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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)*  
(Stock Code: 02722)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

**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 2015 amounted to approximately RMB4,350.5 million, representing a decrease of approximately 10.1% from the corresponding period last year.
- Gross profit of the Group for the six months ended 30 June 2015 amounted to approximately RMB512.6 million, representing an increase of approximately 2.2% from the corresponding period last year.
- Profit attributable to the shareholders of the Company for the six months ended 30 June 2015 amounted to approximately RMB185.2 million, representing a decrease of approximately 3.4% from the corresponding period last year.
- Basic earnings per share for the six months ended 30 June 2015 amounted to 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 2015 (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 2015*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2015</b>	2014
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	4	<b>4,350,470</b>	4,841,594
Cost of sales		<b>(3,837,877)</b>	(4,339,892)
<b>Gross profit</b>		<b>512,593</b>	501,702
Distribution costs		<b>(117,573)</b>	(131,068)
Administrative expenses		<b>(614,190)</b>	(342,698)
Other gains, net		<b>331,793</b>	4,549
Other income		<b>24,995</b>	34,630
<b>Operating profit</b>	5	<b>137,618</b>	67,115
Finance income		<b>14,823</b>	36,086
Finance costs		<b>(65,998)</b>	(73,998)
Share of post-tax profits of associates		<b>15,348</b>	38,560
Share of post-tax profit of a joint venture		<b>134,274</b>	169,758
<b>Profit before income tax</b>		<b>236,065</b>	237,521
Income tax expense	6	<b>(31,123)</b>	(25,531)
<b>Profit for the period</b>		<b>204,942</b>	211,990

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
<i>Note</i>		<b>2015</b>	2014
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Other comprehensive income:</b>			
Items that will not be reclassified subsequently to profit or loss			
	Remeasurements of retirement benefit obligations	12	(1,170)
	Income tax relating to remeasurements of retirement benefit obligations	91	(572)
Items that may be reclassified subsequently to profit or loss			
	Currency translation differences	2,307	1,345
<b>Other comprehensive income for the period, net of tax</b>		<u>1,228</u>	<u>801</u>
<b>Total comprehensive income for the period</b>		<u><u>206,170</u></u>	<u><u>212,791</u></u>
<b>Profit attributable to:</b>			
	– Owners of the Company	185,161	191,709
	– Non-controlling interests	19,781	20,281
		<u>204,942</u>	<u>211,990</u>
<b>Total comprehensive income attributable to:</b>			
	– Owners of the Company	186,389	192,510
	– Non-controlling interests	19,781	20,281
		<u>206,170</u>	<u>212,791</u>
<b>Earnings per share for profit attributable to owners of the Company</b> <i>(expressed in RMB per share)</i>			
	– Basic and diluted	7	0.05
		<u>0.05</u>	<u>0.05</u>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	<i>Note</i>	<b>Unaudited 30 June 2015 RMB'000</b>	Audited 31 December 2014 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>3,299,734</b>	3,105,368
Investment properties	8	<b>27,547</b>	29,828
Lease prepayments	8	<b>592,850</b>	466,672
Intangible assets	8	<b>286,926</b>	289,469
Investments in associates		<b>548,023</b>	540,112
Investment in a joint venture		<b>450,443</b>	316,169
Deferred income tax assets		<b>107,539</b>	72,515
Available-for-sale financial assets		<b>8,029</b>	8,029
Other non-current assets		<b>22,808</b>	24,263
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>5,343,899</b>	4,852,425
<b>Current assets</b>			
Inventories		<b>1,909,143</b>	1,700,880
Amounts due from customers for contract work		<b>511,172</b>	498,025
Financial assets at fair value through profit or loss		<b>72,574</b>	194,939
Trade and other receivables	9	<b>4,662,044</b>	4,187,371
Dividend receivable		<b>313,526</b>	313,426
Restricted cash		<b>440,867</b>	684,039
Cash and cash equivalents		<b>1,223,720</b>	1,203,508
		<hr/>	<hr/>
<b>Total current assets</b>		<b>9,133,046</b>	8,782,188
		<hr/>	<hr/>
<b>Total assets</b>		<b>14,476,945</b>	13,634,613
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	<b>Unaudited 30 June 2015 RMB'000</b>	Audited 31 December 2014 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>3,684,640</b>	3,684,640
Other reserves		<b>(722,759)</b>	(723,987)
Retained profits		<b>2,899,493</b>	2,883,825
		<b>5,861,374</b>	5,844,478
<b>Non-controlling interests</b>		<b>426,272</b>	406,491
<b>Total equity</b>		<b>6,287,646</b>	6,250,969
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	<i>10</i>	<b>30,000</b>	30,000
Borrowings	<i>11</i>	<b>1,695,351</b>	1,421,986
Deferred income		<b>390,714</b>	410,617
Deferred income tax liabilities		<b>96,055</b>	50,279
Long-term employee benefit obligations	<i>12</i>	<b>230,683</b>	50,451
<b>Total non-current liabilities</b>		<b>2,442,803</b>	1,963,333
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	<b>4,418,004</b>	4,200,117
Dividends payable		<b>185,021</b>	27,175
Amounts due to customers for contract work		<b>5,618</b>	15,239
Current income tax liabilities		<b>56,065</b>	44,599
Borrowings	<i>11</i>	<b>993,805</b>	1,072,975
Deferred income		<b>31,113</b>	32,206
Current portion of long-term employee benefit obligations	<i>12</i>	<b>40,054</b>	11,605
Provision for warranty		<b>16,816</b>	16,395
<b>Total current liabilities</b>		<b>5,746,496</b>	5,420,311
<b>Total liabilities</b>		<b>8,189,299</b>	7,383,644
<b>Total equity and liabilities</b>		<b>14,476,945</b>	13,634,613
<b>Net current assets</b>		<b>3,386,550</b>	3,361,877
<b>Total assets less current liabilities</b>		<b>8,730,449</b>	8,214,302

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Note	Unaudited					
		Attributable to owners of the Company			Total	Non-controlling interests	Total equity
		Share capital	Other reserves	Retained profits			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at 1 January 2015</b>		<u>3,684,640</u>	<u>(723,987)</u>	<u>2,883,825</u>	<u>5,844,478</u>	<u>406,491</u>	<u>6,250,969</u>
<b>Comprehensive income</b>							
Profit for the period		<u>-</u>	<u>-</u>	<u>185,161</u>	<u>185,161</u>	<u>19,781</u>	<u>204,942</u>
<b>Other comprehensive income</b>							
Remeasurements of retirement benefit obligations, net of tax		<u>-</u>	<u>(1,079)</u>	<u>-</u>	<u>(1,079)</u>	<u>-</u>	<u>(1,079)</u>
Currency translation differences		<u>-</u>	<u>2,307</u>	<u>-</u>	<u>2,307</u>	<u>-</u>	<u>2,307</u>
<b>Total other comprehensive income</b>		<u>-</u>	<u>1,228</u>	<u>-</u>	<u>1,228</u>	<u>-</u>	<u>1,228</u>
<b>Total comprehensive income for the period ended 30 June 2015</b>		<u>-</u>	<u>1,228</u>	<u>185,161</u>	<u>186,389</u>	<u>19,781</u>	<u>206,170</u>
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>							
Dividends relating to 2014	13	<u>-</u>	<u>-</u>	<u>(169,493)</u>	<u>(169,493)</u>	<u>-</u>	<u>(169,493)</u>
<b>Total transactions with owners</b>		<u>-</u>	<u>-</u>	<u>(169,493)</u>	<u>(169,493)</u>	<u>-</u>	<u>(169,493)</u>
<b>Balance at 30 June 2015</b>		<u><u>3,684,640</u></u>	<u><u>(722,759)</u></u>	<u><u>2,899,493</u></u>	<u><u>5,861,374</u></u>	<u><u>426,272</u></u>	<u><u>6,287,646</u></u>

Unaudited

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Other reserves	Retained profits	Total			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at 1 January 2014</b>		3,684,640	(752,910)	2,587,115	5,518,845	367,420	5,886,265	
<b>Comprehensive income</b>								
Profit for the period		–	–	191,709	191,709	20,281	211,990	
<b>Other comprehensive income</b>								
Remeasurements of retirement benefit obligations, net of tax		–	(544)	–	(544)	–	(544)	
Currency translation differences		–	1,345	–	1,345	–	1,345	
<b>Total other comprehensive income</b>		–	801	–	801	–	801	
<b>Total comprehensive income for the period ended 30 June 2014</b>		–	801	191,709	192,510	20,281	212,791	
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>								
Dividends relating to 2013	13	–	–	(184,232)	(184,232)	–	(184,232)	
<b>Total contributions by and distributions to owners of the Company</b>								
Transfer to reserves		–	5,390	(5,390)	–	–	–	
<b>Total transactions with owners</b>		–	5,390	(189,622)	(184,232)	–	(184,232)	
<b>Balance at 30 June 2014</b>		<u>3,684,640</u>	<u>(746,719)</u>	<u>2,589,202</u>	<u>5,527,123</u>	<u>387,701</u>	<u>5,914,824</u>	

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2015*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
<i>Note</i>	<b>2015</b>	2014
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>		
Cash used in operations	(51,145)	(44,468)
Income tax paid	(31,277)	(66,979)
Interest paid	(47,943)	(51,826)
	<u>(130,365)</u>	<u>(163,273)</u>
<b>Cash flows from operating activities - net</b>		
<b>Cash flows from investing activities</b>		
Purchase of financial assets at fair value through profit or loss	(70,000)	(45,991)
Proceeds from the disposal of financial assets at fair value through profit or loss	196,463	48,129
Proceeds from government grants related to assets	3,837	29,309
Purchases of property, plant and equipment	(340,655)	(433,265)
Proceeds on disposal of property, plant and equipment and lease prepayment	200,037	43,640
Purchase of intangible assets	(11,189)	(15,126)
Increase in lease prepayments	(38,363)	(40,503)
Dividends received	7,337	37,147
Interest received	13,236	37,403
	<u>(39,297)</u>	<u>(339,257)</u>
<b>Cash flows from investing activities - net</b>		
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	949,371	1,479,127
Repayments of borrowings	(899,198)	(1,325,931)
Proceeds from finance lease obligations	150,000	-
Payments of finance lease obligations	(903)	(1,292)
Dividends paid to non-controlling interests	(11,648)	(4,484)
	<u>187,622</u>	<u>147,420</u>
<b>Cash flows from financing activities - net</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>17,960</b>	<b>(355,110)</b>
Cash and cash equivalents at the beginning of the period	1,203,508	1,792,359
Exchange gains	2,252	1,660
	<u>1,223,720</u>	<u>1,438,909</u>
<b>Cash and cash equivalents at end of the period</b>		



# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

## 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 interim condensed consolidated financial information is presented in Chinese Renminbi (“RMB”), unless otherwise stated and was approved for issue on 25 August 2015.

This interim condensed consolidated financial information has not been audited.

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2015 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with HKFRSs.

### **3. ACCOUNTING POLICIES**

The accounting policies applied in this interim condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2015 do not 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 2015 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	-	252,439	195,355	1,342,136	700,709	55,206	394,481	-	1,469,256	441,022	4,850,604
Inter-segment revenue	-	(15)	-	(584)	-	(27,668)	(18,130)	-	(453,737)	-	(500,134)
Revenue from external customers	-	252,424	195,355	1,341,552	700,709	27,538	376,351	-	1,015,519	441,022	4,350,470
Operating (loss)/profit	-	(271,396)	5,685	43,167	45,022	15,346	303,842	-	676	(4,724)	137,618
Finance income	-	15	840	818	3,283	-	8,568	-	36	1,263	14,823
Finance costs	-	-	-	(9,507)	(9,180)	-	(35,946)	-	(1,286)	(10,079)	(65,998)
Share of post-tax profits of associates and jointly controlled entities	134,274	121	-	-	3,674	1,277	-	2,042	-	8,234	149,622
<b>Profit before income tax</b>											236,065
Income tax expense	-	27,181	(459)	(166)	(603)	(9,804)	(47,141)	-	-	(131)	(31,123)
<b>Profit for the period</b>											<u>204,942</u>
<b>Other items</b>											
Depreciation on property, plant and equipment and investment properties	-	13,307	4,744	9,285	29,560	252	27,276	-	31	16,488	100,943
Amortisation of lease prepayments and intangible assets	-	1,891	661	655	2,668	114	5,539	-	-	1,707	13,235
Write down of inventories	-	-	-	-	-	-	1,078	-	-	135	1,213
Provision for/(reversal of) impairment on trade and other receivables	-	733	2,753	(596)	-	1,665	(15)	-	579	414	5,533
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	81,448	118,821	3,516	133,189	10	116,629	-	-	37,384	490,997

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 (loss)/profit	-	(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
<b>Profit before income tax</b>											237,521
Income tax expense	-	(190)	(616)	(5,662)	(517)	(11,886)	(2,793)	-	(9)	(3,858)	(25,531)
<b>Profit for the period</b>											<u>211,990</u>
<b>Other items</b>											
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 back)/write down 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 assets as at 30 June 2015 and 31 December 2014 are as follows:

Total assets	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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>30 June 2015</b>	<u>450,443</u>	<u>1,389,623</u>	<u>1,285,219</u>	<u>937,259</u>	<u>2,385,889</u>	<u>1,656,105</u>	<u>3,096,300</u>	<u>161,300</u>	<u>343,179</u>	<u>2,771,628</u>	<u>14,476,945</u>
Total assets include:											
Investments in associates and jointly controlled entities	<u>450,443</u>	<u>7,025</u>	<u>11,481</u>	<u>-</u>	<u>70,614</u>	<u>103,332</u>	<u>10,252</u>	<u>161,301</u>	<u>-</u>	<u>184,018</u>	<u>998,466</u>
<b>31 December 2014</b>	<u>316,169</u>	<u>1,351,741</u>	<u>1,154,868</u>	<u>905,604</u>	<u>2,115,648</u>	<u>1,592,228</u>	<u>2,848,870</u>	<u>159,259</u>	<u>390,382</u>	<u>2,799,844</u>	<u>13,634,613</u>
Total assets include:											
Investments in associates and jointly controlled entities	<u>316,169</u>	<u>6,621</u>	<u>11,339</u>	<u>-</u>	<u>72,080</u>	<u>102,055</u>	<u>6,994</u>	<u>159,259</u>	<u>-</u>	<u>181,764</u>	<u>856,281</u>

## 5. OPERATING PROFIT

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

	Six months ended 30 June	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Inventories write down/(write back)	1,213	(5,377)
Provision for impairment on trade and other receivables	5,533	840
Gains on financial assets at fair value through profit or loss	(5,647)	(2,137)
Gains on disposal of property, plant and equipment and lease prepayment	(324,779)	(763)
Expense arising from the termination benefit obligations ( <i>Note 12</i> )	<u>234,140</u>	<u>-</u>

## 6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	20,280	25,978
Deferred income tax	10,843	(447)
	<u>31,123</u>	<u>25,531</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	
	2015	2014
Profit attributable to owners of the Company ( <i>RMB'000</i> )	185,161	191,709
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	<u>3,684,640</u>	<u>3,684,640</u>
Basic and diluted earnings per share (RMB per share)	<u>0.05</u>	<u>0.05</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>
<b>Six months ended 30 June 2015</b>					
<b>Net book value</b>					
<b>Opening net book amount at</b>					
1 January 2015	3,105,368	29,828	466,672	146,451	143,018
Additions	332,063	-	154,150	4,784	-
Disposals	(39,035)	-	(22,044)	(20)	-
Depreciation and amortisation	(98,662)	(2,281)	(5,928)	(7,307)	-
<b>Closing amount at 30 June 2015</b>	<b><u>3,299,734</u></b>	<b><u>27,547</u></b>	<b><u>592,850</u></b>	<b><u>143,908</u></b>	<b><u>143,018</u></b>
<b>Six months ended 30 June 2014</b>					
<b>Net book value</b>					
<b>Opening net book amount at</b>					
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)	-
<b>Closing amount at 30 June 2014</b>	<b><u>2,880,786</u></b>	<b><u>27,335</u></b>	<b><u>486,347</u></b>	<b><u>153,127</u></b>	<b><u>143,018</u></b>

*Note:*

- (a) As at 30 June 2015, bank borrowings amounting to approximately RMB594,500,000 (31 December 2014: RMB371,508,000) were secured by certain of the Group's property, plant and equipment, investment properties and land use rights with an aggregate carrying value of approximately RMB45,313,000, RMB32,621,000 and RMB158,364,000, respectively (31 December 2014: RMB51,984,000, RMB12,663,000 and RMB167,225,000, respectively).

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 June 2015</b>	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivable	<b>3,194,111</b>	3,436,583
Less: provision for impairment of trade receivables	<b>(241,799)</b>	(263,281)
Trade and bills receivable – net	<b><u>2,952,312</u></b>	<u>3,173,302</u>
Other receivables	<b>1,227,581</b>	610,148
Less: provision for impairment of other receivables	<b>(35,274)</b>	(34,139)
Other receivables – net	<b><u>1,192,307</u></b>	<u>576,009</u>
Loans	<b>522,652</b>	442,485
Less: provision for impairment of loans	<b>(5,227)</b>	(4,425)
Loans – net	<b><u>517,425</u></b>	<u>438,060</u>
	<b><u><u>4,662,044</u></u></b>	<u><u>4,187,371</u></u>

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

The general credit period granted by the Group to customers is up to 90 days. As at 30 June 2015 and 31 December 2014, the ageing analysis of the trade and bills receivable were as follows:

	<b>30 June 2015</b>	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Trade and bills receivable</b>		
Less than 30 days	<b>597,558</b>	440,468
31 days to 90 days	<b>665,400</b>	924,431
91 days to 1 year	<b>1,244,550</b>	1,376,832
1 year to 2 years	<b>322,641</b>	335,534
2 years to 3 years	<b>116,176</b>	114,351
Over 3 years	<b>247,786</b>	244,967
	<b><u><u>3,194,111</u></u></b>	<u><u>3,436,583</u></u>



## 10. TRADE AND OTHER PAYABLES

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
<b>Non-current</b>		
Deposit taking	<u>30,000</u>	<u>30,000</u>
<b>Current</b>		
Trade and bills payable	2,542,928	2,392,201
Deposit taking	541,570	607,579
Other taxes payables	84,251	94,256
Other payables	166,711	188,931
Interest payables	60,431	27,221
Accrued payroll and welfare	71,490	71,663
Advances from customers	<u>950,623</u>	<u>818,266</u>
	<u>4,418,004</u>	<u>4,200,117</u>
	<u><b>4,448,004</b></u>	<u><b>4,230,117</b></u>

As at 30 June 2015 and 31 December 2014, the ageing analysis of the trade and bills payable were as follows:

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
<b>Trade and bills payable</b>		
Less than 30 days	780,119	583,177
31 days than 90 days	782,324	565,432
91 days to 1 year	822,550	1,085,117
1 year to 2 years	68,524	63,155
2 years to 3 years	25,509	32,521
Over 3 years	<u>63,902</u>	<u>62,799</u>
	<u><b>2,542,928</b></u>	<u><b>2,392,201</b></u>

## 11. BORROWINGS

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
<b>Non-current</b>		
Long-term bank borrowings	553,000	424,514
Corporate bonds	998,177	997,431
Finance lease liabilities	144,174	41
	<u>1,695,351</u>	<u>1,421,986</u>
<b>Current</b>		
Short-term bank borrowings	990,172	1,068,480
Due to independent third parties	3,100	3,100
Finance lease liabilities	533	1,395
	<u>993,805</u>	<u>1,072,975</u>
<b>Total borrowings</b>	<u><u>2,689,156</u></u>	<u><u>2,494,961</u></u>

Movements in borrowings are analysed as follows:

	<i>RMB'000</i>
<b>Six months ended 30 June 2015</b>	
Opening amount as at 1 January 2015	2,494,961
Additions	1,100,152
Repayments	<u>(905,957)</u>
<b>Closing amount as at 30 June 2015</b>	<u><u>2,689,156</u></u>
<b>Six months ended 30 June 2014</b>	
Opening amount as at 1 January 2014	2,486,139
Additions	1,479,826
Repayments	<u>(1,327,222)</u>
<b>Closing amount as at 30 June 2014</b>	<u><u>2,638,743</u></u>

Interest expense on borrowings for the six months ended 30 June 2015 is approximately RMB81,900,000 (2014: approximately RMB100,553,000).

The Group had the following undrawn borrowing facilities:

	<b>30 June 2015</b>	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate		
– expiring within 1 year	<b>1,415,796</b>	799,228
– expiring beyond 1 year	<b>331,441</b>	1,197,492
	<u><b>1,747,237</b></u>	<u>1,996,720</u>

## 12. LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

	<b>30 June 2015</b>	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Present value of defined benefits obligations	<u><b>270,737</b></u>	<u>62,056</u>
Liability in the balance sheet	<b>270,737</b>	62,056
Less: current portion	<u><b>(40,054)</b></u>	<u>(11,605)</u>
	<u><b>230,683</b></u>	<u>50,451</u>

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At beginning of the period	<b>62,056</b>	46,319
For the period		
– Interest costs	<b>1,021</b>	911
– Actuarial losses	<b>128</b>	1,374
– Additions on termination benefit obligations	<b>234,140</b>	–
– Remeasurement effects recognized in other comprehensive income	<b>1,170</b>	572
– Payment	<b>(27,778)</b>	(4,985)
At end of the period	<b><u>270,737</u></b>	<u>44,191</u>

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

### **13. DIVIDENDS**

A dividend of approximately RMB169,493,000 (RMB0.046 per share) that relates to the year ended 31 December 2014 was approved at the Annual General Meeting on 18 June 2015 and was recorded as a liability as at 30 June 2015 in this condensed consolidated interim financial information.

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 2015 (2014: Nil).

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (INCLUDING FINANCIAL REVIEW)**

### **RESULTS OVERVIEW**

#### ***SALES***

For the six months ended 30 June 2015, the Group's total revenue amounted to approximately RMB4,350.5 million, a decrease of approximately 10.1% as compared with approximately RMB4,841.6 million for the same period last year.

Overall, revenue of the vehicle parts and components segment was approximately RMB410.7 million (accounting for approximately 9.4% of the total revenue), a decrease of approximately 21.6%; revenue of the power equipment segment was approximately RMB1,538.2 million (accounting for approximately 35.4% of the total revenue), a decrease of approximately 20.5%; revenue of the general machinery segment was approximately RMB982.2 million (accounting for approximately 22.6% of the total revenue), an increase of approximately 41.9%; and revenue of the CNC machine tools segment was approximately RMB376.4 million (accounting for approximately 8.7% of the total revenue), a decrease of approximately 9.4%; revenue of financial services was approximately RMB27.5 million (accounting for approximately 0.6% of the total revenue), a decrease of approximately 45.3%; and revenue of the trade business was approximately RMB1,015.5 million (accounting for approximately 23.3% of the total revenue), a decrease of approximately 17.1%.

Despite the faster growth achieved in sales revenue from the general machinery segment during the Period, the overall sales revenue of the Group declined due to the decreased market demand in the vehicle parts and components segment and power equipment 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 2015 since the publication of the Group's annual report for the year ended 31 December 2014.

#### ***GROSS PROFIT***

The gross profit for the six months ended 30 June 2015 was approximately RMB512.6 million, an increase of approximately RMB10.9 million or approximately 2.2% as compared with approximately RMB501.7 million for the same period last year; gross profit margin was approximately 11.8%, a slight increase of approximately 1.4 percentage point as compared with approximately 10.4% for the same period last year. Eliminating trade business and financial services, the gross profit margin was approximately 14.7%, an increase of approximately 2.1 percentage points as compared with approximately 12.6% 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 2015.

### ***OTHER INCOME AND GAINS***

Other income and gains for the six months ended 30 June 2015 were approximately RMB356.8 million, a significant increase of approximately RMB317.6 million or approximately 810.0% as compared with approximately RMB39.2 million for the same period last year. Such increase was mainly attributable to the proceeds of approximately RMB324.4 million from the sale of land by Chongqing Machine Tool. In contrast, government subsidies and subsidies for technological development decreased by approximately RMB9.6 million.

### ***SELLING AND ADMINISTRATIVE EXPENSES***

The selling and administrative expenses for the six months ended 30 June 2015 were approximately RMB731.8 million, a significant increase of approximately RMB258.0 million or approximately 54.5% as compared with approximately RMB473.8 million for the same period last year. The selling and administrative expenses accounted for approximately 16.8% of sales, an increase as compared with approximately 9.8% for the same period last year, mainly attributable to a year-on-year sharp increase of approximately RMB271.5 million in administrative expenses and one-off increase of approximately RMB234.3 million of long-term employee benefit obligations of Qijiang Gear Transmission. Impairment of assets increased by approximately RMB5.5 million and research and development expenses increased by approximately RMB21.0 million. In contrast, market promotion expenses and sales commissions decreased by approximately RMB13.5 million year-on-year.

### ***OPERATING PROFIT***

The operating profit for the six months ended 30 June 2015 was approximately RMB137.6 million, an increase of approximately RMB70.5 million or approximately 105.1% as compared with approximately RMB67.1 million for the same period last year.

### ***NET FINANCE COSTS***

The net interest expense for the six months ended 30 June 2015 was approximately RMB51.2 million, a significant increase of approximately RMB13.3 million or approximately 35.1% as compared with approximately RMB37.9 million for the same period last year. This was mainly due to a decrease of approximately RMB21.3 million in interest income and a decrease of approximately RMB10.3 million in financial expenses capitalised.

### ***SHARE OF PROFITS OF ASSOCIATES***

The Group's share of profits of associates for the six months ended 30 June 2015 was approximately RMB15.3 million, a significant decrease of approximately RMB23.3 million or approximately 60.4% as compared with approximately RMB38.6 million for the same period last year. This was attributable to the decrease of approximately RMB2.5 million in results of Chongqing Hongyan Fangda Automobile Suspension Co., Ltd., the decrease of approximately RMB12.7 million in results of Chongqing ABB Power Transformer Co., Ltd. and the decrease of approximately RMB8.0 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). In contrast, results of Chongqing Midea General Refrigeration Equipment Co., Ltd. (重慶美的通用製冷設備有限公司) increased by approximately RMB1.5 million.

### ***SHARE OF PROFIT OF A JOINT VENTURE***

The Group's share of profit of a joint venture for the six months ended 30 June 2015 was approximately RMB134.3 million, a decrease of approximately RMB35.5 million or approximately 20.9% as compared with approximately RMB169.8 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 income tax expenses for the six months ended 30 June 2015 were approximately RMB31.1 million, an increase of approximately RMB5.6 million, or approximately 22.0% as compared with approximately RMB25.5 million for the same period last year, mainly due to 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 RMB185.2 million, a decrease of approximately RMB6.5 million or approximately 3.4% as compared with approximately RMB191.7 million for the same period last year. Earnings per share maintained at approximately RMB0.05, which was same as the same period last year.

## 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	
	2015	2014	2015	2014	2015	2014
<i>(RMB in millions, except for percentage)</i>						
<b>Vehicle parts and components</b>						
<b>Domestic</b>						
Gear boxes	252.4	330.1	26.9	41.5	(271.4)	(22.6)
Other products	158.3	193.8	21.4	24.8	2.7	1.7
<b>Total</b>	<b>410.7</b>	<b>523.9</b>	<b>48.3</b>	<b>66.3</b>	<b>(268.7)</b>	<b>(20.9)</b>
% of total	9.4%	10.8%	9.4%	13.2%	(195.3%)	(31.1%)
<b>Power equipment</b>						
<b>Domestic</b>						
Hydroelectric generation equipment	195.3	190.2	43.5	44.8	5.7	8.0
Electrical wires and cables	1,341.6	1,521.7	83.4	94.7	43.2	52.2
Other products	1.3	222.7	0.8	5.0	(4.5)	(7.3)
<b>Total</b>	<b>1,538.2</b>	<b>1,934.6</b>	<b>127.7</b>	<b>144.5</b>	<b>44.4</b>	<b>52.9</b>
% of total	35.4%	40.0%	24.9%	28.8%	32.3%	78.8%
<b>General machinery</b>						
<b>Domestic</b>	<b>982.2</b>	<b>692.3</b>	<b>226.7</b>	<b>158.9</b>	<b>56.1</b>	<b>25.5</b>
<b>Total</b>	<b>982.2</b>	<b>692.3</b>	<b>226.7</b>	<b>158.9</b>	<b>56.1</b>	<b>25.5</b>
% of total	22.6%	14.3%	44.2%	31.7%	40.8%	38.0%
<b>CNC machine tools</b>						
<b>Domestic</b>	<b>212.9</b>	<b>336.6</b>	<b>46.2</b>	<b>70.8</b>	<b>300.9</b>	<b>11.5</b>
<b>Overseas</b>	<b>163.5</b>	<b>78.8</b>	<b>38.1</b>	<b>10.5</b>	<b>2.9</b>	<b>(28.8)</b>
<b>Total</b>	<b>376.4</b>	<b>415.4</b>	<b>84.3</b>	<b>81.3</b>	<b>303.8</b>	<b>(17.3)</b>
% of total	8.7%	8.6%	16.5%	16.2%	220.8%	(25.8%)



	Revenue		Gross Profit		Segment Results	
	Period ended		Period ended		Period ended	
	2015	2014	2015	2014	2015	2014
	<i>(RMB in millions, except for percentage)</i>					
<b>Financial services</b>						
<b>Domestic</b>	<u>27.5</u>	<u>50.3</u>	<u>22.7</u>	<u>46.5</u>	<u>15.4</u>	<u>40.8</u>
Total	<u>27.5</u>	<u>50.3</u>	<u>22.7</u>	<u>46.5</u>	<u>15.4</u>	<u>40.8</u>
% of total	<b>0.6%</b>	1.0%	<b>4.4%</b>	9.3%	<b>11.2%</b>	60.8%
<b>Trade business</b>						
<b>Domestic</b>	<u>1,015.5</u>	<u>1,225.1</u>	<u>2.9</u>	<u>4.2</u>	<u>0.7</u>	<u>1.6</u>
Total	<u>1,015.5</u>	<u>1,225.1</u>	<u>2.9</u>	<u>4.2</u>	<u>0.7</u>	<u>1.6</u>
% of total	<b>23.3%</b>	25.3%	<b>0.6%</b>	0.8%	<b>0.5%</b>	2.4%
<b>Headquarters</b>						
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14.1)</u>	<u>(15.5)</u>
% of total	-%	-%	-%	-%	<b>(10.3%)</b>	(23.1%)
<b>Total</b>	<u><b>4,350.5</b></u>	<u>4,841.6</u>	<u><b>512.6</b></u>	<u>501.7</u>	<u><b>137.6</b></u>	<u>67.1</u>

## VEHICLE PARTS AND COMPONENTS

Revenue from the vehicle parts and components segment for the six months ended 30 June 2015 was approximately RMB410.7 million, a decrease of approximately RMB113.2 million or approximately 21.6% as compared with approximately RMB523.9 million for the six months ended 30 June 2014. As compared with the figures for the same period last year, revenue from the gear box business decreased by approximately RMB77.7 million or approximately 23.5%, while revenue from other products also decreased by approximately RMB35.5 million or approximately 18.3%, primarily due to the impact of falling demand in the 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 RMB48.3 million, a decrease of approximately RMB18.0 million or approximately 27.1% as compared with approximately RMB66.3 million for the six months ended 30 June 2014, which was primarily due to the changes in sales structure of products and increase in unit prices. Its gross profit margin declined by 0.9 percentage point year-on-year.

The results for the vehicle parts and components segment for the six months ended 30 June 2015 recorded a loss of approximately RMB268.7 million, an increase of approximately RMB247.8 million or about 1,190.0% as compared with a loss of approximately RMB20.9 million for the six months ended 30 June 2014, primarily due to the one-off increase of approximately RMB234.3 million in long-term employee benefit obligations of Qijiang Gear Transmission.

## **POWER EQUIPMENT**

Revenue from the power equipment segment for the six months ended 30 June 2015 was approximately RMB1,538.2 million, a decrease of approximately RMB396.4 million or approximately 20.5% as compared with approximately RMB1,934.6 million for the six months ended 30 June 2014, primarily due to a decline in copper product prices, leading to a decrease of approximately RMB180.1 million or about 11.8% in revenue from electrical wires and cables business.

During the Period, gross profit for the power equipment segment was approximately RMB127.7 million, a decrease of approximately RMB16.8 million or approximately 11.6% as compared with approximately RMB144.5 million for the six months ended 30 June 2014, primarily due to the decrease in the revenue of the electrical wires and cables business which had a high proportion, resulting in the decrease in gross profit. However, pushed by the high profit margin of other products, overall gross profit margin increased to 8.3% for the six months ended 30 June 2015 from 7.5% for the six months ended 30 June 2014.

Overall, for the six months ended 30 June 2015, the results for the power equipment segment amounted to approximately RMB44.4 million, a decrease of approximately RMB8.5 million or approximately 16.1% as compared with approximately RMB52.9 million for the six months ended 30 June 2014.

## **GENERAL MACHINERY**

Revenue from the general machinery segment for the six months ended 30 June 2015 was approximately RMB982.2 million, an increase of approximately RMB289.9 million or approximately 41.9% as compared with approximately RMB692.3 million for the six months ended 30 June 2014, mainly due to the rapid growth in wind power rotor blades business.

During the Period, gross profit for the general machinery segment was approximately RMB226.7 million, an increase of approximately RMB67.8 million or approximately 42.7% as compared with approximately RMB158.9 million for the six months ended 30 June 2014. Gross profit margin slightly increased to approximately 23.1% for the six months ended 30 June 2015 from approximately 23.0% for the six months ended 30 June 2014.

Overall, for the six months ended 30 June 2015, the results for the general machinery segment amounted to approximately RMB56.1 million, an increase of approximately RMB30.6 million or approximately 120.0% as compared with approximately RMB25.5 million for the six months ended 30 June 2014.

## **CNC MACHINE TOOLS**

Revenue from the CNC machine tools segment for the six months ended 30 June 2015 was approximately RMB376.4 million, a decrease of approximately RMB39.0 million or approximately 9.4% as compared with approximately RMB415.4 million for the six months ended 30 June 2014, mainly due to the decrease in market demand for CNC machine tools in China. Meanwhile, revenue from our British subsidiary, the PTG, for the Period was approximately RMB163.5 million, an increase of approximately RMB84.7 million or approximately 107.5% as compared with approximately RMB78.8 million for the six months ended 30 June 2014.

During the Period, gross profit for the CNC machine tools segment was approximately RMB84.3 million, an increase of approximately RMB3.0 million or approximately 3.7% as compared with approximately RMB81.3 million for the six months ended 30 June 2014. Gross profit margin rose to approximately 22.4% for the six months ended 30 June 2015 from approximately 19.6% for the six months ended 30 June 2014, mainly due to the fact that the gross profit margin of our British subsidiary PTG increased to approximately 23.3% for the six months ended 30 June 2015 from approximately 13.3% for the six months ended 30 June 2014.

Overall, for the six months ended 30 June 2015, the results for the CNC machine tools segment amounted to approximately RMB303.8 million, an increase of approximately RMB321.1 million as compared with the loss of approximately RMB17.3 million for the six months ended 30 June 2014, mainly attributable to the gain from land disposal.

## **FINANCIAL BUSINESS**

Revenue from the financial business segment for the six months ended 30 June 2015 was approximately RMB27.5 million, a decrease of approximately RMB22.8 million or approximately 45.3% as compared with approximately RMB50.3 million for the six months ended 30 June 2014, mainly attributable to lower interest income due to adjustments of credit policies in China.

During the Period, the gross profit of financial business segment was approximately RMB22.7 million, a decrease of approximately RMB23.8 million or approximately 51.2% as compared with approximately RMB46.5 million for the six months ended 30 June 2014.

Overall, for the six months ended 30 June 2015, the results of the financial business segment amounted to approximately RMB15.4 million, a decrease of approximately RMB25.4 million or approximately 62.3% as compared with approximately RMB40.8 million for the six months ended 30 June 2014.

## **TRADE BUSINESS**

Revenue from the trade business segment for the six months ended 30 June 2015 was approximately RMB1,015.5 million, a decrease of approximately RMB209.6 million or approximately 17.1% as compared with approximately RMB1,225.1 million for the six months ended 30 June 2014.

During the Period, gross profit for the trade business segment was approximately RMB2.9 million, a decrease of approximately RMB1.3 million or approximately 31.0% as compared with approximately RMB4.2 million for the six months ended 30 June 2014. Gross profit margin was maintained at 0.3% in general with no change year-on-year.

Overall, for the six months ended 30 June 2015, the results for the trade business segment amounted to approximately RMB0.7 million, a decrease of approximately RMB0.9 million or approximately 56.3% as compared with approximately RMB1.6 million for the six months ended 30 June 2014.

## **CASH FLOW**

The Group's cash and bank deposits (including restricted cash) aggregated to approximately RMB1,664.6 million as at 30 June 2015 (31 December 2014: approximately RMB1,887.5 million), a decrease of approximately RMB222.9 million or approximately 11.8%, mainly due to the significant increase in capital expenditure arising from enterprise relocation for environmental protection.

During the Period, the Group had a net cash outflow from operating activities of approximately RMB130.4 million (for the six months ended 30 June 2014: a net cash outflow of approximately RMB163.3 million), a net cash outflow from investing activities of approximately RMB39.3 million (for the six months ended 30 June 2014: a net cash outflow of approximately RMB339.3 million), and a net cash inflow from financing activities of approximately RMB187.6 million (for the six months ended 30 June 2014: a net cash inflow of approximately RMB147.4 million).

## **TRADE AND OTHER RECEIVABLES**

As at 30 June 2015, the Group's total trade and other receivables amounted to approximately RMB4,662.0 million, an increase of approximately RMB474.6 million as compared with approximately RMB4,187.4 million as at 31 December 2014, primarily due to an increase of approximately RMB347.2 million in other receivables attributable to the revenue from the land transfer due to relocation of the CNC machine tool business for environmental protection and an increase in extended loans of approximately RMB80.2 million from the financial business. Please refer to note 9 to the interim condensed consolidated financial statements for detailed ageing analysis of the trade and bills receivables.

## **TRADE AND OTHER PAYABLES**

As at 30 June 2015, the total trade payables and other payables of the Group amounted to approximately RMB4,448.0 million, an increase of approximately RMB217.9 million as compared with approximately RMB4,230.1 million as at 31 December 2014, primarily due to an increase in the trade payable of approximately RMB164.7 million as a result of the rapid growth in the wind power rotor blades business. Please refer to note 10 to the condensed consolidated financial statements for detailed ageing analysis of the trade and bills payables.

## **ASSETS AND LIABILITIES**

As at 30 June 2015, the total assets of the Group amounted to approximately RMB14,476.9 million, an increase of approximately RMB842.3 million as compared with approximately RMB13,634.6 million as at 31 December 2014. The total current assets amounted to approximately RMB9,133.0 million, an increase of approximately RMB350.8 million as compared with approximately RMB8,782.2 million as at 31 December 2014, accounting for approximately 63.1% of the total assets (31 December 2014: approximately 64.4%). Meanwhile, the total non-current assets amounted to approximately RMB5,343.9 million, an increase of approximately RMB491.5 million as compared with approximately RMB4,852.4 million as at 31 December 2014, and accounting for approximately 36.9% of the total assets (31 December 2014: approximately 35.6%).

As at 30 June 2015, the total liabilities of the Group amounted to approximately RMB8,189.3 million, an increase of approximately RMB805.7 million as compared with approximately RMB7,383.6 million as at 31 December 2014. The total current liabilities amounted to approximately RMB5,746.5 million, an increase of approximately RMB326.2 million as compared with approximately RMB5,420.3 million as at 31 December 2014, accounting for approximately 70.2% of the total liabilities (31 December 2014: approximately 73.4%). Meanwhile, the total non-current liabilities amounted to approximately RMB2,442.8 million, an increase of approximately RMB479.5 million as compared with approximately RMB1,963.3 million as at 31 December 2014, and accounting for approximately 29.8% of the total liabilities (31 December 2014: approximately 26.6%).

As at 30 June 2015, the net current assets of the Group amounted to approximately RMB3,386.6 million, an increase of approximately RMB24.7 million as compared with approximately RMB3,361.9 million as at 31 December 2014.

## **CURRENT RATIO**

As at 30 June 2015, the current ratio (the ratio of current assets over current liabilities) of the Group was 1.59:1 (31 December 2014: 1.62:1).

## **GEARING RATIO**

As at 30 June 2015, by dividing borrowings by total capital, the gearing ratio of the Group was 30.0% (31 December 2014: 28.5%).

## **INDEBTEDNESS**

As at 30 June 2015, the Group had an aggregate bank and other borrowings of approximately RMB2,689.2 million, an increase of approximately RMB194.2 million as compared with approximately RMB2,495.0 million as at 31 December 2014.

Borrowings repayable by the Group within one year amounted to approximately RMB993.8 million, a decrease of approximately RMB79.2 million as compared with approximately RMB1,073.0 million as at 31 December 2014. Borrowings repayable after one year amounted to approximately RMB1,695.4 million, an increase of approximately RMB273.4 million as compared with approximately RMB1,422.0 million as at 31 December 2014.

## **SIGNIFICANT EVENTS**

### *Events in the Period*

- (1) On 7 April 2015, the Board of the Company resolved that approval be given for Chongqing General to enter into an equity transfer agreement with Carrier Asia for a disposal of 35% equity interest in Chongqing Midea General at a consideration of RMB176,587,500. Upon completion of the transaction, Chongqing General still held 10% equity interest in Chongqing Midea General. For details, please refer to the announcement of the Board of the Company published on the website of the Company on 7 April 2015.
- (2) On 4 May 2015, the Board of the Company resolved that approval be given for Qijiang Gear Transmission and Reintel to establish a joint venture in the name of Chongqing QG Reintel Transmission Company Limited. The registered capital of the joint venture will be RMB200 million, with the Company contributing RMB20 million, representing 10% of the equity interests, Qijiang Gear Transmission contributing RMB70 million, representing 35% of the equity interests, and Reintel contributing RMB110 million, representing 55% of the equity interests. For details, please refer to the announcement of the Board of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 4 May 2015.

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

## **CONTINGENT LIABILITIES**

As at 30 June 2015, the Group had no significant contingent liabilities.

## **CAPITAL EXPENDITURE**

During the Period, the total capital expenditure of the Group was approximately RMB491.0 million, which was principally used for plant expansion, production technology improvement, equipment and productivity upgrade (for the six months ended 30 June 2014: approximately RMB260.7 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 management system of foreign exchange hedges, requiring all subsidiaries of the Group to manage the relevant foreign exchange risk of their functional currency and adopt foreign exchange tools recognised by the Group.

## **EMPLOYEES**

As at 30 June 2015, the Group had a total of 13,173 employees (30 June 2014: 13,759 employees). The Group will continue the upgrade of its technical talent base, foster and recruit technical and management personnel with extensive technical and management experience, enhance the distribution system that links remunerations with 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 2015.

### **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 2015, 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 Company'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. Liu Wei.

As at the date of this announcement, the members of the Supervisory Committee of the Company are Mr. Yang Mingquan, Mr. Wang Pengcheng, Ms. Wu Yi, Mr. Huang Hui, 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 7 September 2015 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  
25 August 2015

*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. Liu Wei.*

\* *For identification purposes only*