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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)

**Price Sensitive Information**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board is pleased to announce that on 25 October 2011, the Company approved the project of “the production base project with annual capacity of 400,000 sets of medium- and heavy-duty automobile gearboxes (200,000 sets in Phase I of the project)” for Qijiang Gear Transmission Co., Ltd. (“**Qijiang Gear**”).

**1. PROJECT**

Implementation target: To realize annual production capacity of 400,000 sets of medium- and heavy-duty automobile gearboxes. The project will be constructed in two phases. Phase I aims to realize annual production of 200,000 medium- and heavy-duty automobile gearboxes and Phase II will commence construction as appropriate depending on market conditions.

Marketing target: To become one of the major suppliers of medium- and heavy-duty automobile gearboxes in the domestic market by the end of the “Twelfth Five-Year Plan” period.

## **2. CONSTRUCTION OF THE RESEARCH AND DEVELOPMENT CENTRE**

Also included in this project is the investment and construction of the “R&D Centre”, which specifically includes construction of the R&D Centre building, experiment workshops, informationalized management platform, digitalized design analysis platform, first-rate software systems (including CAD system, CAE system, PDM system, gear design software system, tolerance design analysis software, and CAPP system), first-class hardware conditions, experimental equipment, measuring and testing instruments and devices, road test equipment, field conditions, and other product testing and experimental capabilities.

## **3. THE PROJECT TEAM AND STAFF**

The project requires a total headcount of approximately 1300, around 567 of which will be new recruits and around 733 of which will be existing staff under coordinated deployment.

## **4. MARKETING PLAN**

Marketing positioning: Backed by full series of product mix and strong supply guarantee capability, we will mainly focus on the contractual supply to automobile makers which will be supplemented by the export and repair and maintenance markets, so as to expand the medium- and heavy-duty trucks market in an all-around way. We will also establish and enhance a premium and highly efficient truck gearbox service system, gradually boost market share and brand profile, become one of the major suppliers of medium- and heavy-duty automobile gearboxes by the end of the “Twelfth Five-Year Plan” period, and ultimately secure a market share of approximately 20%.

## **5. PROJECT INVESTMENT AND ITS COMPOSITION**

Total investment in Phase I of the project amounts to approximately RMB900 million, including investment in construction of around RMB765 million and supporting working capital of around RMB135 million.

Capital expenditure of Phase 1 of the project will be financed by: A cash injection of approximately RMB300 million by the Company into Qijiang Gear, and around RMB600 million self-raised by Qijiang Gear (by means of utilization of self-owned funds, finance leasing and loan facilities, etc.).

## 6. CONSTRUCTION DETAILS OF THE PROJECT

A newly acquired land with an area of around 400 Mu in Chongqing Qijiang Industrial Park (Gear City), new plants of around 120,000 square meters, 604 units (sets) of new technical equipment; new parts processing workshops, assembly workshops, heat treatment workshops, coating workshops, R&D centre and product experimental rooms, as well as other ancillary facilities under the project.

## BENEFITS OF THE PROJECT

Upon implementation, the project is able to effectively enhance the R&D capability, manufacturing craftsmanship and industrialization capability of the Company, cater for the demands of domestic and overseas markets, boost scale of operation and economic benefits, and increase the comprehensive market competitiveness of the Company.

Should there be any progress in the project, the Company will make further announcement.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board  
**Chongqing Machinery & Electric Co., Ltd.\***  
**Chen Xianzheng**  
*Executive Director, Secretary to the Board*

Chongqing, the PRC  
25 October 2011

*As at the date of this announcement, the executive Directors are Mr. Xie Hua Jun, Mr. Yu Gang, Mr. Liao Shaohua and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Liu Liangcai; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang and Mr. Kong Weiliang.*

\* *For identification purposes only*