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

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

(Stock Code: 02722)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

RESULTS HIGHLIGHTS

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

- Revenue of the Group for the six months ended 30 June 2014 amounted to approximately RMB4,841.6 million, representing a slight decrease of around 0.3% from the corresponding period last year.
- Gross profit of the Group for the six months ended 30 June 2014 amounted to approximately RMB501.7 million, representing a decrease of around 4.1% from the corresponding period last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2014 was approximately RMB191.7 million, representing a decrease of around 14.1% from the corresponding period last year.
- Basic earnings per share for the six months ended 30 June 2014 was approximately RMB0.05.

The board of directors (the "Board") of the Company is pleased to announce the interim results of the Group for the six months ended 30 June 2014 (the "Period"). The Group's interim results have not been audited but have been reviewed by the audit committee and the Company's auditor, PricewaterhouseCoopers.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

Unaudited Six months ended 30 June

		2014	2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	4,841,594	4,857,059
Cost of sales		(4,339,892)	(4,334,054)
Gross profit		501,702	523,005
Distribution costs		(131,068)	(143,490)
Administrative expenses		(342,698)	(355,614)
Other gains, net		4,549	38,244
Other income		34,630	41,919
Operating profit	5	67,115	104,064
Finance income		36,086	12,072
Finance costs		(73,998)	(78,578)
Share of post-tax profits of associates		38,560	9,550
Share of post-tax profits of jointly controlled entities		169,758	191,371
Profit before income tax		237,521	238,479
Income tax expense	6	(25,531)	(9,663)
Profit for the period		211,990	228,816
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		(572)	(570)
Income tax relating to remeasurements of retirement benefit obligations		28	31
Items that may be reclassified subsequently to profit or loss			
Fair value losses on available-for-sale financial assets		—	(688)
Income tax relating to available-for-sale financial assets		—	103
Currency translation differences		1,345	(1,443)
Other comprehensive income for the period, net of tax		801	(2,567)
Total comprehensive income for the period		212,791	226,249

Unaudited
Six months ended 30 June

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit attributable to:			
— Owners of the Company		191,709	223,100
— Non-controlling interests		20,281	5,716
		211,990	228,816
Total comprehensive income attributable to:			
— Owners of the Company		192,510	220,533
— Non-controlling interests		20,281	5,716
		212,791	226,249
Earnings per share for profit attributable to owners of the Company <i>(expressed in RMB per share)</i>			
— Basic and diluted	7	0.05	0.06

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	<i>Note</i>	Unaudited 30 June 2014 <i>RMB'000</i>	Audited 31 December 2013 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	8	2,880,786	2,734,318
Investment properties	8	27,335	29,825
Lease prepayments	8	486,347	482,704
Intangible assets	8	296,145	286,872
Investments in associates		521,072	508,417
Investments in jointly controlled entities		479,901	310,143
Deferred income tax assets		73,849	74,819
Available-for-sale financial assets		2,840	2,840
Other non-current assets		19,068	11,425
Total non-current assets		4,787,343	4,441,363
Current assets			
Inventories		1,726,286	1,669,709
Amounts due from customers for contract work		534,258	464,871
Trade and other receivables	9	4,471,175	3,877,374
Dividend receivable		146,223	157,464
Restricted cash		675,439	447,163
Cash and cash equivalents		1,438,909	1,792,359
Total current assets		8,992,290	8,408,940
Total assets		13,779,633	12,850,303
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,684,640	3,684,640
Other reserves		(746,719)	(752,910)
Retained profits		2,589,202	2,587,115
Non-controlling interests		5,527,123	5,518,845
		387,701	367,420
Total equity		5,914,824	5,886,265

	<i>Note</i>	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	1,404,549	1,489,258
Deferred income		483,952	475,757
Deferred income tax liabilities		20,164	21,786
Long-term employee benefit obligations	12	34,554	37,003
Total non-current liabilities		<u>1,943,219</u>	<u>2,023,804</u>
Current liabilities			
Trade and other payables	10	4,388,873	3,828,431
Dividends payable		205,128	25,381
Amounts due to customers for contract work		14,817	8,568
Current income tax liabilities		50,949	50,796
Borrowings	11	1,234,194	996,881
Current portion of long-term employee benefit obligations	12	9,637	9,316
Provision for warranty		17,992	20,861
Total current liabilities		<u>5,921,590</u>	<u>4,940,234</u>
Total liabilities		<u>7,864,809</u>	<u>6,964,038</u>
Total equity and liabilities		<u>13,779,633</u>	<u>12,850,303</u>
Net current assets		<u>3,070,700</u>	<u>3,468,706</u>
Total assets less current liabilities		<u>7,858,043</u>	<u>7,910,069</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

		Unaudited					
		Attributable to owners of the Company					
Note	Share capital RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000	
	Balance at 1 January 2014	3,684,640	(752,910)	2,587,115	5,518,845	367,420	5,886,265
	Comprehensive income						
	Profit for the period	—	—	191,709	191,709	20,281	211,990
	Other comprehensive income						
	Remeasurements of retirement benefit obligations, net of tax	—	(544)	—	(544)	—	(544)
	Currency translation differences	—	1,345	—	1,345	—	1,345
	Total other comprehensive income	—	801	—	801	—	801
	Total comprehensive income for the period ended 30 June 2014	—	801	191,709	192,510	20,281	212,791
	Total contributions by and distributions to owners of the Company recognised directly in equity						
	Dividends relating to 2013	—	—	(184,232)	(184,232)	—	(184,232)
	Total contributions by and distributions to owners of the Company						
	Transfer to reserves	—	5,390	(5,390)	—	—	—
	Total transactions with owners	—	5,390	(189,622)	(184,232)	—	(184,232)
	Balance at 30 June 2014	3,684,640	(746,719)	2,589,202	5,527,123	387,701	5,914,824

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

Unaudited Six months ended 30 June

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Note</i>		
Cash flows from operating activities		
Cash used in operations	(44,468)	(255,396)
Income tax paid	(66,979)	(24,741)
Interest paid	(51,826)	(53,162)
Cash flows from operating activities - net	(163,273)	(333,299)
Cash flows from investing activities		
Purchase of financial assets		
at fair value through profit or loss	(45,991)	(712,000)
Proceeds from the disposal of		
financial assets at fair value		
through profit or loss	48,129	705,583
Proceeds from government grants		
related to assets	29,309	8,136
Investments in associates	—	(94,439)
Purchases of property,		
plant and equipment	(433,265)	(201,257)
Proceeds on disposal of property,		
plant and equipment	43,640	10,010
Purchase of intangible assets	(15,126)	(19,050)
Increase in lease prepayments	(40,503)	—
Dividends received	37,147	132,107
Interest received	37,403	12,072
Cash flows from investing activities - net	(339,257)	(158,838)
Cash flows from financing activities		
Proceeds from borrowings	1,479,127	717,123
Repayments of borrowings	(1,325,931)	(775,698)
Payments of finance lease obligations	(1,292)	(1,739)
Dividends paid to non-controlling interests	(4,484)	(2,365)
Cash flows from financing activities - net	147,420	(62,679)
Net decrease in cash and cash equivalents	(355,110)	(554,816)
Cash and cash equivalents		
at the beginning of the period	1,792,359	2,525,881
Exchange gains/(losses)	1,660	(152)
Cash and cash equivalents at balance sheet	1,438,909	1,970,913

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(For the six months ended 30 June 2014)

1 GENERAL INFORMATION

Chongqing Machinery & Electric Co., Ltd. (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in manufacturing and sales of vehicle parts and components, general machinery, machinery tools and power equipment. The Group has operations mainly in the People’s Republic of China (the “PRC” or “China”).

The Company was established in the PRC on 27 July 2007 as a joint stock company with limited liability as part of the reorganisation of Chongqing Machinery and Electronic Holding (Group) Co., Ltd. (“CQMEHG”) in preparation for a listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited. CQMEHG is a state-owned enterprise established in the PRC and has been directly under the administration and control of the State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government. The address of the Company’s registered office is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing 401123, the PRC.

The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 June 2008.

This condensed consolidated interim financial information is presented in Chinese Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 20 August 2014.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of this unaudited condensed consolidated financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2013.

- The Group has adopted HK(IFRIC)-Int 21 ‘Levies’. HK(IFRIC)-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of HKAS 37 ‘Provisions’. 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 subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect HK(IFRIC)-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.
- Other amendments to HKFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

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

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

4. SEGMENT INFORMATION

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

The operating management committee considers the business from a product perspective. From a product perspective, management assesses the performance of engines, gear boxes, hydroelectric generation equipment, electrical wires and cables, general machinery, financial services, machinery tools, high-voltage transformers and materials sales. The results of other products operations are included in the “all other segments” column.

Sales between segments are carried out in the ordinary course of business and in accordance with the terms of the underlying agreements. The revenue from external parties reported to the operating management committee is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

The segment results for the six months ended 30 June 2014 are as follows:

	Engines RMB'000	Gear boxes RMB'000	Hydroelectric generation equipment RMB'000	Electrical wires and cables RMB'000	General machinery RMB'000	Financial services RMB'000	Machinery tools RMB'000	High- voltage transformers RMB'000	Material sales RMB'000	All other segments RMB'000	Total Group RMB'000
Total segment revenue	—	330,111	190,217	1,522,127	425,060	65,165	555,728	—	1,808,514	684,202	5,581,124
Inter-segment revenue	—	—	—	(467)	(483)	(14,908)	(140,291)	—	(583,381)	—	(739,530)
Revenue from external customers	—	330,111	190,217	1,521,660	424,577	50,257	415,437	—	1,225,133	684,202	4,841,594
Operating profit/(loss)	—	(22,588)	8,004	52,216	22,332	40,775	(17,272)	—	1,602	(17,954)	67,115
Finance income	—	729	461	1,139	1,289	—	5,555	—	154	26,759	36,086
Finance costs	—	(977)	(796)	(18,056)	(1,260)	—	(12,751)	—	(1,615)	(38,543)	(73,998)
Share of post-tax profits of associates and jointly controlled entities	169,758	2,394	1,031	—	3,681	9,280	1,964	14,738	—	5,472	208,318
Profit before income tax											237,521
Income tax expense	—	(190)	(616)	(5,662)	(517)	(11,886)	(2,793)	—	(9)	(3,858)	(25,531)
Profit for the period											211,990
Other items											
Depreciation on property, plant and equipment and investment properties	—	13,777	5,293	11,562	17,227	241	18,111	—	29	20,531	86,771
Amortisation of lease prepayments and intangible assets	—	1,891	437	351	2,203	114	5,117	—	—	1,709	11,822
Write down/(write back) of inventories	—	—	—	(5,378)	—	—	1	—	—	—	(5,377)
Provision for/(reversal of) impairment on trade and other receivables	—	—	969	(1,582)	8	2,811	—	—	(3,131)	1,765	840
Additions to non-current assets (other than financial instruments and deferred tax assets)	—	143,341	11,615	4,876	51,025	5	31,090	—	2	18,724	260,678

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

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

The segment assets as at 30 June 2014 and 31 December 2013 are as follows:

	Engines RMB'000	Gear boxes RMB'000	Hydroelectric generation equipment RMB'000	Electrical wires and cables RMB'000	General machinery RMB'000	Financial services RMB'000	Machinery tools RMB'000	High-voltage transformers RMB'000	Material sales RMB'000	All other segments RMB'000	Total Group RMB'000
Total assets											
30 June 2014	479,901	1,311,211	1,169,812	1,184,051	1,807,737	1,716,216	2,933,064	158,249	208,781	2,810,611	13,779,633
Total assets include:											
Investments in associates and jointly controlled entities	479,901	6,049	11,376	—	95,051	102,384	6,126	158,249	—	141,837	1,000,973
31 December 2013	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 jointly controlled entities	310,143	4,871	10,545	—	91,570	93,967	2,971	163,020	—	141,473	818,560

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Inventories write back	(5,377)	(3,807)
Provision for impairment on trade and other receivables	840	5,869
Gains on financial assets at fair value through profit or loss	(2,137)	(5,625)
Gains on disposal of property, plant and equipment	(1,169)	(36)
Gains on reversal of borrowings from independent third parties	—	(27,701)
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax	25,978	15,460
Deferred income tax	(447)	(5,797)
	<u> </u>	<u> </u>
	<u>25,531</u>	<u>9,663</u>

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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

7. EARNINGS PER SHARE

	Six months ended 30 June	
	2014	2013
Profit attributable to owners of the Company (RMB'000)	191,709	223,100
Weighted average number of ordinary shares in issue (thousand)	<u>3,684,640</u>	<u>3,684,640</u>
Basic and diluted earnings per share (RMB per share)	<u>0.05</u>	<u>0.06</u>

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

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

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

	Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Lease prepayments <i>RMB'000</i>	Other intangible assets <i>RMB'000</i>	Goodwill <i>RMB'000</i>
Six months ended 30 June 2014					
Net book value					
Opening net book amount					
at 1 January 2014	2,734,318	29,825	482,704	143,854	143,018
Additions	235,830	110	9,612	15,126	—
Disposals	(4,543)	(648)	—	—	—
Depreciation and amortisation	(84,819)	(1,952)	(5,969)	(5,853)	—
	<u>2,880,786</u>	<u>27,335</u>	<u>486,347</u>	<u>153,127</u>	<u>143,018</u>
Closing amount at					
30 June 2014	<u>2,880,786</u>	<u>27,335</u>	<u>486,347</u>	<u>153,127</u>	<u>143,018</u>
Six months ended 30 June 2013					
Net book value					
Opening net book amount at					
1 January 2013 (Restated)	2,182,750	33,006	462,078	123,109	143,018
Additions	213,694	—	—	19,050	—
Disposals	(9,651)	—	—	(334)	—
Depreciation and amortisation	(83,204)	(1,538)	(5,365)	(6,166)	—
	<u>2,303,589</u>	<u>31,468</u>	<u>456,713</u>	<u>135,659</u>	<u>143,018</u>
Closing amount at 30 June 2013					

Note:

- (a) As at 30 June 2014, bank borrowings amounting to approximately RMB99,000,000 (31 December 2013: approximately RMB233,000,000) were secured by property, plant and equipment, investment properties and land use rights with an aggregate carrying value of approximately RMB2,210,000, RMB0 and RMB50,502,000, respectively (31 December 2013: approximately RMB611,822,000, RMB33,274,000 and RMB28,019,000, respectively).

9. TRADE AND OTHER RECEIVABLES

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Trade and bills receivable	3,633,307	3,365,881
Less: provision for impairment of trade receivables	(250,092)	(249,715)
Trade and bills receivable - net	3,383,215	3,116,166
Other receivables	769,400	544,716
Less: provision for impairment of other receivables	(35,273)	(35,196)
Other receivables - net	734,127	509,520
Loans	357,411	254,230
Less: provision for impairment of loans	(3,578)	(2,542)
Loans - net	353,833	251,688
	4,471,175	3,877,374

The ageing of the above loans are all less than 1 year.

The general credit period granted to customers is up to 90 days. As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade and bills receivables were as follows:

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Trade and bills receivable		
Less than 30 days	1,166,648	484,306
31 days to 90 days	1,085,087	530,460
91 days to 1 year	627,507	1,699,720
1 year to 2 years	384,004	308,064
2 years to 3 years	127,141	124,233
Over 3 years	242,920	219,098
	3,633,307	3,365,881

10. TRADE AND OTHER PAYABLES

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Trade and bills payable	2,400,717	2,172,868
Deposit taking	519,362	442,967
Other taxes payables	100,830	105,633
Other payables	313,294	372,834
Interest payables	59,768	26,893
Accrued payroll and welfare	79,020	84,546
Advances from customers	915,882	622,690
	<u>4,388,873</u>	<u>3,828,431</u>

The ageing of the above deposit taking are all less than 1 year.

As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade and bills payable (including amounts due to related parties of trading in nature) were as follows:

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Trade and bills payable		
Less than 30 days	1,004,219	574,192
31 days than 90 days	413,937	531,698
91 days to 1 year	724,260	804,383
1 year to 2 years	71,610	150,861
2 years to 3 years	115,538	71,194
Over 3 years	71,153	40,540
	<u>2,400,717</u>	<u>2,172,868</u>

11. BORROWINGS

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Non-current		
Long-term bank borrowings	407,285	487,396
Corporate bonds	996,696	995,997
Finance lease liabilities	568	965
Due to non-controlling interests	—	4,900
	<u>1,404,549</u>	<u>1,489,258</u>
Current		
Short-term bank borrowings	1,224,094	991,728
Due to independent third parties	3,100	3,100
Due to non-controlling interests	4,900	—
Finance lease liabilities	2,100	2,053
	<u>1,234,194</u>	<u>996,881</u>
Total borrowings	<u>2,638,743</u>	<u>2,486,139</u>

Movements in borrowings are analysed as follows:

	<i>RMB'000</i>
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	2,486,139
Additions	1,479,826
Repayments	(1,327,222)
	<hr/>
Closing amount as at 30 June 2014	2,638,743
	<hr/> <hr/>
Six months ended 30 June 2013	
Opening amount as at 1 January 2013 (Restated)	2,660,205
Additions	717,123
Repayments	(777,437)
Deductions	(27,701)
	<hr/>
Closing amount as at 30 June 2013	2,572,190
	<hr/> <hr/>

Interest expense on borrowings for the six months ended 30 June 2014 is approximately RMB100,553,000 (2013: approximately RMB79,869,000).

The Group had the following undrawn borrowing facilities:

	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate		
— expiring within 1 year	1,791,204	1,814,208
— expiring beyond 1 year	334,627	281,171
	<hr/>	<hr/>
	2,125,831	2,095,379
	<hr/> <hr/>	<hr/> <hr/>

12. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Present value of defined benefits obligations	44,191	46,319
	<hr/>	<hr/>
Liability in the balance sheet	44,191	46,319
Less: current portion	(9,637)	(9,316)
	<hr/>	<hr/>
	34,554	37,003
	<hr/> <hr/>	<hr/> <hr/>

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

	Six months ended 30 June	
	2014	2013
	RMB'000	<i>RMB'000</i>
At beginning of the period	46,319	55,874
For the period		
— Interest costs	911	1,004
— Actuarial losses/(gains)	1,374	(166)
— Remeasurement effects recognized in other comprehensive income	572	570
— Payment	(4,985)	(5,522)
	<hr/>	<hr/>
At end of the period	44,191	51,760
	<hr/> <hr/>	<hr/> <hr/>

13. DIVIDENDS

A dividend of approximately RMB184,232,000 (RMB0.05 per share) that relates to the year ended 31 December 2013 was approved at the Annual General Meeting on 18 June 2014 and was recorded as a liability as at 30 June 2014 in this condensed consolidated interim financial information.

The Company's Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS (INCLUDING FINANCIAL REVIEW)

RESULTS OVERVIEW

SALES

For the six months ended 30 June 2014, the Group's total revenue amounted to approximately RMB4,841.6 million, representing a slight decrease of approximately 0.3% as compared with approximately RMB4,857.1 million for the same period last year.

Overall, revenue of the vehicle parts and components segment was approximately RMB523.9 million (accounting for approximately 10.8% of total revenue), a decrease of approximately 11.8%; revenue of the power equipment segment was approximately RMB1,934.6 million (accounting for approximately 40.0% of total revenue), an increase of approximately 13.8%; revenue of the general machinery segment was approximately RMB692.3 million (accounting for approximately 14.3% of total revenue), an increase of approximately 6.1%; and revenue of the CNC machine tools segment was approximately RMB415.4 million (accounting for approximately 8.6% of total revenue), a decrease of approximately 20.1%; revenue of the trade business was approximately RMB1,225.1 million (accounting for approximately 25.3% of total revenue), a decrease of approximately 10.5%; and revenue of financial services was approximately RMB50.3 million (accounting for approximately 1.0% of total revenue), an increase of approximately 131.8%.

Despite the increase in sales revenue from power equipment and general machinery segments during this period, the overall sales revenue of the Group declined slightly due to the decreased market demand in the vehicle parts and components segment and CNC machine tool segment.

There has been no significant change in the possible future development of the Group's business and the Group's outlook for the financial year of 2014 since the publication of the Group's annual report for the year ended 31 December 2013.

GROSS PROFIT

The gross profit for the six months ended 30 June 2014 was approximately RMB501.7 million, a decrease of approximately RMB21.3 million or approximately 4.1%, as compared with approximately RMB523.0 million for the same period last year; gross profit margin was approximately 10.4%, a decrease of approximately 0.4 percentage point as compared with approximately 10.8% for the same period last year. Eliminating trade business and financial services, the gross profit margin was approximately 12.6%, a decrease of approximately 1.8 percentage points as compared with approximately 14.4% for the same period last year. The Group's gross profit margin is expected to remain stable at its current level in the second half of 2014.

OTHER INCOME AND GAINS

Other income and gains for the six months ended 30 June 2014 were approximately RMB39.2 million, a significant decrease of approximately RMB41.0 million or approximately 51.1%, as compared with approximately RMB80.2 million for the same period last year. Such decrease was mainly attributable to the decrease in government subsidies, tax refund and subsidies for the Group's environmental relocation and technological development.

SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses for the six months ended 30 June 2014 were approximately RMB473.8 million, a decrease of approximately RMB25.3 million or approximately 5.1%, as compared with approximately RMB499.1 million for the same period last year. The selling and administrative expenses accounted for approximately 9.8% of sales, a slight decrease as compared with approximately 10.3% for the same period last year, mainly attributable to a year-on-year decrease of approximately RMB12.4 million in promotion fees and sales commissions and a year-on-year decrease of approximately RMB12.9 million in administrative expenses as a result of strict control over administrative expenses.

OPERATING PROFIT

The operating profit for the six months ended 30 June 2014 was approximately RMB67.1 million, a decrease of approximately RMB37.0 million or approximately 35.5%, as compared with approximately RMB104.1 million for the same period last year.

NET FINANCE COSTS

The net interest expense for the six months ended 30 June 2014 was approximately RMB37.9 million, a significant decrease of approximately RMB28.6 million or approximately 43.0%, as compared with approximately RMB66.5 million for the same period last year. This was mainly due to the fact that interest income increased approximately RMB24.0 million and more financial expenses were capitalized in the Period.

SHARE OF PROFITS OF ASSOCIATES

The Group's share of profits of associates for the six months ended 30 June 2014 was approximately RMB38.6 million, a significant increase of approximately RMB29.0 million or approximately 302.1%, as compared with approximately RMB9.6 million for the same period last year. This increase was attributable to the increase of approximately RMB4.7 million in results of Chongqing Hongyan Fangda Automobile Suspension Co., Ltd., the increase of approximately RMB1.9 million in results of Chongqing Midea General Refrigeration Equipment Co., Ltd. (重慶美的通用製冷設備有限公司), the increase of approximately RMB14.5 million in results of Chongqing ABB Power Transformer Co., Ltd. and the increase of approximately RMB9.1 million in results 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).

SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

The Group's share of profits of jointly controlled entities for the six months ended 30 June 2014 was approximately RMB169.8 million, a decrease of approximately RMB21.6 million or approximately 11.3%, as compared with approximately RMB191.4 million for the same period last year. Such decrease was due to the decline in the sales and profit of Chongqing Cummins Engine Co., Ltd.

INCOME TAX EXPENSES

The corporate income tax expenses for the six months ended 30 June 2014 were approximately RMB25.5 million, an increase of approximately RMB15.8 million, or approximately 162.9%, as compared with approximately RMB9.7 million for the same period last year, mainly due to the increase in assessable profits of financial business and the change in deferred income tax.

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Profit attributable to the shareholders of the Company for the Period was approximately RMB191.7 million, a decrease of approximately RMB31.4 million or approximately 14.1% as compared with approximately RMB223.1 million for the same period last year. Earnings per share decreased from approximately RMB0.06 for the same period last year to approximately RMB0.05.

BUSINESS PERFORMANCE

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

	Revenue		Gross Profit		Segment Results	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2014	2013	2014	2013	2014	2013
	<i>(RMB in millions, except for percentage)</i>					
Vehicle parts and components						
Domestic						
Gear boxes	330.1	383.4	41.5	72.4	(22.6)	2.9
Other products	193.8	210.4	24.8	28.5	1.7	4.0
Total	523.9	593.8	66.3	100.9	(20.9)	6.9
% of total	10.8%	12.2%	13.2%	19.3%	(31.1)%	6.6%
Power equipment						
Domestic						
Hydroelectric generation equipment	190.2	171.8	44.8	40.5	8.0	11.7
Electrical wires and cables	1,521.7	1,203.4	94.7	91.6	52.2	47.7
Other products	222.7	325.4	5.0	—	(7.3)	(10.2)
Total	1,934.6	1,700.6	144.5	132.1	52.9	49.2
% of total	40.0%	35.0%	28.8%	25.3%	78.8%	47.3%
General machinery						
Domestic	692.3	652.7	158.9	147.4	25.5	24.2
Total	692.3	652.7	158.9	147.4	25.5	24.2
% of total	14.3%	13.4%	31.7%	28.2%	38.0%	23.3%

	Revenue		Gross Profit		Segment Results	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2014	2013	2014	2013	2014	2013
	<i>(RMB in millions, except for percentage)</i>					
CNC machine tools						
Domestic	336.6	316.8	70.8	66.8	11.5	27.8
Overseas	78.8	203.4	10.5	51.5	(28.8)	(0.9)
Total	415.4	520.2	81.3	118.3	(17.3)	26.9
% of total	8.6%	10.7%	16.2%	22.6%	(25.8)%	25.8%
Trade business						
Domestic	1,225.1	1,368.1	4.2	4.7	1.6	1.4
Total	1,225.1	1,368.1	4.2	4.7	1.6	1.4
% of total	25.3%	28.2%	0.8%	0.9%	2.4%	1.3%
Financial services						
Domestic	50.3	21.7	46.5	19.6	40.8	5.5
Total	50.3	21.7	46.5	19.6	40.8	5.5
% of total	1.0%	0.5%	9.3%	3.7%	60.8%	5.3%
Headquarters						
Total	—	—	—	—	(15.5)	(10.0)
% of total	—%	—%	—%	—%	(23.1)%	(9.6%)
Total	4,841.6	4,857.1	501.7	523.0	67.1	104.1

Vehicle parts and components

Revenue from the vehicle parts and components segment for the six months ended 30 June 2014 was approximately RMB523.9 million, a decrease of approximately RMB69.9 million or approximately 11.8%, as compared with approximately RMB593.8 million for the same period last year. As compared with the same period last year, revenue from the gear box business decreased by approximately RMB53.3 million or approximately 13.9%, while revenue from other products also decreased by approximately RMB16.6 million or approximately 7.9%, primarily due to the impact of falling demand in automotive market, changes in product structure and decline in sales prices.

During the period, the gross profit for the vehicle parts and components segment was approximately RMB66.3 million, a decrease of approximately RMB34.6 million or approximately 34.3%, as compared with approximately RMB100.9 million for the six months ended 30 June 2013, which was primarily due to the changes in sales structure of products and increase in unit prices. Its gross profit margin declined by 4.3 percentage points over the same period of last year.

The result for the vehicle parts and components segment for the six months ended 30 June 2014 recorded a loss of approximately RMB20.9 million for the first time, a decrease of approximately RMB27.8 million as compared with the profit of approximately RMB6.9 million for the six months ended 30 June 2013.

Power equipment

Revenue from the power equipment segment for the six months ended 30 June 2014 was approximately RMB1,934.6 million, an increase of approximately RMB234.0 million or approximately 13.8%, as compared with approximately RMB1,700.6 million for the six months ended 30 June 2013, primarily due to an increase of approximately RMB18.4 million, or approximately 10.7% in revenue from hydroelectric generation equipment business. Revenue from electrical wires and cables business also increased by approximately RMB318.3 million or approximately 26.5%.

During the Period, gross profit for the power equipment segment was approximately RMB144.5 million, an increase of approximately RMB12.4 million or approximately 9.4% as compared with approximately RMB132.1 million for the six months ended 30 June 2013. Gross profit margin slightly decreased to 7.5% for the six months ended 30 June 2014 from 7.8% for the six months ended 30 June 2013.

Overall, the result for the power equipment segment for the six months ended 30 June 2014 was approximately RMB52.9 million, an increase of approximately RMB3.7 million or approximately 7.5% as compared with approximately RMB49.2 million for the six months ended 30 June 2013.

General machinery

Revenue from the general machinery segment for the six months ended 30 June 2014 was approximately RMB692.3 million, an increase of approximately RMB39.6 million or approximately 6.1% as compared with approximately RMB652.7 million for the six months ended 30 June 2013.

During the Period, gross profit for the general machinery segment was approximately RMB158.9 million, an increase of approximately RMB11.5 million or approximately 7.8% as compared with approximately RMB147.4 million for the six months ended 30 June 2013. Gross profit margin slightly increased to approximately 23.0% for the six months ended 30 June 2014 from approximately 22.6% for the six months ended 30 June 2013.

Overall, the result for the general machinery segment for the six months ended 30 June 2014 was approximately RMB25.5 million, an increase of approximately RMB1.3 million or approximately 5.4%, as compared with approximately RMB24.2 million for the six months ended 30 June 2013.

CNC machine tools

Revenue from the CNC machine tools segment for the six months ended 30 June 2014 was approximately RMB415.4 million, a decrease of approximately RMB104.8 million or approximately 20.1% as compared with approximately RMB520.2 million for the six months ended 30 June 2013. Meanwhile, revenue from our British subsidiary, the PTG, for the Period was approximately RMB78.8 million, a decrease of approximately RMB124.6 million or approximately 61.3% as compared with approximately RMB203.4 million for the six months ended 30 June 2013, mainly due to the continued decline in overall demands in the global machine tool industry.

During the Period, gross profit for the CNC machine tools segment was approximately RMB81.3 million, a decrease of approximately RMB37.0 million or approximately 31.3% as compared with approximately RMB118.3 million for the six months ended 30 June 2013. Gross profit margin decreased to approximately 19.6% for the six months ended 30 June 2014 from approximately 22.7% for the six months ended 30 June 2013, primarily due to the increased unit cost resulting from lower volumes of production and sales.

Overall, the result for the CNC machine tools segment for the six months ended 30 June 2014 recorded a loss of approximately RMB17.3 million for the first time, a decrease of approximately RMB44.2 million as compared with the profit of approximately RMB26.9 million for the six months ended 30 June 2013.

Trade business

Revenue from the trade business segment for the six months ended 30 June 2014 was approximately RMB1,225.1 million, representing a decrease of approximately RMB143.0 million or approximately 10.5%, as compared with approximately RMB1,368.1 million for the six months ended 30 June 2013.

During the Period, gross profit for the trade business segment was approximately RMB4.2 million, a decrease of approximately RMB0.5 million or approximately 10.6% as compared with approximately RMB4.7 million for the six months ended 30 June 2013. Gross profit was maintained at 0.3% with no change as compared to the same period of last year.

Overall, the result for trade business segment for the six months ended 30 June 2014 was approximately RMB1.6 million, an increase of approximately RMB0.2 million or approximately 14.3% as compared with approximately RMB1.4 million for the six months ended 30 June 2013.

Financial business

Revenue from the financial business segment for the six months ended 30 June 2014 was approximately RMB50.3 million, an increase of approximately RMB28.6 million or approximately 131.8%, as compared with approximately RMB21.7 million for the six months ended 30 June 2013.

During the period, the gross profit of financial business was approximately RMB46.5 million, an increase of approximately RMB26.9 million or approximately 137.2%, as compared with approximately RMB19.6 million for the six months ended 30 June 2013.

Overall, the result of financial business was approximately RMB40.8 million, representing a significant increase of approximately RMB35.3 million or approximately 641.8%, as compared with approximately RMB5.5 million for the six months ended 30 June 2013.

CASH FLOW

The Group's cash and bank deposits (including the restricted cash) aggregated to approximately RMB2,114.3 million as at 30 June 2014 (31 December 2013: approximately RMB2,239.5 million), a decrease of approximately RMB125.2 million or approximately 5.6%, mainly due to the increase in capital expenditure.

During the Period, the Group had a net cash outflow from operating activities of approximately RMB163.3 million (for the six months ended 30 June 2013: a net cash outflow of approximately RMB333.3 million), a net cash outflow from investing activities of approximately RMB339.3 million (for the six months ended 30 June 2013: a net cash outflow of approximately RMB158.8 million), and a net cash inflow from financing activities of approximately RMB147.4 million (for the six months ended 30 June 2013: a net cash outflow of approximately RMB62.7 million).

TRADE AND OTHER RECEIVABLES

As at 30 June 2014, the Group's trade and other receivables totaled approximately RMB4,471.2 million, representing an increase of approximately RMB593.8 million, as compared with approximately RMB3,877.4 million as at 31 December 2013, primarily due to an increase of approximately RMB163.4 million in trade receivable attributable to the longer credit period for wind power rotor blade business provided to customers; as well as an increase of approximately RMB153.1 million in prepayments of trade business and the increase of approximately RMB110.1 million in prepayments of CNC machine tool business due to the acquisition of engineering equipment for relocation to new plants; an increase of extended loans of approximately RMB71.6 million from the financial business. Please refer to note 9 to the condensed consolidated financial statements for detailed ageing analysis of the trade and bills receivables.

TRADE AND OTHER PAYABLES

As at 30 June 2014, the Group's trade and other payables totaled approximately RMB4,388.9 million, representing an increase of approximately RMB560.5 million, as compared with approximately RMB3,828.4 million as at 31 December 2013, primarily due to the fact that the bill payable of financial business increased by approximately RMB76.4 million and the trade payable of CNC machine tool business increased by approximately RMB66.9 million due to the longer credit period provided by suppliers; as well as the increase of approximately RMB144.8 million and approximately RMB78.2 million advances received from customers of trade and general machinery businesses respectively. Please refer to note 10 to the condensed consolidated financial statements for detailed ageing analysis of the trade and bills payable.

ASSETS AND LIABILITIES

As at 30 June 2014, the total assets of the Group amounted to approximately RMB13,779.6 million, an increase of approximately RMB929.3 million as compared with approximately RMB12,850.3 million as at 31 December 2013. The total current assets amounted to approximately RMB8,992.3 million, an increase of approximately RMB583.4 million as compared with approximately RMB8,408.9 million as at 31 December 2013, accounting for approximately 65.3% of the total assets (31 December 2013: approximately 65.4%). However, the total non-current assets amounted to approximately RMB4,787.3 million, an increase of approximately RMB345.9 million as compared with approximately RMB4,441.4 million as at 31 December 2013, accounting for approximately 34.7% of the total assets (31 December 2013: approximately 34.6%).

As at 30 June 2014, total liabilities of the Group amounted to approximately RMB7,864.8 million, an increase of approximately RMB900.8 million as compared with approximately RMB6,964.0 million as at 31 December 2013. Total current liabilities were approximately RMB5,921.6 million, representing an increase of approximately RMB981.4 million as compared with approximately RMB4,940.2 million as at 31 December 2013, and accounting for approximately 75.3% of the total liabilities (31 December 2013: approximately 70.9%). However, the total non-current liabilities amounted to approximately RMB1,943.2 million, a decrease of approximately RMB80.6 million as compared with approximately RMB2,023.8 million as at 31 December 2013, accounting for approximately 24.7% of the total liabilities (31 December 2013: approximately 29.1%).

As at 30 June 2014, net current assets of the Group amounted to approximately RMB3,070.7 million, a decrease of approximately RMB398.0 million as compared with approximately RMB3,468.7 million as at 31 December 2013.

CURRENT RATIO

Current ratio (the ratio of current assets over current liabilities) of the Group as at 30 June 2014 was 1.52:1 (31 December 2013: 1.70:1).

INDEBTEDNESS

As at 30 June 2014, the Group had an aggregate bank and other borrowings of approximately RMB2,638.7 million, representing an increase of approximately RMB152.6 million as compared with approximately RMB2,486.1 million as at 31 December 2013.

Borrowings repayable by the Group within one year were approximately RMB1,234.2 million, representing an increase of approximately RMB237.3 million as compared with approximately RMB996.9 million as at 31 December 2013. Borrowings repayable after one year were approximately RMB1,404.5 million, representing a decrease of approximately RMB84.8 million as compared with approximately RMB1,489.3 million as at 31 December 2013.

SIGNIFICANT EVENTS

EVENTS WITHIN THE PERIOD

- (1) Chongqing Water Turbine Works Co., Ltd., a wholly-owned subsidiary of the Company, disposed a land parcel of approximately 181,485 square meters to Chongqing Land Group at a consideration of RMB544,460,000, and Chongqing Machine Tool (Group) Co., Ltd., a wholly-owned subsidiary of the Company, disposed a land parcel of approximately 278,572.7 square meters to Chongqing Land Group at a consideration of RMB752,148,000. For details, please refer to the circular of the Board of the Company published on the websites of Hong Kong Stock Exchange and the Company on 30 April 2014.
- (2) The resignation of Mr. Chen Xianzheng as an executive Director and the appointment of Mr. Xiang Hu as an executive Director to hold office from the date of the meeting until expiry of the term of the third session of the Board was approved at the general meeting of the Company held on 18 June 2014, at which, the Board was also authorised to fix the remuneration of Mr. Xiang Hu pursuant to the remuneration standard for Directors passed at the 2012 annual general meeting and to enter into a service agreement with him 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.

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

SUBSEQUENT EVENTS

On 15 July 2014, Chongqing Huahao Smelting Co., Ltd. (“Huahao”), a wholly owned subsidiary of the Company, established a company together with GRIPM Advanced Materials Co., Ltd. and Mr. Panhua. The company is known as Chongqing Youyan Smelting New Material Co., Ltd. (“Chongqing Youyan”) with registered capital of RMB80,000,000. The principal activities of the company are manufacturing and sales of metallurgical products. Huahao owns 41.5% equity interest of Chongqing Youyan and considered the company as an associate of the Group. Huahao injected property, plant and equipment of RMB31,825,200 and cash of RMB1,374,800 into Chongqing Youyan as capital.

CONTINGENT LIABILITIES

The Group has certain legal claims arising in the ordinary course of business as at 30 June 2014. 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.

CAPITAL EXPENDITURE

During the Period, the total capital expenditure of the Group was approximately RMB260.7 million, which was principally used for expansion of plants, enhancement of production technologies, upgrading of production equipment and improvement on production capacity (for the six months ended 30 June 2013: approximately RMB232.7 million).

RISK OF FOREIGN EXCHANGE

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

EMPLOYEES

As at 30 June 2014, the Group had a total of 13,759 employees (30 June 2013: 15,913 employees). The Group will continue the upgrade of its technical talent base, foster and recruit technical and management personnel with extensive professional experiences, optimize the distribution system that links with the remunerations and performance, improve training on safety so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has complied with and adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. The Company has obtained the respective confirmations by all its directors that they have strictly complied with the provisions set out in the Model Code for the six months ended 30 June 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company has adopted and complied with the code provisions under the Corporate Governance Code set out in the Appendix 14 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividends.

AUDIT COMMITTEE

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

THE BOARD OF DIRECTORS AND THE SUPERVISORY COMMITTEE

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

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

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

The interim results announcement has been published on the websites of the Company (<http://www.chinacqme.com>) and the Stock Exchange. The interim report will also be available at the Company's and the Stock Exchange's websites on or about 29 August 2014 and will be dispatched to shareholders of the Company thereafter by the means of receipt of corporate communication they selected.

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

Chongqing, the PRC
20 August 2014

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

* *For identification purposes only*