the Company are satisfied that the risks are minimal and adequate provision for impairment of receivables, if any, has been made in the financial statements after assessing the collectibility of individual debts. Further quantitative disclosures in respect of the impairment of trade and other receivables are set out in Note 19.

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Group maximum exposure	
	2013	2012
	RMB'000	*RMB'000*
Credit risk exposure relating to off-balance sheet items		
Financial guarantees	**177,826**	—
31 December	**177,826**	—

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

The Group has guaranteed the bank loans of the related party (Note 36). Under the terms of financial guarantee contracts, the Group will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

The Company has guaranteed the bank loans of parent company (Note 36) and a number of subsidiaries. Under the terms of financial guarantee contracts, the Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

The Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions, as well as equity financing through shareholders.

The table below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2013				
Bank borrowings	**1,044,051**	**419,530**	**17,448**	**88,252**
Other borrowings	**8,385**	**4,900**	**—**	**—**
Corporate bonds	**65,900**	**65,900**	**1,065,900**	**—**
Finance lease liabilities	**2,087**	**1,033**	**—**	**—**
Trade and other payables	**2,989,135**	**—**	**—**	**—**
Financial guarantee contracts	**—**	**—**	**127,826**	**50,000**
At 31 December 2012 (Restated)				
Bank borrowings	1,493,365	123,728	53,991	—
Other borrowings	31,115	5,103	—	—
Corporate bonds	65,900	65,900	1,131,800	—
Finance lease liabilities	23,828	2,304	762	—
Trade and other payables	2,316,479	—	—	—

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013				
Bank borrowings	**26,650**	**25,786**	**—**	**—**
Corporate bonds	**65,900**	**65,900**	**1,065,900**	**—**
Trade and other payables	**80,559**	**—**	**—**	**—**
Financial guarantee contracts	**276,578**	**104,507**	**—**	**—**
At 31 December 2012				
Bank borrowings	28,219	27,505	26,554	—
Corporate bonds	65,900	65,900	1,131,800	—
Trade and other payables	108,257	—	—	—
Financial guarantee contracts	364,440	—	—	—

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital management *(continued)*

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus borrowings. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios at 31 December 2013 and 2012 were as follows:

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Total borrowings	**2,486,139**	2,660,205
Total equity	**5,886,265**	5,482,191
Total capital	**8,372,404**	8,142,396
Gearing ratio	**30%**	33%

3.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(continued)*

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Available-for-sale financial assets				
— Equity securities	**2,840**	**—**	**—**	**2,840**
Total assets	**2,840**	**—**	**—**	**2,840**

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

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted cash, trade and other receivables and amount due from customers for contract work; and financial liabilities including trade and other payables, short-term borrowings, approximate their fair values due to their short maturities. The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments as disclosed in Note 28.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Taxation

The Group is subject to various taxes in the PRC, United Kingdom and Germany. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

As at 31 December 2013, the Group has deferred tax assets of approximately RMB74,819,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised for temporary differences arising from provision for impairment of assets, deferred income, retirement benefit obligations, and warranty and other accrued expenses.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(CONTINUED)*

(b) Impairment of non-financial assets

Non-financial assets are reviewed for impairment in accordance with the accounting policy stated in Note 2.11. The recoverable amount of an asset or a cash-generating unit is the higher of an asset's or a cash-generating unit's fair value less costs to sell and value-in-use. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, which has been prepared on the basis of management's assumptions and estimates. Detailed sensitivity analyses have been performed and management is confident that the carrying amount of the relevant assets will be recovered in full.

(c) Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 31.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(CONTINUED)*

(d) Provisions for warranty

The Group provides warranties on their products and undertakes to repair or replace items that fail to perform satisfactorily based on certain pre-determined conditions. Management estimates the related warranty claims based on historical warranty claim information including level of repairs and returns as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Group's productivity and quality controls, as well as parts and labor costs. Any increase or decrease in the provision would affect profit or loss in future years.

5. 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, 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 statement of comprehensive income.

5. SEGMENT INFORMATION *(CONTINUED)*

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	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

5. SEGMENT INFORMATION *(CONTINUED)*

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	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

5. SEGMENT INFORMATION *(CONTINUED)*

The segment information of engines is restated according to the adoption of HKFRS 11 joint arrangements 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).

6. OTHER GAINS, NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Gain on disposals of property, plant and equipment	**361**	4,911
Gain on disposals of financial assets at fair value through profit or loss	**9,986**	29,082
Gain on disposals of lease prepayment	**37,335**	1,865
Gain on reversal of borrowings from independent third party	**27,701**	—
Proceeds of disposals of non-current assets	**2,800**	—
Gain on debt restructuring	**7,780**	—
Others	**8,951**	10,887
	94,914	46,745

7. 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 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 grant and credited to 'other income' in profit or loss.

8. EXPENSES BY NATURE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Depreciation on property, plant and equipment *(Note 16)*	**169,297**	154,813
Depreciation on investment properties *(Note 17)*	**3,001**	3,001
Amortisation of lease prepayments *(Note 15)*	**11,328**	10,780
Amortisation of intangible assets *(Note 18)*	**12,802**	12,537
Amortisation of deferred income *(Note 29)*	**(306)**	(394)
Employee benefit expense *(Note 9)*	**997,272**	943,981
Changes in inventories of finished goods and work in progress	**(40,495)**	(8,632)
Raw materials and consumables used	**7,682,947**	6,926,717
Transportation	**85,020**	90,716
Research and development costs	**105,655**	76,869
Utilities	**246,627**	218,254
Repairs and maintenance expenditure on property, plant and equipment	**30,037**	35,799
Operating lease rentals *(Note 16)*	**32,429**	26,245
Write down /(write-back) of inventories *(Note 22)*	**6,068**	(2,927)
Provision for impairment of receivables *(Note 19)*	**4,320**	17,387
Provision for warranty *(Note 27)*	**42,041**	45,994
Auditors' remuneration	**5,000**	5,400
Other expenses	**238,924**	289,726
Total cost of sales, distribution costs and administrative expenses	**9,631,967**	8,846,266

9. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Salaries, wages and bonuses	**728,141**	701,506
Contributions to pension plans *(a)*	**106,577**	99,047
Supplemental pension benefits to qualified employees *(b) (Note 31)*		
— Interest cost	**1,038**	2,175
— Remeasurement effects recognised in other comprehensive income	**355**	3,292
— Additions on termination benefit obligations	**—**	827
— Deductions *(Note 31)*	**—**	(28,610)
Housing benefits *(c)*	**43,726**	46,065
Welfare, medical and other expenses	**117,435**	119,679
	997,272	943,981

(a) The employees of the Group's subsidiaries in the PRC participate in various retirement benefit plans organised by the relevant municipal and provincial government in the PRC under which the Group is required to make monthly contributions to these plans at rates ranging from 17% to 25%, depending on the applicable local regulations, of the employees' basic salary for the years ended 31 December 2013 and 2012.

The Group's subsidiaries in the United Kingdom operate a defined contributions pension scheme. The assets of the scheme are held separately from those of the companies in an independently administered fund. The pension charge represents contribution payable by the companies and is charged to profit or loss.

9. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(b) The Group provided supplemental pension and other post-employment benefits to certain retired employees. The costs of providing these benefits are charged to profit or loss so as to spread the service cost over the average service lives of the retirees. For details, please refer to Note 31.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 7% to 15% of the employees' basic salary) in the PRC.

(d) Directors', supervisors' and senior management's emoluments

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Directors and supervisors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,467**	1,327
— Contributions to pension plans	**402**	349
— Discretionary bonuses	**2,061**	2,608
	3,930	4,284
Senior management		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**549**	522
— Contributions to pension plans	**332**	334
— Discretionary bonuses	**1,134**	1,646
	2,015	2,502
	5,945	6,786

The emoluments received by individual directors, supervisors and senior management are presented as below.

9. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(d) Directors', supervisors' and senior management's emoluments *(continued)*

(i) For the year ended 31 December 2013:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors and supervisors				
Mr. Wang Yuxiang	65	—	98	163
Mr. Xie Huajun	60	84	316	460
Mr. Yu Gang	140	84	406	630
Mr. Chen Xianzheng	116	84	325	525
Mr. Ren Yong	116	—	325	441
Mr. Huang Yong	48	—	—	48
Mr. Wang Jiyu	48	—	—	48
Mr. Yang Jingpu	48	—	—	48
Mr. Liu Liangcai	16	—	—	16
Mr. Lu Huawei	115	—	—	115
Mr. Ren Xiaochang	68	—	—	68
Mr. Kong Weiliang	34	—	—	34
Mr. Duan Rongsheng	16	—	—	16
Ms. Wang Rongxue	18	—	—	18
Mr. Liu Xing	36	—	—	36
Mr. Wang Xuqi	8	75	—	83
Mr. Chen Qing	153	—	302	455
Mr. Jin Jingyu	68	—	—	68
Mr. Yang Mingquan	36	75	—	111
Mr. Zhao Zicheng	147	—	289	436
Mr. Deng Yong	36	—	—	36
Mr. Wang Pengcheng	18	—	—	18
Mr. Yang Zhimin	37	—	—	37
Mr. Du Chengrong	20	—	—	20
	1,467	402	2,061	3,930

9. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(d) Directors', supervisors' and senior management's emoluments *(continued)*

(i) For the year ended 31 December 2013: *(continued)*

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind *RMB'000*	Contributions to pension plans *RMB'000*	Discretionary bonuses *RMB'000*	Total *RMB'000*
Senior management				
Mr. Duan Caijun	116	84	325	525
Mr. Gong Wei	49	33	241	322
Mr. Yang Quan	116	78	263	457
Mr. Xiang Hu	116	74	199	389
Mr. Chen Yu	152	63	106	322
	549	332	1,134	2,015
	2,016	734	3,195	5,945

9. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(d) Directors', supervisors' and senior management's emoluments *(continued)*

(ii) For the year ended 31 December 2012:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind *RMB'000*	Contributions to pension plans *RMB'000*	Discretionary bonuses *RMB'000*	Total *RMB'000*
Directors and supervisors				
Mr. Xie Huajun	120	—	635	755
Mr. Liao Shaohua	86	64	472	622
Mr. Chen Xianzheng	114	83	508	705
Mr. Yu Gang	138	83	635	856
Mr. Huang Yong	48	—	—	48
Mr. Wang Jiyu	48	—	—	48
Mr. Yang Jingpu	48	—	—	48
Mr. Liu Liangcai	48	—	—	48
Mr. Lu Huawei	117	—	—	117
Mr. Ren Xiaochang	68	—	—	68
Mr. Kong Weiliang	68	—	—	68
Mr. Duan Rongsheng	48	—	—	48
Mr. Zhang Xinzhi	24	—	—	24
Ms. Wang Rongxue	36	—	—	36
Mr. Liu Xing	36	—	—	36
Mr. Wang Xuqi	109	43	60	212
Mr. Chen Qing	137	76	298	511
Mr. Jin Jingyu	34	—	—	34
	1,327	349	2,608	4,284
Senior management				
Mr. Ren Yong	114	83	508	705
Mr. Gong Wei	114	83	508	705
Mr. Duan Caijun	114	83	508	705
Mr. Yang Quan	142	66	122	330
Mr. Xiang Hu	38	19	—	57
	522	334	1,646	2,502
	1,849	683	4,254	6,786

9. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(d) Directors', supervisors' and senior management's emoluments *(continued)*

The emoluments of the directors, supervisors and senior management of the Company fell within the following bands:

	Number of individuals Year ended 31 December	
	2013	2012
Directors and supervisors		
— Nil to HKD1,000,000 (equivalent to approximately RMB810,800)	**24**	17
— HKD1,000,001–HKD1,500,000 (equivalent to approximately RMB810,800–RMB1,216,200)	**—**	1
	24	18
Senior management		
— Nil to HKD1,000,000 (equivalent to approximately RMB810,800)	**5**	5
	29	23

For the years ended 31 December 2013 and 2012, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

9. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(e) Five highest paid individuals

For the year ended 31 December 2012, the five individuals whose emoluments were the highest in the Group for the year include two directors whose emolument is reflected in the analysis presented above. The emoluments payable to the five (2012: three) individuals for the year ended 31 December 2013 are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**3,053**	371
— Contributions to pension plans	**404**	252
— Discretionary bonuses	**2,390**	2,196
	5,847	2,819

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2013	2012
Nil to HKD1,000,000 (equivalent to approximately RMB810,800)	**2**	1
HKD1,000,001–HKD1,500,000 (equivalent to approximately RMB810,800–RMB1,216,200)	**2**	2
HKD1,500,001–HKD3,500,000 (equivalent to approximately RMB1,216,200–RMB2,837,800)	**1**	–
	5	3

10. 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)

11. INVESTMENTS IN SUBSIDIARIES — COMPANY

	2013 **RMB'000**	2012 *RMB'000*
Investments, at cost:		
Unlisted shares	**2,826,027**	2,332,189

All the subsidiaries are unlisted.

For the year ended 31 December 2013, the Company injected capital of RMB493,838,000 into certain subsidiaries.

As at the date of this report, the particulars of the Group's principal subsidiaries are set out in Note 37.

Material non-controlling interests

The total non-controlling interest as at 31 December 2013 is approximately RMB367,420,000, of which approximately RMB317,904,000 is for Chongqing Machinery and Electronics Holding (Group) Finance Company Limited (CMEFC) and approximately RMB39,198,000 is for Chongqing Pigeon Electric Wire & Cable Co., Ltd (Pigeon Wire). The non-controlling interests in respect of other subsidiaries are not material.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

11. INVESTMENTS IN SUBSIDIARIES — COMPANY *(CONTINUED)*

Summarised balance sheet

	CMEFC As at 31 December		Pigeon Wire As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current				
Assets	**2,201,584**	612,067	**631,121**	688,828
Liabilities	**(1,556,425)**	(11,000)	**(774,318)**	(702,080)
Total current net assets/(liabilities)	**645,159**	601,067	**(143,197)**	(13,252)
Non-current				
Assets	**3,625**	1,181	**337,300**	349,459
Liabilities	**—**	—	**(43,340)**	(207,273)
Total non-current net assets	**3,625**	1,181	**293,960**	142,186
Net assets	**648,784**	602,248	**150,763**	128,934

Summarised income statement

	CMEFC Year ended 31 December		Pigeon Wire Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**94,099**	2,582	**2,593,293**	2,645,063
Profit before income tax	**62,797**	2,249	**50,230**	65,050
Income tax expense	**(16,261)**	—	**(9,217)**	(13,195)
Profit for the year	**46,536**	2,249	**41,013**	51,855
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**46,536**	2,249	**41,013**	51,855
Total comprehensive income allocated to non-controlling Interests	**22,802**	1,102	**10,663**	13,482
Dividends paid to non-controlling Interests	**—**	—	**4,988**	9,166

11. INVESTMENTS IN SUBSIDIARIES — COMPANY *(CONTINUED)*

Summarised cash flows

	CMEFC Year ended 31 December		Pigeon Wire Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	**705,710**	1,034	**83,104**	151,687
Interest paid	**(91,996)**	—	**(26,859)**	(19,961)
Income tax paid	**(6,821)**	—	**(7,281)**	(9,151)
Net cash generated from operating activities	**606,893**	1,034	**48,964**	122,575
Net cash used in investing activities	**(4,112)**	—	**(1,702)**	(550)
Net cash generated from/(used in) financing activities	**—**	611,000	**(45,000)**	(163,624)
Net increase/(decrease) in cash and cash equivalents	**602,781**	612,034	**2,262**	(41,599)
Cash, cash equivalents and bank overdrafts at beginning of year	**612,034**	—	**79,527**	121,126
Cash and cash equivalents at end of year	**1,214,815**	612,034	**81,789**	79,527

The information above is the amount before inter-company eliminations.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
— Associates	**508,417**	384,734
— Joint ventures	**310,143**	366,689
	818,560	751,423

The amounts recognised in profit or loss are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
— Associates	**44,099**	963
— Joint ventures	**353,816**	381,282
	397,915	382,245

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Investment in associates

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
At beginning of the year	**384,734**	397,655	**209,206**	209,206
Additions	**94,439**	506	**20,000**	—
Share of profit	**44,099**	963	**—**	—
Dividend declared	**(14,855)**	(14,390)	**—**	—
At end of the year	**508,417**	384,734	**229,206**	209,206

(a) For the year ended 31 December 2013, the Group has not recognised gain amounting to approximately RMB133,000 (2012: Loss amounting to approximately RMB1,967,000) for Chongqing Ji'en Smelting Co., Ltd. The total accumulated losses not recognised was approximately RMB5,692,000 (2012: RMB5,825,000).

(b) As at the date of this report, the particulars of the Group's principal associates are set out in Note 37. There are no contingent liabilities relating to the Group's interest in the associates.

(c) Chongqing Power Transformer Co., Ltd. ("Power Transformer") and Chongqing New North Zone Machinery and Electronic Microcredit Co., Ltd. ("CQMEM") are associates of the Group as at 31 December 2013, which, in the opinion of the directors, are material to the Group.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Summarised financial information for associates

Set out below are the summarised financial information for Power Transformer and CQMEM which are accounted for using the equity method.

Summarised balance sheet

	Power Transformer		CQMEM	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current				
Cash and cash equivalents	**40,894**	25,146	**20,297**	—
Other current assets (excluding cash)	**—**	31,610	**282,133**	—
Total current assets	**40,894**	56,756	**302,430**	—
Financial liabilities (excluding trade payables)	**—**	—	**(90,000)**	—
Other current liabilities (including trade payables)	**(81)**	(316)	**(2,489)**	—
Total current liabilities	**(81)**	(316)	**(92,489)**	—
Non-current				
Assets	**207,353**	176,509	**956**	—
Net assets	**248,166**	232,949	**210,897**	—

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Investment in associates *(continued)*

Summarised statement of comprehensive income

	Power Transformer		CQMEM	
	Year ended 31 December		Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**—**	—	**22,666**	—
Depreciation and amortisation	**(51)**	(40)	**(52)**	—
Interest income	**916**	1,339	**—**	—
Interest expense	**—**	—	**—**	—
Share of profit of associates	**32,579**	1,935	**—**	—
Profit before income tax	**32,902**	2,493	**13,067**	—
Income tax expense	**(85)**	(81)	**(2,170)**	—
Profit for the year	**32,817**	2,412	**10,897**	—
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**32,817**	2,412	**10,897**	—
Dividends received from associate	**11,561**	9,775	**—**	—

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associate.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Investment in associates *(continued)*

Summarised financial information

	Power Transformer Year ended 31 December		CQMEM Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening net assets 1 January	**232,949**	245,418	**—**	—
Capital injection	**—**	—	**200,000**	—
Profit for the period	**32,817**	2,412	**10,897**	—
Other comprehensive income	**—**	—	**—**	—
Dividend declared	**(17,600)**	(14,881)	**—**	—
Closing net assets	**248,166**	232,949	**210,897**	—
Interest in associates (65.69%/45%)*(Note 37)*	**163,020**	153,024	**94,904**	—
Carrying value	**163,020**	153,024	**94,904**	—

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(d) The other amounts (except Power Transformer and CQMEM) recognised in the balance sheet are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
— Associates	**250,493**	231,710

The other amounts (except Power Transformer and CQMEM) recognised in profit or loss are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
— Associates	**17,638**	(621)

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Investment in joint venture

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
At beginning of the year	**366,689**	274,207	**200,929**	200,929
Share of profit	**353,816**	381,282	**—**	—
Dividend declared	**(410,362)**	(288,800)	**—**	—
At end of the year	**310,143**	366,689	**200,929**	200,929

As at the date of this report, the particulars of the Group's joint venture, Chongqing Cummins Engine Co., Ltd. ("CQ Cummins") is set out in Note 37. The joint venture is unlisted. There are no contingent liabilities relating to the Group's interest in the joint venture.

Summarised financial information for joint ventures

Set out below is the summarised financial information for CQ Cummins which is accounted for using the equity method.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Investment in joint venture *(continued)*

Summarised balance sheet

	CQ Cummins	
	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current		
Cash and cash equivalents	**340,213**	224,006
Other current assets (excluding cash)	**1,147,974**	1,007,756
Total current assets	**1,488,187**	1,231,762
Financial liabilities (excluding trade payables)	**—**	—
Other current liabilities (including trade payables)	**(1,111,703)**	(778,681)
Total current liabilities	**(1,111,703)**	(778,681)
Non-current		
Assets	**243,803**	280,333
Financial liabilities	**—**	—
Other liabilities	**—**	(37)
Total non-current liabilities	**—**	(37)
Net assets	**620,287**	733,377

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Investment in joint venture *(continued)*

Summarised statement of comprehensive income

	CQ Cummins	
	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Revenue	**3,164,813**	3,297,178
Depreciation and amortisation	**(18,748)**	(19,559)
Interest income	**2,847**	11,219
Interest expense	**(4)**	(30)
Profit before income tax	**828,151**	896,248
Income tax expense	**(120,518)**	(133,685)
Profit for the year	**707,633**	762,563
Other comprehensive income	**—**	—
Total comprehensive income	**707,633**	762,563
Dividends received from joint venture	**314,386**	464,264

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Investment in joint venture *(continued)*

Summarised financial information

	CQ Cummins Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Opening net assets 1 January	**733,377**	548,414
Profit for the period	**707,633**	762,563
Other comprehensive income	**—**	—
Dividend declared	**(820,723)**	(577,600)
Closing net assets	**620,287**	733,377
Interest in joint venture @50%	**310,143**	366,689
Carrying value	**310,143**	366,689

13. TAXATION

(a) Income tax expense

(i) On 6 April 2012, State Taxation Administration issued Notice 12(2012) ("the Notice") in respect of favorable corporate income tax policy applicable to qualified enterprises located in western China. The directors of the Company are of the opinion that those group entities previously entitled to the 15% preferential income tax rate during the period from 2001 to 2011, will continue to be qualified under the new policy for the 15% preferential income tax rate from 2012 to 2020.

13. TAXATION *(CONTINUED)*

(a) Income tax expense *(continued)*

(ii) Pursuant to the certificated issued by the Department of Science and Technology in Jilin province on 25 July 2012, Chong Tong Group Chenfei (Da'an) Wind-Power Equipment Co., Ltd. ("Chongtong Chenfei") is qualified as high technology company and can enjoy the 15% preferential income tax rate from 2012 to 2014.

(iii) Other than the abovementioned group entities, the following group entities are not entitled to the benefit of abovementioned favourable corporate income tax policy and subject to Corporate Income Tax ("CIT") rate of 25% for the years ended 31 December 2012 and 2013:

— the Company;
— Chongqing Huijiang Machine Tools Founding Co., Ltd.;
— Chongqing General Group Bingyang Air Conditioner Equipment Installation Co., Ltd.;
— Chongqing Shengpu Materials Co., Ltd;
— Chongqing Yinhe Forging & Founding Co., Ltd;
— Tong Kang Water Affairs Co., Ltd;
— Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd.;
— CMEFC;
— Xilinhaote Chenfei Wind Power Equipment Co., Ltd.; and
— Guizhou Pigeon Changtong Wire & Cable Company

(iv) The income tax rate of Holroyd Precision Limited, PTG Heavy Industries Limited, Milnrow Investments Limited, PTG Advanced Developments Limited and Precision Technologies Group (PTG) Limited is 23.25% (2012: 24.5%). The income tax rate of Precision Components Limited is 23.25% (2012: 24.5%). The income tax rate of PTG Deutschland GmbH is 31.06% (2012: 31%). The income tax rate of Precision Technologies Group Investment Development Company Limited ("PTGHK") is 16.5% (2012: 16.5%).

13. TAXATION *(CONTINUED)*

(a) Income tax expense *(continued)*

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

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

The difference between the actual income tax charge in profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Profit before income tax	**585,223**	488,874
Tax calculated at statuory tax rates applicable to each group entities	**129,717**	114,742
Income not subject to tax		
— share of profit of associates and joint ventures	**(97,289)**	(96,109)
Expenses not deductible for tax purposes	**8,490**	2,419
Utilisation of previously unrecognised deferred tax assets	**(4,765)**	(757)
Re-measurement of deferred tax	**—**	559
Tax losses with no deferred tax asset recognised	**8,632**	9,671
Tax expense	**44,785**	30,525

The weighted average applicable tax rate for the year ended 31 December 2013 is 22% (2012: 23%).

13. TAXATION *(CONTINUED)*

(a) Income tax expense *(continued)*

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2013			2012 (Restated)		
	Before tax	**Tax credit/ (charge)**	**After tax**	Before tax	Tax (charge)/ credit	After tax
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Fair value (losses)/gains on available-for- sale financial assets	**(813)**	**122**	**(691)**	124	(19)	105
Actuarial loss on retirement benefit obligations	**(355)**	**(63)**	**(418)**	(3,292)	343	(2,949)
Other comprehensive income	**(1,168)**	**59**	**(1,109)**	(3,168)	324	(2,844)
Current tax		**—**			—	
Deferred tax *(Note 30)*		**59**			324	

(b) Value-added tax (''VAT'') and related taxes

All companies now comprising the Group in the PRC are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of goods and equipment can be used to offset the output VAT to determine the net VAT payable.

13. TAXATION *(CONTINUED)*

(c) Withholding tax ("WHT") for dividend paid to foreign investors

According to the new CIT law and the detailed implementation regulations, foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from 1 January 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%.

WHT will be levied on the foreign shareholders for the dividends relating to 2013 (Note 32).

14. EARNINGS PER SHARE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(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 potential dilutive ordinary shares outstanding for all years presented.

15. LEASE PREPAYMENTS

Lease prepayments represent the Group's interests in land use rights which are held on leases of between 30 to 50 years in the PRC. The movement is as follows:

Group

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
At beginning of the year		
Cost	**526,797**	355,613
Accumulated amortisation	**(64,719)**	(53,939)
Net book amount	**462,078**	301,674
For the year		
Opening net book amount	**462,078**	301,674
Additions	**34,347**	171,322
Disposals	**(2,393)**	(138)
Amortisation charge	**(11,328)**	(10,780)
Closing net book amount	**482,704**	462,078
At end of the year		
Cost	**558,751**	526,797
Accumulated amortisation	**(76,047)**	(64,719)
Net book amount	**482,704**	462,078

(a) All the amortisation of the Group's land use rights was charged to administrative expenses.

(b) As at 31 December 2013, bank borrowings were secured by certain Group's land use rights with an aggregate carrying value of approximately RMB116,483,000 (2012: Nil) (Note 28).

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings and plants	Equipment machinery and moulds	Motor vehicles	Assets under construction	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012 (Restated)					
Cost	909,072	1,810,552	86,536	375,893	3,182,053
Accumulated depreciation and impairment	(205,325)	(848,788)	(45,708)	(2,558)	(1,102,379)
Net book amount	703,747	961,764	40,828	373,335	2,079,674
Year ended 31 December 2012 (Restated)					
Opening net book amount	703,747	961,764	40,828	373,335	2,079,674
Transfers	8,573	137,205	3,673	(149,451)	—
Additions	45	44,416	2,913	272,071	319,445
Additions - sale and leaseback transaction *(Note 29)*	—	2,866	—	—	2,866
Disposals *(Note 33)*	(39,531)	(3,202)	(436)	(184)	(43,353)
Deductions - sale and leaseback transaction *(Note 29)*	—	(4,036)	—	—	(4,036)
Other deductions	(11,185)	(1,532)	(485)	(3,831)	(17,033)
Depreciation charge	(26,304)	(118,290)	(10,219)	—	(154,813)
Closing net book amount	635,345	1,019,191	36,274	491,940	2,182,750
At 31 December 2012 (Restated)					
Cost	866,974	1,986,269	92,201	494,498	3,439,942
Accumulated depreciation and impairment	(231,629)	(967,078)	(55,927)	(2,558)	(1,257,192)
Net book amount	635,345	1,019,191	36,274	491,940	2,182,750

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Group *(continued)*

	Buildings and plants RMB'000	Equipment machinery and moulds RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
Year ended 31 December 2013					
Opening net book amount	635,345	1,019,191	36,274	491,940	2,182,750
Transfers	63,022	136,595	3,340	(202,957)	—
Transfer from investment properties *(Note 17)*	180	—	—	—	180
Additions	1,474	34,616	2,334	686,974	725,398
Transfers to intangible assets *(Note 18)*	—	—	—	(911)	(911)
Disposals *(Note 33)*	(749)	(1,846)	(453)	—	(3,048)
Other deductions	(653)	(101)	—	—	(754)
Depreciation charge	(25,992)	(134,490)	(8,815)	—	(169,297)
Closing net book amount	672,627	1,053,965	32,680	975,046	2,734,318
At 31 December 2013					
Cost	930,248	2,155,533	97,422	977,604	4,160,807
Accumulated depreciation and impairment	(257,621)	(1,101,568)	(64,742)	(2,558)	(1,426,489)
Net book amount	672,627	1,053,965	32,680	975,046	2,734,318

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Company

	Equipment and machinery RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
At 1 January 2012				
Cost	1,263	2,470	3,053	6,786
Accumulated depreciation	(930)	(983)	—	(1,913)
Net book amount	333	1,487	3,053	4,873
Year ended 31 December 2012				
Opening net book amount	333	1,487	3,053	4,873
Additions	1,034	1,297	1,102	3,433
Disposals	(60)	—	—	(60)
Depreciation charge	(224)	(378)	—	(602)
Closing net book amount	1,083	2,406	4,155	7,644
At 31 December 2012				
Cost	2,237	3,767	4,155	10,159
Accumulated depreciation	(1,154)	(1,361)	—	(2,515)
Net book amount	1,083	2,406	4,155	7,644
Year ended 31 December 2013				
Opening net book amount	**1,083**	**2,406**	**4,155**	**7,644**
Additions	**71**	**310**	**—**	**381**
Depreciation charge	**(288)**	**(472)**	**—**	**(760)**
Closing net book amount	**866**	**2,244**	**4,155**	**7,265**
At 31 December 2013				
Cost	**2,308**	**4,077**	**4,155**	**10,540**
Accumulated depreciation	**(1,442)**	**(1,833)**	**—**	**(3,275)**
Net book amount	**866**	**2,244**	**4,155**	**7,265**

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Depreciation of the property, plant and equipment has been charged to profit or loss as follows:

	Group		**Company**	
	Year ended 31 December		**Year ended 31 December**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Cost of sales	**135,553**	122,709	**—**	—
Administrative expenses	**32,589**	30,836	**760**	602
Selling expenses	**1,155**	1,268	**—**	—
	169,297	154,813	**760**	602

All the impairment provisions have been charged to cost of sales in profit or loss.

(b) Bank borrowings were secured by certain Group's property, plant and equipment with an aggregate carrying value of approximately RMB611,822,000 as at 31 December 2013 (2012: RMB207,876,000) (Note 28).

(c) Lease rental expenses amounting to approximately RMB32,429,000 (2012: RMB26,245,000) relating to the lease of property were included in profit or loss (Note 8).

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(d) Equipment and machinery includes the following amounts where the Group is a lessee under a finance lease:

Group

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Cost — capitalised finance leases	**8,212**	68,162
Accumulated depreciation	**(851)**	(5,773)
Net book amount	**7,361**	62,389

The Group leases various equipment and machinery under non-cancellable finance lease agreements. All the lease terms are below 5 years.

(e) For the year ended 31 December 2013, interest expense of approximately RMB20,520,000 (2012: RMB5,117,000) arising from borrowings has been capitalized in the cost of property, plant and equipment at the weighted average interest rate of 6.27% (2012: 4.95%) per annum.

17. INVESTMENT PROPERTIES

Group

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
At beginning of year		
Cost	**58,344**	58,344
Accumulated depreciation	**(25,338)**	(22,337)
Net book amount	**33,006**	36,007
For the year		
Opening net book amount	**33,006**	36,007
Transfers to owner-occupied property *(Note 16)*	**(180)**	—
Depreciation charge	**(3,001)**	(3,001)
Closing net book amount	**29,825**	33,006
At end of year		
Cost	**58,164**	58,344
Accumulated depreciation	**(28,339)**	(25,338)
Net book amount	**29,825**	33,006
Fair value at end of the year	**224,559**	224,950

As at 31 December 2013 and 2012, the fair value of the investment properties measurements at level 3 (Note 3.3). The fair value of the investment properties was arrived at by reference to net rental income allowing for reversionary income potential using the applicable market yields for the property as the discount rate.

The value of investment properties are effected by net rental income and market yield rate. The higher the net rental income, the higher the value. The higher the market yield rate, the lower the value.

17. INVESTMENT PROPERTIES *(CONTINUED)*

Bank borrowings were secured by the investment properties with an aggregate carrying value of approximately RMB33,274,000 as at 31 December 2013 (2012: RMB33,320,000) (Note 28).

The following amounts were recognised in profit or loss:

Group

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Rental income	**13,575**	12,965
Direct operating expenses arising from investment properties that generate rental income	**(3,001)**	(3,001)

The period of leases whereby the Group leases out its investment properties under operating leases is one year or more.

The Group's interests in investment properties at their net book values are analysed as follows:

Group

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
In the PRC, held on land use rights with lease term of 45 years	**29,825**	33,006

The future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

Group

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Not later than 1 year	**10,725**	11,753
Later than 1 year and not later than 5 years	**14,943**	22,521
	25,668	34,274

18. INTANGIBLE ASSETS

Group

	Goodwill	Technical know-how	Computer software	Brand	Customer relationships	Concession assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012 (Restated)								
Cost	143,018	51,123	17,828	28,556	73,345	—	12,577	326,447
Accumulated amortisation	—	(42,046)	(10,482)	—	(12,057)	—	(9,851)	(74,436)
Net book amount	143,018	9,077	7,346	28,556	61,288	—	2,726	252,011
Year ended 31 December 2012 (Restated)								
Opening net book amount	143,018	9,077	7,346	28,556	61,288	—	2,726	252,011
Additions	—	7,571	2,069	—	—	16,926	87	26,653
Amortisation charge	—	(2,103)	(2,559)	—	(6,377)	—	(1,498)	(12,537)
Closing net book amount	143,018	14,545	6,856	28,556	54,911	16,926	1,315	266,127
At 31 December 2012 (Restated)								
Cost	143,018	58,694	19,897	28,556	73,345	16,926	12,664	353,100
Accumulated amortisation	—	(44,149)	(13,041)	—	(18,434)	—	(11,349)	(86,973)
Net book amount	143,018	14,545	6,856	28,556	54,911	16,926	1,315	266,127
Year ended 31 December 2013								
Opening net book amount	143,018	14,545	6,856	28,556	54,911	16,926	1,315	266,127
Transfer from assets under construction *(Note 16)*	—	—	911	—	—	—	—	911
Additions	—	3,506	1,735	—	—	26,803	592	32,636
Amortisation charge	—	(2,382)	(2,743)	—	(6,377)	—	(1,300)	(12,802)
Closing net book amount	143,018	15,669	6,759	28,556	48,534	43,729	607	286,872
At 31 December 2013								
Cost	143,018	62,200	22,543	28,556	73,345	43,729	13,256	386,647
Accumulated amortisation	—	(46,531)	(15,784)	—	(24,811)	—	(12,649)	(99,775)
Net book amount	143,018	15,669	6,759	28,556	48,534	43,729	607	286,872

18. INTANGIBLE ASSETS *(CONTINUED)*

(a) All the amortisation of the Group's intangible assets was charged to administrative expenses.

(b) No development cost was capitalized by the Group during the year ended 31 December 2013 (2012: RMB1,260,000).

(c) Brand is treated as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely.

(d) Impairment for goodwill and brand

Goodwill is allocated to the Group's cash-generating unit (CGU), Chongqing CAFF Automotive Braking & Steering System Co. Ltd. ("CAFF"), and PTG six entities identified according to the business acquired. The amounts allocated to CGU are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
CAFF	**15,368**	15,368
PTG six entities	**127,650**	127,650
	143,018	143,018

As at 31 December 2013 the recoverable amount of CGU for goodwill impairment testing was approximately RMB301,847,000 (2012: RMB273,990,000).

18. INTANGIBLE ASSETS *(CONTINUED)*

(d) Impairment for goodwill and brand *(continued)*

Brand is allocated to the Group's cash-generating unit (CGU), Qijiang Gear Transmission Co., Ltd. ("Qijiang Gear"), and PTG six entities identified according to the business acquired. The amounts allocated to CGU are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Qijiang Gear	**16,300**	16,300
PTG six entities	**12,256**	12,256
	28,556	28,556

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the manufacturing of automobile relating products and machinery tools in which the CGU operates.

18. INTANGIBLE ASSETS *(CONTINUED)*

(d) Impairment for goodwill and brand *(continued)*

The key assumptions used for value-in-use calculations in 2013 are as follows:

	CAFF	Qijiang Gear	PTG six entities
Compound annual volume growth rate	9%	11%	7%
Long term growth rate	0%	0%	0%
Discount rate	18%	17%	23%

These assumptions have been used for the analysis of the CGU within the business.

Management determined compound annual volume growth rate for each CGU covering over the five-year forecast period to be a key assumption. The volume of sales in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market development. The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. According to the test results, no sign of impairment for goodwill and brand is shown.

19. TRADE AND OTHER RECEIVABLES

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000*
Trade and bills receivables *(a)*	**3,365,881**	3,256,084	**1,881**	21,621
Less: provision for impairment of trade receivables	**(249,715)**	(249,922)	**—**	—
Trade and bills receivables - net	**3,116,166**	3,006,162	**1,881**	21,621
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	**251**	321
Loans	**254,230**	—	**—**	—
Less: provision for impairment of loans	**(2,542)**	—	**—**	—
Loans - net	**251,688**	—	**—**	—
Others	**170,770**	122,374	**792,745**	775,312
Less: provision for impairment of receivables other than trade receivables, loans and deposits paid	**(24,513)**	(24,456)	**—**	—
	3,877,374	3,627,999	**794,877**	797,254
Less: long-term other receivables	**—**	—	**(224,155)**	(581,000)
Current portion	**3,877,374**	3,627,999	**570,722**	216,254

19. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

As at 31 December 2013, all loans were provided to related parties (Note 36). The maturity of the loans were within one year. The effective interest rates of these loans ranged from 4.20% to 7.02% for the year ended 31 December 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

19. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

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

19. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

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 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.

19. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(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:

Group

Trade receivables

	Year ended 31 December	
	2013	2012
	RMB'000	*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

19. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

Deposits paid

	Year ended 31 December	
	2013	2012
	RMB'000	*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	2012
	RMB'000	*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 (Note 8).

19. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

(g) Refer to Note 36 for Group's trade and other receivables due from related parties.

(h) 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 (Note 28).

(i) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20. CONTRACT WORK-IN-PROGRESS

Group

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Contract cost incurred plus recognised profit less recognised losses	**1,622,385**	1,422,399
Less: progress billings	**(1,166,082)**	(1,080,211)
Contract work-in-progress	**456,303**	342,188
Representing:		
Amount due from customers for contract work	**464,871**	352,777
Amount due to customers for contract work	**(8,568)**	(10,589)
	456,303	342,188

Group

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Contract revenue recognised as revenue in the year	**322,020**	381,596

21. RESTRICTED CASH

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Restricted cash denominated in RMB	**447,163**	243,859	**5,704**	5,056

The restricted cash held in dedicated bank accounts was pledged as security for the bills payable and issuance of letters of credit.

22. INVENTORIES

Group

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Raw materials	**330,234**	335,428
Work in progress	**590,134**	570,225
Finished goods	**724,392**	703,806
Consumables	**24,949**	36,618
	1,669,709	1,646,077

For the year ended 31 December 2013, the cost of inventories recognised as the Group's expense and included in 'cost of sales' amounted to approximately RMB7,642,452,000 (2012: RMB6,918,085,000).

For the year ended 31 December 2013, write-down of inventories recognised in cost of sales in profit or loss amounted to approximately RMB6,068,000 (2012: write-back of RMB2,927,000).

As at 31 December 2013, the provision for inventory impairment was approximately RMB93,119,000 (2012: RMB93,252,000).

As at 31 December 2013, RMB117,000,000 inventories were pledged for the Group's borrowings (2012: RMB125,000,000) (Note 28).

23. CASH AND CASH EQUIVALENTS

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000*
Cash on hand	**1,187**	2,119	**103**	75
Cash at bank	**190,358**	51,311	**6,146**	—
Short-term bank deposits *(a)*	**1,600,814**	2,472,451	**1,046,740**	1,137,653
Cash and cash equivalents	**1,792,359**	2,525,881	**1,052,989**	1,137,728
Cash and cash equivalents denominated in:				
— RMB	**1,779,450**	2,490,396	**1,052,817**	1,137,657
— HKD	**69**	71	**69**	71
— USD	**1,974**	12,469	**—**	—
— UKP	**7,275**	17,775	**66**	—
— European dollar ("EUR")	**3,591**	5,170	**37**	—
	1,792,359	2,525,881	**1,052,989**	1,137,728

(a) Short-term bank deposits can be withdrawn at the discretion of the Group without any restriction or significant compensation to the bank.

24. SHARE CAPITAL

	Number of Shares *In thousand*	**Domestic shares** *In thousand*	**H shares** *In thousand*	**Total shares** *In thousand*
Registered, issued and fully paid				
At 1 January 2012 (nominal value of RMB1.00 each)	3,684,640	2,584,453	1,100,187	3,684,640
At 31 December 2012 (nominal value of RMB1.00 each)	3,684,640	2,584,453	1,100,187	3,684,640
At 31 December 2013 (nominal value of RMB1.00 each)	**3,684,640**	**2,584,453**	**1,100,187**	**3,684,640**

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

25. RESERVES

Group

	Other Reserves							
	Capital reserve	Investment revaluation reserve	Remeasurements of retirement benefit reserve	Statutory reserve fund	Currency translation	Total	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012 (Restated)	(999,909)	2,068	125	170,313	522	(826,881)	2,065,503	1,238,622
Profit for the year	—	—	—	—	—	—	443,446	443,446
Dividends	—	—	—	—	—	—	(221,078)	(221,078)
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
Transfer to reserves	—	—	—	41,386	—	41,386	(41,386)	—
At 31 December 2012 (Restated)	(999,909)	2,173	(2,824)	211,699	1,128	(787,733)	2,246,485	1,458,752
At 1 January 2013	(999,909)	2,173	(2,824)	211,699	1,128	(787,733)	2,246,485	1,458,752
Profit for the year	—	—	—	—	—	—	506,829	506,829
Dividends	—	—	—	—	—	—	(128,962)	(128,962)
Changes in fair value of available-for-sales 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)
Transfer to reserves	—	—	—	37,237	—	37,237	(37,237)	—
At 31 December 2013	(999,909)	1,482	(3,242)	248,936	(177)	(752,910)	2,587,115	1,834,205

25. RESERVES *(CONTINUED)*

Statement of changes in equity of the Company for the year ended 31 December 2013.

Company

	Other reserves				
	Capital reserve	Statutory reserve fund	Total	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	(981,212)	170,313	(810,899)	850,135	39,236
Profit for the year *(Note 39)*	—	—	—	347,942	347,942
Dividends *(Note 32)*	—	—	—	(221,078)	(221,078)
Transfer to reserves	—	41,386	41,386	(41,386)	—
At 31 December 2012	(981,212)	211,699	(769,513)	935,613	166,100
At 1 January 2013	(981,212)	211,699	(769,513)	935,613	166,100
Profit for the year *(Note 39)*	—	—	—	413,477	413,477
Dividends *(Note 32)*	—	—	—	(128,962)	(128,962)
Transfer to reserves	—	37,237	37,237	(37,237)	—
At 31 December 2013	(981,212)	248,936	(732,276)	1,182,891	450,615

25. RESERVES *(CONTINUED)*

In accordance with the relevant laws and regulations in the PRC and the Articles of Association of the Company, it is required to appropriate 10% of its annual net profit, after offsetting any prior years' losses as determined under the PRC Accounting Standards for Business Enterprises, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the Company's share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by them. The fund is non-distributable except for liquidation situation.

Pursuant to the Articles of Association of the Company, approximately RMB37,237,000 was appropriated to the statutory surplus reserve fund from the net profit for the year ended 31 December 2013 (2012: RMB41,386,000).

26. TRADE AND OTHER PAYABLES

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000*
Trade and bills payables *(a)*	**2,172,868**	1,925,758	**—**	—
Other taxes payables	**105,633**	116,506	**190**	65
Other payables	**372,834**	390,721	**80,559**	108,257
Interest payables	**26,893**	24,795	**24,740**	24,740
Deposit taking	**442,967**	—	**—**	—
Accrued payroll and welfare	**84,546**	100,359	**604**	729
Advances from customers	**622,690**	837,157	**—**	—
	3,828,431	3,395,296	**106,093**	133,791

As at 31 December 2013, all deposit taking were due to related parties (Note 36). The ageing of the deposit taking were within one year. The effective interest rate of the deposit taking ranged from 0.37% to 3.30% for the year ended 31 December 2013 (2012: Nil).

26. TRADE AND OTHER PAYABLES *(CONTINUED)*

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

Group

	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

(b) Refer to Note 36 for payables due to related parties.

27. PROVISIONS FOR WARRANTY

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

	Provision for warranty
	RMB'000
	(Restated)
At 1 January 2012	19,535
Charged to cost of sales *(Note 8)*	45,994
Utilised during the year	(43,526)
At 31 December 2012	22,003
Charged to cost of sales *(Note 8)*	42,041
Utilised during the year	(43,183)
At 31 December 2013	20,861

28. BORROWINGS

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Non-current				
Borrowings *(1)*	**1,488,293**	1,166,316	**1,021,064**	1,046,417
Finance lease liabilities *(2)*	**965**	2,722	**—**	—
	1,489,258	1,169,038	**1,021,064**	1,046,417
Current				
Borrowings *(1)*	**994,828**	1,468,634	**25,119**	25,896
Finance lease liabilities *(2)*	**2,053**	22,533	**—**	—
	996,881	1,491,167	**25,119**	25,896
Total borrowings	**2,486,139**	2,660,205	**1,046,183**	1,072,313

28. BORROWINGS *(CONTINUED)*

(1) Borrowings

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current				
Long-term bank borrowings - secured *(a)*	**195,890**	—	**—**	—
Long-term bank borrowings - unsecured *(b)*	**291,506**	166,738	**25,067**	51,739
Corporate bonds *(d)*	**995,997**	994,678	**995,997**	994,678
	1,483,393	1,161,416	**1,021,064**	1,046,417
Other unsecured borrowings — due to non-controlling interests *(c)*	**4,900**	4,900	**—**	—
	4,900	4,900	**—**	—
Total non-current borrowings	**1,488,293**	1,166,316	**1,021,064**	1,046,417

28. BORROWINGS *(CONTINUED)*

(1) Borrowings *(continued)*

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current				
Bank borrowings				
— secured *(a)*	**302,974**	386,756	**—**	—
— unsecured *(b)*	**688,754**	1,051,077	**25,119**	25,896
	991,728	1,437,833	**25,119**	25,896
Other unsecured borrowings				
— due to independent third parties *(c)*	**3,100**	30,801	**—**	—
	3,100	30,801	**—**	—
Total current borrowings	**994,828**	1,468,634	**25,119**	25,896
	2,483,121	2,634,950	**1,046,183**	1,072,313

28. BORROWINGS *(CONTINUED)*

(1) Borrowings *(continued)*

(a) As at 31 December 2013, all these bank borrowings were secured by certain Group's lease prepayments, property, plant and equipment, investment properties, trade and bills receivables and inventories within net book value of RMB116,483,000, RMB611,822,000, RMB33,274,000, RMB53,920,000 and RMB117,000,000 respectively (Notes 15,16,17,19 and 22).

As at 31 December 2012, all these bank borrowings were secured by certain Group's property, plant and equipment, investment properties, trade receivables and inventories within net book value of RMB207,876,000, RMB33,320,000, RMB180,459,000 and RMB125,000,000 respectively (Notes 16,17,19 and 22).

(b) As at 31 December 2013 and 2012, bank borrowings of approximately RMB271,085,000 and RMB77,635,000 were guaranteed by CQMEHG.

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
CQMEHG	**271,085**	77,635	**50,186**	77,635

(c) As at 31 December 2013 and 2012, borrowings due to independent third parties (RMB3,100,000) and non-controlling interests were to support the Group's construction of certain production facilities.

(d) The Company issued RMB1 billion corporate bonds in August 2011, with annual interest rate of 6.59% and maturity of 5 years. As at 31 December 2013, the bond is measured at RMB995,935,000 at the amortised cost.

28. BORROWINGS *(CONTINUED)*

(1) Borrowings *(continued)*

(e) The maturities of the Group's borrowings at respective balance sheet dates are set out as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Total borrowings				
— Within 1 year	**994,828**	1,468,634	**25,119**	25,896
— Between 1 and 2 years	**382,296**	94,900	**—**	—
— Between 2 and 5 years	**1,020,997**	1,071,416	**1,021,064**	1,046,417
— Above 5 years	**85,000**	—	**—**	—
	2,483,121	2,634,950	**1,046,183**	1,072,313

(f) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**2,291,799**	2,477,042	**995,997**	994,678
UKP	**79,438**	80,273	**—**	—
USD	**111,884**	77,635	**50,186**	77,635
	2,483,121	2,634,950	**1,046,183**	1,072,313

28. BORROWINGS *(CONTINUED)*

(1) Borrowings *(continued)*

(g) The weighted average effective interest rates at respective balance sheet dates are set out as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank borrowings	**5.87%**	5.90%	**3.05%**	3.05%
Corporate bonds	**6.59%**	6.59%	**6.59%**	6.59%

(h) The carrying amounts of current portion of long-term and short-term borrowings approximate their fair values.

The carrying value and fair value of non-current borrowings are set out as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount				
Bank borrowings	**487,396**	166,738	**25,067**	51,739
Other loans	**4,900**	4,900	**—**	—
Corporate bonds	**995,997**	994,678	**995,997**	994,678
	1,488,293	1,166,316	**1,021,064**	1,046,417
Fair value				
Bank borrowings	**490,483**	167,923	**25,067**	51,740
Other loans	**4,914**	4,943	**—**	—
Corporate bonds	**1,018,418**	1,012,113	**1,018,418**	1,012,113
	1,513,815	1,184,979	**1,043,485**	1,063,853

28. BORROWINGS *(CONTINUED)*

(1) Borrowings *(continued)*

(h) The carrying amounts of current portion of long-term and short-term borrowings approximate their fair values. *(continued)*

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at respective balance sheet dates, ranged from 1.90% to 7.80% (2012: 3.05% to 8.55%) and are within level 2 of the fair value hierarchy.

(i) At each balance sheet date, the Group had the following undrawn borrowing facilities:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Fixed rate		
— Expiring within 1 year	**1,814,208**	497,246
— Expiring beyond 1 year	**281,171**	60,000
	2,095,379	557,246

28. BORROWINGS *(CONTINUED)*

(2) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**2,087**	23,828
Later than 1 year and no later than 5 years	**1,033**	3,066
	3,120	26,894
Unrecognised future finance charges on finance leases	**(102)**	(1,639)
Present value of finance lease liabilities	**3,018**	25,255

The present value of finance lease liabilities is analysed as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
— Within 1 year	**2,053**	22,533
— Later than 1 year and no later than 5 years	**965**	2,722
	3,018	25,255

29. DEFERRED INCOME

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
— Government grants *(a)*	**473,086**	517,831
— Deferred income on sell and leaseback transaction *(b)*	**2,671**	2,977
	475,757	520,808

(a) Government grants

Group

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
At beginning of the year	**517,831**	551,393
Additions		
— government grants related to assets	**12,025**	38,792
Charged to profit or loss	**(56,770)**	(72,354)
At end of the year	**473,086**	517,831

(i) In prior years, certain subsidiaries of the Group received grants of approximately RMB687,304,000 from the local government in respect of compensations for relocation of their manufacturing plants, which included compensation for relocation expenses, purchase of new land use rights and construction of new production plants and properties. After completion of these relocations, the net of grants received and relocation expenses spent was recorded as deferred income. Up to 31 December 2010, all these relocations were completed, and in total RMB353,148,000 was recognised as deferred income, which is amortised on a straight-line basis throughout the period of the useful lives of the underlying assets ranging from 4 to 40 years.

29. DEFERRED INCOME *(CONTINUED)*

(a) Government grants *(continued)*

(ii) For the year ended 31 December 2013, the Group obtained grants of approximately RMB12,025,000 (2012: RMB38,792,000) from local government, in relation to strengthening and improving the quality of certain of the Group's machinery and equipment. As such, these government grants were accounted for as deferred income and amortised over the estimated useful life of the related machinery and equipment which ranged from 2 to 20 years.

(b) Deferred income on sale and leaseback transaction

Group

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
At beginning of the year	**2,977**	4,607
Deduction	**—**	(1,236)
Amortisation *(Note 8)*	**(306)**	(394)
At end of the year	**2,671**	2,977

During the year ended 31 December 2012, the Group sold machineries with carrying amount of RMB4,036,000 at the consideration of RMB2,800,000 and then lease back all of them at the fair value of RMB2,866,000, which resulted in a financial lease. As a result, the loss of sales proceeds of RMB1,236,000 would be deferred over the lease term of 3 years.

30. DEFERRED INCOME TAX

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Group

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Deferred tax assets		
— Deferred tax assets to be recovered after more than 12 months	**26,098**	22,736
— Deferred tax assets to be recovered within 12 months	**48,721**	50,876
	74,819	73,612
Deferred tax liabilities		
— Deferred tax liabilities to be recovered more than 12 months	**(14,991)**	(17,428)
— Deferred tax liabilities to be recovered within 12 months	**(6,795)**	(7,098)
	(21,786)	(24,526)
Deferred tax assets (net)	**53,033**	49,086

The gross movement on the deferred income tax is set out as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
At beginning of the year	**49,086**	36,441
Recognised in profit or loss *(Note 13)*	**4,006**	12,969
Recognised in other comprehensive income *(Note 13)*	**(59)**	(324)
At end of the year	**53,033**	49,086

30. DEFERRED INCOME TAX (CONTINUED)

(b) The movements on the deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, are set out as follows:

Deferred tax assets

	Provision for impairment of assets	Deferred income	Retirement and termination benefit obligations	Warranty and other accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (Restated)	40,776	8,467	6,866	12,452	68,561
Recognised in other comprehensive income	—	—	(343)	—	(343)
Recognised in profit or loss	984	1,112	(1,433)	4,731	5,394
At 31 December 2012 (Restated)	41,760	9,579	5,090	17,183	73,612
Recognised in other comprehensive income	—	—	63	—	63
Recognised in profit or loss	(1,704)	(2,057)	(2,156)	7,061	1,144
At 31 December 2013	40,056	7,522	2,997	24,244	74,819

30. DEFERRED INCOME TAX *(CONTINUED)*

(b) The movements on the deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, are set out as follows: *(continued)*

Deferred tax liabilities

	Recognition of fair value change relating to acquisition of subsidiary *RMB'000*	Changes in fair value of available-for-sales financial assets *RMB'000*	Total *RMB'000*
At 1 Janurary 2012 (Restated)	(31,754)	(366)	(32,120)
Recognised in other comprehensive income	—	19	19
Recognised in profit or loss	7,575	—	7,575
At 31 December 2012 (Restated)	(24,179)	(347)	(24,526)
Recognised in other comprehensive income	—	(122)	(122)
Recognised in profit or loss	2,862	—	2,862
At 31 December 2013	(21,317)	(469)	(21,786)

30. DEFERRED INCOME TAX *(CONTINUED)*

(c) In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. As at 31 December 2013, the Group did not recognise deferred tax assets of approximately RMB28,385,000 (2012: RMB24,589,000) in respect of losses amounting to approximately RMB182,911,000 (2012: RMB156,254,000), as management believes it is more than likely that such tax losses would not be utilised before they expire. As at 31 December 2013 and 2012, the tax losses carried forward are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Year of expiry of tax losses		
— 2013	**—**	29,619
— 2014	**28,212**	28,540
— 2015	**10,672**	10,672
— 2016	**18,514**	22,951
— 2017	**67,965**	64,472
— 2018	**57,548**	—
	182,911	156,254

31. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

The amount of retirement and termination benefit obligation recognised in the balance sheet is determined as follows:

Group

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Non-current		
Retirement benefit obligations	**20,281**	20,926
Termination benefit obligations	**16,722**	24,531
	37,003	45,457
Current		
Retirement benefit obligations	**1,629**	2,135
Termination benefit obligations	**7,687**	8,282
	9,316	10,417
	46,319	55,874

Group

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Present value of defined benefits obligations	**46,319**	55,874
Less: current portion	**(9,316)**	(10,417)
	37,003	45,457

31. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS *(CONTINUED)*

The movements of retirement and termination benefit obligations for the years ended 31 December 2013 and 2012 are as follows:

Group

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
At beginning of the year	**55,874**	90,974
For the year		
— Interest cost	**1,038**	2,175
— Remeasurement effects recognised in other comprehensive income	**355**	3,292
— Additions on termination benefit obligations	**—**	827
— Payments	**(10,948)**	(12,784)
— Deductions *(a)*	**—**	(28,610)
At end of the year	**46,319**	55,874

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

(a) Pursuant to the notice jointly issued by Chongqing Human Resources and Social Security Bureau and Chongqing Finance Bureau (Yu Ren She Fa [2012] No. 226), part of the Group's obligations arising from certain defined benefit plan has been reduced effective from 1 September 2012, which resulted in a decrease of long-term employee benefit obligations of approximately RMB28,610,000. Such decrease was credited into profit or loss during the year ended 31 December 2012.

31. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

(b) The material actuarial assumptions used in valuing these obligations are as follows:

— Discount rates adopted (per annum):

	As at 31 December	
	2013	2012
Discount rates	**4.50%**	3.75%

The effect of above changes in discount rate was reflected as actuarial gains and losses and charged to other comprehensive income or profit or loss in the period of change.

— Trend rate: 5%–8% (2012: 5%–9%);

— Mortality: Average life expectancy of residents in the PRC;

— Medical costs paid to early retirees are assumed to continue until the death of the retirees.

— Expected maturity analysis of undiscounted pension benefits:

At 31 December 2013

	Less than a year	**Between 1–2 years**	**Between 2–5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term employee benefit obligations	9,316	7,719	13,866	15,418	46,319

31. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS *(CONTINUED)*

(b) The material actuarial assumptions used in valuing these obligations are as follows: *(continued)*

— Expected maturity analysis of undiscounted pension benefits: *(continued)*

Based on the assessment and HKAS 19, the Group estimated that, at 31 December 2013, a provision of approximately RMB46,319,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of approximately RMB46,319,000 is the present value of the unfunded obligations, of which the current portion amounting to approximately RMB9,316,000 (2012: RMB10,417,000) has been included under current liabilities.

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in assumption	**Impact on overall liability**
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 3.1%/3.4%
Average salary increase rate	Increase/decrease by 0.5%	Increase/decrease by 2.0%/1.8%
Rate of mortality	Increase/decrease by 1 year	Decrease/increase by 1.9%/1.9%

In 2013, approximately RMB1,038,000 were charged in 'administrative expenses' (2012: RMB25,608,000 were credited in 'administrative expenses'),and approximately RMB355,000 were charged in other comprehensive income (2012: RMB3,292,000).

32. DIVIDENDS

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.

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

The aggregate amounts of the dividends paid and proposed during 2012 and 2013 have been disclosed in the consolidated financial statements in accordance with the Hong Kong Companies Ordinance.

33. CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Profit before income tax	**585,223**	488,874
Adjustments for:		
— Depreciation of property, plant and equipment and investment properties	**172,298**	157,814
— Amortisation of intangible assets and lease prepayments	**24,130**	23,317
— Amortisation of deferred income	**(57,076)**	(72,748)
— Write-down/(write back) of inventories	**6,068**	(2,927)
— Provision for impairment of trade and other receivables	**4,320**	17,387
— Amortisation of non-current assets	**2,423**	7,962
— Gain on disposal of non-current assets	**(2,800)**	—
— Interest income	**(35,249)**	(29,790)
— Interest expense	**136,707**	163,034
— Share of profit from associates and joint ventures	**(397,915)**	(382,245)
— Net gain on disposals of property, plant and equipment	**(361)**	(4,911)
— Net gain on disposals of lease prepayments	**(37,335)**	(1,865)
— Gain on disposals of financial assets at fair value through profit or loss	**(9,986)**	(29,082)
	390,447	334,820

33. CASH GENERATED FROM OPERATIONS *(CONTINUED)*

(a) Reconciliation of profit before income tax to net cash generated from operations *(continued)*

	Year ended 31 December 2013 RMB'000	2012 RMB'000 (Restated)
Changes in working capital:		
— Inventories	**(29,700)**	(10,172)
— Trade and other receivables	**(426,060)**	(719,313)
— Contract work-in-progress	**(114,115)**	(66,049)
— Restricted cash	**(203,304)**	50,715
— Retirement and termination benefit obligations	**(18,187)**	(38,047)
— Trade and other payables	**473,778**	505,765
	(317,588)	(277,101)
Cash generated from operations	**72,859**	57,719

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December 2013 RMB'000	2012 RMB'000 (Restated)
Net book amount	**3,048**	43,353
Gain on disposals of property, plant and equipment	**361**	4,911
Proceeds from disposal of property, plant and equipment	**3,409**	48,264

33. CASH GENERATED FROM OPERATIONS *(CONTINUED)*

(c) Non-cash transaction

For the year ended 31 December 2013, the principal non-cash transaction is the purchase of property, plant and equipment by using bills receivable endorsement of approximately RMB154,289,000.

34. CONTINGENCIES

The Group has certain legal claims arising in the ordinary course of business as at 31 December 2013. Based on the legal opinion provided by the lawyers, the Directors are of the opinion that no material liabilities will arise from those legal claims.

35. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the report period but not yet incurred for Group is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Property, plant and equipment	**554,247**	72,640
Intangible assets	**5,386**	13,402
	559,633	86,042

Capital expenditure of property, plant and equipment which contracted for as at 31 December 2013 but not yet incurred by CQ Cummins amounted to approximately RMB41,152,000 (2012: RMB63,257,000).

35. COMMITMENTS *(CONTINUED)*

(b) Operating lease commitments

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
No later than 1 year	**24,028**	22,809
Later than 1 year and no later than 5 years	**13,578**	16,214
	37,606	39,023

36. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence on making financial and operating decisions. Parties are also considered to be related if they are subject to common control. According to HKAS 24 (revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group.

The Company's parent company is CQMEHG, a state-owned enterprise established in the PRC and is controlled by the PRC government that owns a significant portion of the productive assets in the PRC. Accordingly, as stipulated by HKAS 24 (revised), related parties include CQMEHG and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and CQMEHG as well as their close family members.

36. RELATED PARTY TRANSACTIONS *(CONTINUED)*

Other than those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2013 and 2012 and balances arising from related party transactions as at 31 December 2013 and 2012.

(a) Significant related party transactions

For the years ended 31 December 2013 and 2012, the Group had the following significant transactions with related parties.

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Transactions with the parent company, fellow subsidiaries and associates		
Revenue		
— Revenue from sales of goods	**133,634**	188,941
— Revenue from loans service	**26,934**	—
— Revenue from provision of services	**6,093**	327
Expenses		
— Purchase of materials	**71,766**	329,836
— Services	**4,596**	3,779
— Expenses for deposit taking service	**2,226**	—
— Other expenses	**33,177**	27,536

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Transactions with joint ventures and associates		
Revenue		
— Revenue from sales of goods	**6,174**	16,604
— Revenue from provision of services	**3,966**	1,031
Expenses		
— Purchase of materials	**40,301**	28,611
— Expenses for deposit taking service	**304**	—

36. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Balances with related parties

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and other receivables				
Trade receivables due from				
— Fellow subsidiaries and associates	**49,186**	82,212	**—**	—
— Associates	**2**	—	**—**	—
Other receivables due from				
— CQMEHG	**444**	282	**—**	—
— Fellow subsidiaries	**28,555**	1,508	**—**	—
— Joint ventures	**1,337**	278	**1,337**	278
— Associates	**4,514**	3,325	**—**	—
Loans to				
— Fellow subsidiaries and associates	**254,230**	—	**—**	—
Prepayments due from				
— CQMEHG	**—**	222	**—**	—
— Fellow subsidiaries	**2,607**	21,322	**—**	—
	340,875	109,149	**1,337**	278
Less: long-term other receivables	**—**	—	**—**	—
Current portion	**340,875**	109,149	**1,337**	278

36. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and other payables				
Trade payables due to				
— Fellow subsidiaries and associates	**17,980**	24,398	**—**	—
— Associates	**7,194**	—	**—**	—
Deposit taking from				
— CQMEHG	**86,692**	—	**—**	—
— Fellow subsidiaries and associates	**343,555**	—	**—**	—
— Associates	**12,720**	—	**—**	—
Other payables due to				
— CQMEHG	**2,021**	9,314	**—**	—
— Associates	**558**	31,644	**—**	31,644
— Fellow subsidiaries	**11,121**	9,987	**—**	—
	481,841	75,343	**—**	31,644

(c) Financial guarantee contracts

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial guarantee contracts				
— Fellow subsidiaries	**100,000**	—	**—**	—
— CQMEHG	**77,826**	—	**77,826**	—
	177,826	—	**77,826**	—

36. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Key management compensation

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,016**	1,849
Contributions to pension plans	**734**	683
Discretionary bonuses	**3,195**	4,254
	5,945	6,786

(e) Transactions with government-related entities in PRC

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

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

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

(a) Subsidiaries

As at the date of this report, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Country/Place and date of incorporation	Type of legal entity	Issued / paid in capital *(RMB'000)*	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Chongqing CAFF Automotive Braking & Steering System Co., Ltd. (重慶卡福汽車制動轉向系統有限公司)	PRC /27 June 2003	Limited liability company	232,800	100%	—	Manufacturing of vehicle parts and components
Qijiang Gear Transmission Co., Ltd. (綦江齒輪傳動有限公司)	PRC /28 December 2002	Limited liability company	200,000	100%	—	Manufacturing of transmission systems for vehicles
Chongqing Qi-Chi Automotive Part Co., Ltd. (重慶市綦齒汽車零部件有限責任公司)	PRC /26 June 2000	Limited liability company	64,565	100%	—	Manufacturing of vehicle parts and components
Chongqing Qi-Chi Xinxin Welfare Co., Ltd. (綦齒鑫欣福利有限責任公司)	PRC /8 February 2007	Limited liability company	18,367	—	100%	Manufacturing of vehicle parts and components
Qijiang Qi-Chi Forging Co.,Ltd (綦江綦齒鍛造有限公司)	PRC /7 November 2003	Limited liability company	21,000	—	100%	Manufacturing of forge products
Chongqing General Industry (Group) Co., Ltd. (重慶通用工業(集團)有限責任公司)	PRC /6 April 1997	Limited liability company	756,986	100%	—	Manufacturing of general machinery

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

(a) Subsidiaries *(continued)*

Name	Country/Place and date of incorporation	Type of legal entity	Issued / paid in capital *(RMB'000)*	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Chongqing Pump Industry Co., Ltd. (重慶水泵廠有限責任公司)	PRC /12 September 2002	Limited liability company	196,411	100%	—	Manufacturing of pumps
Chongqing Jiangbei Machinery Co., Ltd. (重慶江北機械有限責任公司)	PRC /10 September 2002	Limited liability company	76,270	100%	—	Manufacturing of separation machinery
Chongqing Gas Compressor Factory Co., Ltd. (重慶氣體壓縮機廠有限責任公司)	PRC /12 September 2002	Limited liability company	120,214	100%	—	Manufacturing of gas compression machine
Chongqing Shunchang General Electrical Equipment Co., Ltd. (重慶順昌通用電器有限責任公司)	PRC /20 January 2007	Limited liability company	1,000	—	100%	Manufacturing of general electric apparatus for general machine
Chongqing General Group Bingyang Air Conditioner Equipment Installation Co., Ltd. (重慶通用集團冰洋製冷空調設備安裝有限公司)	PRC /11 May 1994	Limited liability company	8,223	—	100%	Provision of air-conditioner installation services
Chong Tong Group Chenfei (Da'an) Wind-Power Equipment Co., Ltd (重通集團成飛(大安)風電設備有限公司)	PRC /17 September 2009	Limited liability company	152,656	—	91.18%	Manufacturing of wind-power equipment
Xilinhaote Chenfei Wind-Power Equipment Co., Ltd (錫林浩特晨飛風電設備有限公司)	PRC /16 November 2011	Limited liability company	5,000	—	91.18%	Manufacturing of wind-power equipment
Tong Kang Water Affairs Co., Ltd. (潼康水務有限公司)	PRC /16 July 2012	Limited liability company	1,000	—	100%	Sewerage treatment and Environmental engineering construction
CMEFC (重慶機電控股集團財務有限公司)	PRC /16 January 2014	Limited liability company	600,000	51%	—	Provide financial service

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

(a) Subsidiaries *(continued)*

Name	Country/Place and date of incorporation	Type of legal entity	Issued / paid in capital *(RMB'000)*	Attributable equity interest Directly held	Indirectly held	Principal activities
Chongqing Machine Tools (Group) Co., Ltd. (重慶機床(集團)有限責任公司)	PRC /31 December 2005	Limited liability company	329,541	100%	—	Manufacturing of gear-cutting machines
Chongqing No. 2 Machine Tools Factory Co., Ltd. (重慶第二機床廠有限責任公司)	PRC /12 June 2007	Limited liability company	80,000	—	100%	Manufacturing of machinery tools
Chongqing Shenjian Automotive Drive Part Co., Ltd. (重慶神箭汽車傳動件有限責任公司)	PRC /19 July 1999	Limited liability company	23,011	—	100%	Manufacturing of transmission systems for vehicles
Chongqing Tool Factory Co., Ltd. (重慶工具廠有限責任公司)	PRC /13 February 2007	Limited liability company	60,000	—	100%	Manufacturing of cutting tools for gear-cutting machines
Chongqing Yinhe Forging & Founding Co., Ltd. (重慶銀河鑄鍛有限責任公司)	PRC /6 October 1997	Limited liability company	18,704	—	100%	Manufacturing of foundry goods
Chongqing Shengpu Materials Co., Ltd. (重慶盛普物資有限公司)	PRC /1 February 2007	Limited liability company	1,405	100%	—	Sales of machinery materials
Chongqing Shengong Machinery Manufacture Co., Ltd. (重慶神工機械製造有限責任公司)	PRC /28 April 2000	Limited liability company	1,103	—	100%	Manufacturing of machinery tools
Chongqing Yuzhu Tai-Xin Plating Co., Ltd. (重慶渝築鈦星鍍膜有限公司)	PRC /25 September 2003	Limited liability company	1,892	—	70%	Provision of processing services

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

(a) Subsidiaries *(continued)*

Name	Country/Place and date of incorporation	Type of legal entity	Issued / paid in capital *(RMB'000)*	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Chongqing Huijiang Machine Tools Founding Co., Ltd. (重慶惠江機床鑄造有限公司)	PRC /14 March 2007	Limited liability company	3,670	—	55%	Manufacturing of machinery tools
Chongqing Water Turbine Works Co., Ltd. (重慶水輪機廠有限責任公司)	PRC /26 March 1998	Limited liability company	135,097	100%	—	Manufacturing of power generators
Chongqing Huahao Smelting Co., Ltd. (重慶華浩冶煉有限公司)	PRC /16 April 2002	Limited liability company	61,335	100%	—	Metallurgical production
Pigeon Wire (重慶鴿牌電線電纜有限公司)	PRC /20 January 2001	Limited liability company	100,100	74%	—	Manufacture electric wires and cables
Chongqing Pigeon Electric Materials Co., Ltd. (重慶鴿牌電工材料有限公司) *(i)*	PRC /19 October 2006	Limited liability company	6,800	—	37%	Manufacture electrical material
Chongqing Pigeon Electrical Porcelain Co., Ltd. (重慶鴿牌電瓷有限公司)	PRC /19 October 2006	Limited liability company	53,000	—	74%	Manufacture electrical porcelain
Guizhou Changtong Pigeon Electrical Porcelain Co., Ltd. (貴州鴿牌長通電線電纜有限公司) *(ii)*	PRC /17 August 2010	Limited liability company	10,000	—	37.74%	Manufacture electrical material
Precision Technologies Group (PTG) Limited (精密技術集團有限公司)	United Kingdom / 1 August 2011	Limited liability company	UKP20,000*	100%	—	Production and technical service of machineries

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

(a) Subsidiaries *(continued)*

Name	Country/Place and date of incorporation	Type of legal entity	Issued / paid in capital *(RMB'000)*	Attributable equity interest Directly held	Indirectly held	Principal activities
Holroyd Precision Limited (霍洛伊德精密有限公司)	United Kingdom / 12 June 2006	Limited liability company	1*	—	100%	Production and technical service of screw grinding machines and screw milling machines
Precision Components Limited (精密零部件加工有限公司)	United Kingdom / 2 June 2007	Limited liability company	—*	—	100%	Production of screw
PTG Heavy Industries Limited (PTG重工有限公司)	United Kingdom / 16 May 2008	Limited liability company	—*	—	100%	Design and manufacture of machine tools
Milnrow Investments Limited (米羅威投資有限公司)	United Kingdom / 29 November 2006	Limited liability company	1*	—	100%	Leasing of properties
PTG Advanced Developments Limited (PTG高級發展有限公司)	United Kingdom / 4 April 2008	Limited liability company	—*	—	100%	Researching and developing of machinery tools
PTG Deutschland GmbH (PTG德國公司)	Germany/15 May 2010	Limited liability company	220*	—	100%	Selling of machinery tools
Chongqing Holroyd Precision Rotors Manufacturing Co., Ltd. (重慶霍洛伊德精密螺杆製造有限責任公司)	PRC/15 December 2011	Limited liability company	40,000	—	100%	Design, manufacture and selling screw
Precision Technologies Group Investment Development Company Limited (精密技術集團投資發展有限公司)	Hong Kong/27 April 2012	Limited liability company	HKD10*	—	100%	Import and export materials and equipments

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

(a) Subsidiaries *(continued)*

(i) The Group has 74% interests in Pigeon Wire. which owns 50% interests in Chongqing Pigeon Electric Materials Co., Ltd. Chongqing Pigeon Electric Materials Co., Ltd. considered as the Group's subsidiary because the Group has majority voting rights on the Board of Directors and its strategic, operating, investing and financing activities are controlled by the Group.

(ii) The 51% equity interests of Guizhou Changtong Pigeon Electrical Porcelain Co., Ltd. is owned by Chongqing Pigeon Electric Wire & Cable Co., Ltd. Guizhou Changtong Pigeon Electrical Porcelain Co., Ltd. is considered as the Group's subsidiary because the Group has majority voting rights on the Board of Directors and its strategic, operating, investing and financing activities are controlled by the Group.

(b) Joint venture

As at the date of this report, the Company has the following principal joint ventures (all are unlisted):

Name	Country/Place and date of incorporation	Type of legal entity	Issued / paid in capital *(RMB'000)*	Attributable equity interest Directly held	Indirectly held	Principal activities
CQ Cummins (重慶康明斯發動機有限公司)	PRC /15 June 1995	Limited liability company	417,600	50.00%	—	Manufacturing of engines

(i) CQ Cummins manufactures engines for automobile, electricity and other industries. CQ Cummins is a strategic partnership for the group, providing new technologies for diesel engine business.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

(c) Associates

As at the date of this report, the Company has direct and indirect interest in the following principal associates (all are unlisted):

Name	Country/Place and date of incorporation	Type of legal entity	Issued / paid in capital (RMB'000)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Qijiang Qi-Chi High-New Founding Co., Ltd. (重慶市綦齒高新鑄造有限責任公司)	PRC /13 July 2000	Limited liability company	1,200	–	40.83%	Manufacturing of foundry products
Chongqing Hongyan Fangda Automobile Suspension Co., Ltd. (重慶紅岩汽車方大汽車懸架有限公司)	PRC /27 June 2003	Limited liability company	119,081	44.00%	–	Manufacturing of automobile springs for vehicles
Exedy (Chongqing) Driving System Co., Ltd. (愛思帝(重慶)驅動系統有限公司)	PRC /3 December 2003	Limited liability company	101,040	27.00%	–	Manufacturing of clutches
Chongqing Midea General Refrigeration Equipment Co., Ltd. (重慶美的通用製冷設備有限公司)	PRC /4 August 2004	Limited liability company	103,750	–	45.00%	Manufacturing of refrigeration equipment
Chongqing Yongtong Gas Co., Ltd. (重慶永通燃氣股份有限公司)	PRC/6 December 2006	Limited liability company	20,000	–	20.00%	Provision of gas engineering services
Chongqing New North Zone Machinery and Electronic Microcredit Co., Ltd. (重慶北部新區機電小額貸款有限公司) (i)	PRC/17 April 2014	Limited liability company	200,000	10.00%	35.00%	Micro lending service

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

(c) Associates *(continued)*

Name	Country/Place and date of incorporation	Type of legal entity	Issued / paid in capital *(RMB'000)*	Attributable equity interest Directly held	Indirectly held	Principal activities
Power Transformer (重慶變壓器有限責任公司) (ii)	PRC /5 March 1996	Limited liability company	161,410	65.69%	—	Investor of Chongqing ABB Power Transformer Co. Ltd.
Chongqing Ji'en Smelting Co., Ltd. (重慶吉恩冶煉有限公司)	PRC /16 June 2004	Limited liability company	23,590	—	24.67%	Manufacturing of metallic products
Knorr-Bremse CAFF Systems for Commercial Vehicles (Chongqing) Ltd. (克諾爾卡福商用車系統(重慶)有限公司)	PRC /23 February 2011	Limited liability company	135,594	—	34.00%	Manufacturing of vehicle parts and components

(i) CQMEM focuses on solving the financing problem for the industry chain clients of the Group.

(ii) Although the Company owns 65.69% equity interests of Power Transformer, the Company only has minority voting rights on the Board of Directors and has no control over the making of financial and operating decisions, and only has significant influence on Power Transformer. This entity is therefore accounted for as an associate.

Power Transformer provides high-voltage transmittor products to the electric power industry, Power Transformer is a strategic partnership for the group brings high reliability and safty to the power and emmisson industry.

38. ULTIMATE HOLDING COMPANY

The Directors regard CQMEHG as the ultimate holding company of the Company.

39. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2013, the profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB413,477,000 (2012: RMB347,942,000).

40. EVENTS AFTER THE BALANCE SHEET DATE

On 20 February 2014, the Group's wholly owned subsidiary, Chongqing Water Turbine Works Co., Ltd. with Chongqing Land Group entered into a land disposal agreement relating to the acquisition of the subject land and certain assets thereon and there under, pursuant to which Chongqing Land Group shall pay Chongqing Water Turbine Works Co., Ltd. an aggregate consideration of RMB544,460,000 upon and subject to the terms and conditions of the land disposal agreement.

On 20 February 2014, the Group's wholly owned subsidiary, Chongqing Machine Tool (Group) Co., Ltd. and Chongqing Land Group entered into a land disposal agreement relating to the acquisition of the subject land and certain assets thereon and there under, pursuant to which Chongqing Land Group shall pay Chongqing Machine Tool (Group) Co., Ltd. an aggregate consideration of RMB752,148,000 upon and subject to the terms and conditions of the land disposal agreement.

41. CHANGES IN ACCOUNTING POLICIES

The Group has adopted HKFRS 11,'Joint arrangements' and HKAS 19 'Employee benefits' on 1 January 2012. The new accounting policies has had the following impact on the consolidated financial statements.

(a) Joint ventures accounted for using the equity method

The Group has joint control over CQ Cummins by virtue of its 50% share in the equity shares of the companies and the requirement for unanimous consent by all parties over decisions related to the relevant activities of the arrangement. The investment has been classified as a joint venture under HKFRS 11 and therefore the equity method of accounting has been used in the consolidated financial statements. Prior to the adoption of HKFRS 11, the Group's interest in CQ Cummins was proportionately consolidated.

The Group recognised its investment in the joint venture at the beginning of the earliest period presented (1 January 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's investment in the joint ventures for applying equity accounting.

41. CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

(b) Adoption of HKAS 19 (revised 2011)

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense to be calculated as the product of the net defined benefit liability and the discount rate as determined at the beginning of the year.

The effects of the changes to the accounting policies is shown in the following tables.

Impact of change in accounting policy on consolidated balance sheet

	As at 31 December 2013	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	As at 31 December 2013 as presented	As at 31 December 2012 (previously stated)	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	As at 31 December 2012 (restated)	As at 1 January 2012 (previously stated)	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	As at 1 January 2012 (restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets												
Non-current assets												
Property, plant and equipment	2,827,572	(93,254)	–	2,734,318	2,295,176	(112,426)	–	2,182,750	2,194,838	(115,164)	–	2,079,674
Investment properties	29,825	–	–	29,825	33,006	–	–	33,006	36,007	–	–	36,007
Lease prepayments	482,704	–	–	482,704	462,078	–	–	462,078	301,674	–	–	301,674
Intangible assets	297,577	(10,705)	–	286,872	280,061	(13,934)	–	266,127	268,520	(16,509)	–	252,011
Investments in associates	508,417	–	–	508,417	384,734	–	–	384,734	397,655	–	–	397,655
Investments in joint ventures	–	310,143	–	310,143	–	366,689	–	366,689	–	274,207	–	274,207
Deferred income tax assets	77,726	(1,891)	(1,016)	74,819	87,370	(13,791)	33	73,612	83,482	(15,083)	162	68,561
Available-for-sale financial assets	2,840	–	–	2,840	3,653	–	–	3,653	3,529	–	–	3,529
Other non-current assets	27,476	(16,051)	–	11,425	13,541	(15)	–	13,526	14,260	(11)	–	14,249
	4,254,137	188,242	(1,016)	4,441,363	3,559,619	226,523	33	3,786,175	3,299,965	127,440	162	3,427,567
Current assets												
Inventories	1,771,490	(101,781)	–	1,669,709	1,770,753	(124,676)	–	1,646,077	1,788,669	(155,691)	–	1,632,978
Trade and other receivables	4,504,354	(626,980)	–	3,877,374	3,948,122	(320,123)	–	3,627,999	3,300,732	(373,895)	–	2,926,837
Dividend receivable	2,689	154,775	–	157,464	1,937	58,800	–	60,737	1,946	234,264	–	236,210
Amount due from customers for contract work	464,871	–	–	464,871	352,777	–	–	352,777	283,991	–	–	283,991
Restricted cash	447,163	–	–	447,163	252,859	(9,000)	–	243,859	295,099	(525)	–	294,574
Cash and cash equivalents	1,962,466	(170,107)	–	1,792,359	2,628,884	(103,003)	–	2,525,881	2,789,570	(307,000)	–	2,482,570
	9,153,033	(744,093)	–	8,408,940	8,955,332	(498,002)	–	8,457,330	8,460,007	(602,847)	–	7,857,160
Total assets	**13,407,170**	**(555,851)**	**(1,016)**	**12,850,303**	**12,514,951**	**(271,479)**	**33**	**12,243,505**	**11,759,972**	**(475,407)**	**162**	**11,284,727**

41. CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

Impact of change in accounting policy on consolidated balance sheet *(continued)*

	As at 31 December 2013	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	As at 31 December 2013 as presented	As at 31 December 2012 (previously stated)	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	As at 31 December 2012 (restated)	As at 1 January 2012 (previously stated)	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	As at 1 January 2012 (restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity and liabilities												
Capital and reserves attributable to owners of the Company												
Share capital	3,684,640	–	–	3,684,640	3,684,640	–	–	3,684,640	3,684,640	–	–	3,684,640
Reserves	(749,669)	–	(3,241)	(752,910)	(784,909)	–	(2,824)	(787,733)	(827,006)	–	125	(826,881)
Retained earnings												
– Proposed final dividend	184,232	–	–	184,232	128,962	–	–	128,962	221,078	–	–	221,078
– Others	2,394,533	–	8,350	2,402,883	2,116,611	–	912	2,117,523	1,846,189	–	(1,764)	1,844,425
Non-controlling interests	367,420	–	–	367,420	338,799	–	–	338,799	41,958	–	–	41,958
Total equity	**5,881,156**	**–**	**5,109**	**5,886,265**	**5,484,103**	**–**	**(1,912)**	**5,482,191**	**4,966,859**	**–**	**(1,639)**	**4,965,220**
Liabilities												
Non-current liabilities												
Borrowings	1,489,258	–	–	1,489,258	1,169,058	(20)	–	1,169,038	1,458,533	(169)	–	1,458,364
Deferred income	475,757	–	–	475,757	520,808	–	–	520,808	556,000	–	–	556,000
Deferred income tax liabilities	21,786	–	–	21,786	24,526	–	–	24,526	32,120	–	–	32,120
Long-term employee benefit obligations	44,041	–	(7,038)	37,003	44,041	–	1,416	45,457	76,781	–	1,639	78,420
	2,030,842	–	(7,038)	2,023,804	1,758,433	(20)	1,416	1,759,829	2,123,434	(169)	1,639	2,124,904
Current liabilities												
Trade and other payables	4,340,330	(511,899)	–	3,828,431	3,623,350	(228,054)	–	3,395,296	3,281,339	(421,796)	–	2,859,543
Dividends payable	25,381	–	–	25,381	23,228	–	–	23,228	40,184	–	–	40,184
Amount due to customers for contract work	8,568	–	–	8,568	10,589	–	–	10,589	7,852	–	–	7,852
Current income tax liabilities	60,843	(12,061)	2,014	50,796	58,335	(10,079)	529	48,785	63,976	(20,141)	162	43,997
Borrowings	996,881	–	–	996,881	1,491,318	(151)	–	1,491,167	1,211,158	(220)	–	1,210,938
Current portion of long-term employee benefit obligations	10,417	–	(1,101)	9,316	10,417	–	–	10,417	12,554	–	–	12,554
Provisions for warranty	52,752	(31,891)	–	20,861	55,178	(33,175)	–	22,003	52,616	(33,081)	–	19,535
	5,495,172	(555,851)	913	4,940,234	5,272,415	(271,459)	529	5,001,485	4,669,679	(475,238)	162	4,194,603
Total liabilities	**7,526,014**	**(555,851)**	**(6,125)**	**6,964,038**	**7,030,848**	**(271,479)**	**1,945**	**6,761,314**	**6,793,113**	**(475,407)**	**1,801**	**6,319,507**
Total equity and liabilities	**13,407,170**	**(555,851)**	**(1,016)**	**12,850,303**	**12,514,951**	**(271,479)**	**33**	**12,243,505**	**11,759,972**	**(475,407)**	**162**	**11,284,727**

41. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impact of change in accounting policy on consolidated statement of comprehensive income

	For year ended 31 December 2013	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	For year ended 31 December 2013 as presented	For year ended 31 December 2012 (previously stated)	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	For year ended 31 December 2012 (restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	11,283,451	(1,582,407)	—	9,701,044	10,556,621	(1,648,589)	—	8,908,032
Cost of sales	(9,668,946)	1,052,682	—	(8,616,264)	(8,961,886)	1,088,595	—	(7,873,291)
Gross profit	**1,614,505**	**(529,725)**	**—**	**1,084,780**	**1,594,735**	**(559,994)**	**—**	**1,034,741**
Distribution costs	(298,610)	32,164	—	(266,446)	(284,788)	20,078	—	(264,710)
Administrative expenses	(853,477)	94,310	9,910	(749,257)	(808,934)	97,154	3,515	(708,265)
Other gains, net	99,156	(4,242)	—	94,914	45,923	822	—	46,745
Other income	128,703	(3,928)	—	124,775	131,890	(528)	—	131,362
Operating profit	**690,277**	**(411,421)**	**9,910**	**288,766**	**678,826**	**(442,468)**	**3,515**	**239,873**
Finance income	37,906	(2,657)	—	35,249	35,783	(5,993)	—	29,790
Finance costs	(136,709)	2	—	(136,707)	(163,369)	335	—	(163,034)
Finance costs, net	(98,803)	(2,655)	—	(101,458)	(127,586)	(5,658)	—	(133,244)
Share of post-tax profits of joint ventures	—	353,816	—	353,816	—	381,282	—	381,282
Share of post-tax profits of associates	44,099	—	—	44,099	963	—	—	963
Profit before income tax	**635,573**	**(60,260)**	**9,910**	**585,223**	**552,203**	**(66,844)**	**3,515**	**488,874**
Income tax expense	(102,573)	60,260	(2,472)	(44,785)	(96,530)	66,844	(839)	(30,525)
Profit for the year	**533,000**	**—**	**7,438**	**540,438**	**455,673**	**—**	**2,676**	**458,349**

41. CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

Impact of change in accounting policy on consolidated statement of comprehensive income *(continued)*

	For year ended 31 December 2013 *RMB'000*	Equity accounting for CQ Cummins *RMB'000*	Adopt HKAS 19 (revised 2011) *RMB'000*	For year ended 31 December 2013 as presented *RMB'000*	For year ended 31 December 2012 (previously stated) *RMB'000*	Equity accounting for CQ Cummins *RMB'000*	Adopt HKAS 19 (revised 2011) *RMB'000*	For year ended 31 December 2012 (restated) *RMB'000*
Other comprehensive income:								
Items that will not be reclassified subsequently to profit or loss								
Remeasurements of retirement benefit obligations	—	—	(355)	(355)	—	—	(3,292)	(3,292)
Income tax relating to remeasurements of retirement benefit obligations	—	—	(63)	(63)	—	—	343	343
Items that may be reclassified subsequently to profit or loss								
Fair value (losses)/gains on available-for-sale financial assets	(813)	—	—	(813)	124	—	—	124
Income tax relating to available-for-sale financial assets	122	—	—	122	(19)	—	—	(19)
Currency translation differences	(1,305)	—	—	(1,305)	606	—	—	606
Other comprehensive income for the year, net of tax	**(1,996)**	**—**	**(418)**	**(2,414)**	**711**	**—**	**(2,949)**	**(2,238)**
Total comprehensive income for the year attributable to:								
Owners of the Company	497,395	—	7,020	504,415	441,481	—	(273)	441,208
Non-controlling interests	33,609	—	—	33,609	14,903	—	—	14,903
	531,004	**—**	**7,020**	**538,024**	**456,384**	**—**	**(273)**	**456,111**

41. CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

Impact of change in accounting policy on consolidated statement of cash flows

	For year ended 31 December 2013 *RMB'000*	Equity accounting for CQ Cummins *RMB'000*	Adopt HKAS 19 (revised 2011) *RMB'000*	For year ended 31 December 2013 as presented *RMB'000*	For year ended 31 December 2012 (previously stated) *RMB'000*	Equity accounting for CQ Cummins *RMB'000*	Adopt HKAS 19 (revised 2011) *RMB'000*	For year ended 31 December 2012 (restated) *RMB'000*
Cash flows from operating activities								
Cash generated from operations	510,048	(437,189)	—	72,859	423,081	(365,362)	—	57,719
Interest paid	(158,102)	2,098	—	(156,004)	(168,364)	5,165	—	(163,199)
Income tax paid	(111,180)	60,012	—	(51,168)	(113,672)	75,271	—	(38,401)
Net cash generated/(used in) from operating activities	240,766	(375,079)	—	(134,313)	141,045	(284,926)	—	(143,881)
Cash flows from investing activities								
Purchase of financial assets at fair value through profit or loss	(714,000)	—	—	(714,000)	(5,066,000)	—	—	(5,066,000)
Proceeds from disposal of financial assets at fair value through profit or loss	723,986	—	—	723,986	5,095,082	—	—	5,095,082
Proceeds from government grants related to assets	12,025	—	—	12,025	38,792	—	—	38,792
Purchases of property, plant and equipment and investment properties	(564,228)	14,686	—	(549,542)	(305,654)	33,733	—	(271,921)
Increase in lease prepayments	(34,347)	—	—	(34,347)	(171,322)	—	—	(171,322)
Purchase of intangible assets	(33,393)	757	—	(32,636)	(27,157)	504	—	(26,653)
Proceeds from disposal of property, plant and equipment	9,916	(6,507)	—	3,409	53,159	(4,895)	—	48,264
Proceeds from sale of lease prepayment	—	—	—	—	2,003	—	—	2,003
Proceeds from disposal of non-current assets	2,800	—	—	2,800	—	—	—	—
Investments in associates	(94,439)	—	—	(94,439)	—	—	—	—
Interest received	52,631	(17,382)	—	35,249	35,783	(5,993)	—	29,790
Dividends received	14,281	315,045	—	329,326	13,885	465,036	—	478,921
Net cash (used in)/generated investing activities	(624,768)	306,599	—	(318,169)	(331,429)	488,385	—	156,956

41. CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

Impact of change in accounting policy on consolidated statement of cash flows *(continued)*

	For year ended 31 December 2013	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	For year ended 31 December 2013 as presented	For year ended 31 December 2012 (previously stated)	Equity accounting for CQ Cummins	Adopt HKAS 19 (revised 2011)	For year ended 31 December 2012 (restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities								
Proceeds from borrowings	1,667,192	—	—	1,667,192	1,564,288	—	—	1,564,288
Repayments of borrowings	(1,812,093)	—	—	(1,812,093)	(1,578,782)	—	—	(1,578,782)
Finance lease paid	(1,758)	—	—	(1,758)	(1,604)	219	—	(1,385)
Contribution from non-controlling interests	—	—	—	—	294,000	—	—	294,000
Dividends paid to Company's shareholders	(128,962)	—	—	(128,962)	(236,755)	—	—	(236,755)
Dividends paid to non-controlling interests	(4,988)	—	—	(4,988)	(13,341)	—	—	(13,341)
Net cash (used in)/ generated from financing activities	(280,609)	—	—	(280,609)	27,806	219	—	28,025
Net (decrease)/increase in cash and cash equivalents	**(664,611)**	**(68,480)**	**—**	**(733,091)**	**(162,578)**	**203,678**	**—**	**41,100**
Cash and cash equivalents at beginning of the year	2,628,884	(103,003)	—	2,525,881	2,789,570	(307,000)	—	2,482,570
Exchange (losses)/ gains on cash and cash equivalents	(1,807)	1,376	—	(431)	1,892	319	—	2,211
Cash and cash equivalents at end of the year	**1,962,466**	**(170,107)**	**—**	**1,792,359**	**2,628,884**	**(103,003)**	**—**	**2,525,881**

41. CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

Impact of change in accounting policy on the statement of changes in equity

	Attributable to equity holders of the Company				
	Share capital	Other reserves	Retained earnings	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012 as previously reported	3,684,640	(827,006)	2,067,267	41,958	4,966,859
Effect of change in accounting policies	—	125	(1,764)	—	(1,639)
Balance at 1 January 2012 as restated	**3,684,640**	**(826,881)**	**2,065,503**	**41,958**	**4,965,220**
Profit for the year, as previously reported	—	—	440,770	14,903	455,673
Effect of change in accounting policies	—	—	2,676	—	2,676
Profit for the year as restated	—	—	443,446	14,903	458,349
Other comprehensive income for the year as previously reported	—	711	—	—	711
Effect of change in accounting policies	—	(2,949)	—	—	(2,949)
Other comprehensive income for the year as restated	—	(2,238)	—	—	(2,238)
Total comprehensive income for the year as previously reported	—	711	440,770	14,903	456,384
Effect of change in accounting policies	—	(2,949)	2,676	—	(273)
Total comprehensive income for the year as restated	—	(2,238)	443,446	14,903	456,111
Total transactions with owners	—	41,386	(262,464)	281,938	60,860
Balance at 31 December 2012 as previously reported	**3,684,640**	**(784,909)**	**2,245,573**	**338,799**	**5,484,103**
Effect of change in accounting policies	—	(2,824)	912	—	(1,912)
Balance at 31 December 2012 as restated	**3,684,640**	**(787,733)**	**2,246,485**	**338,799**	**5,482,191**

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