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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 investment project for the construction of the Da'an Chenfei Xilinhot production base.

On 8 September 2011, Chongqing General Industry (Group) Co., Ltd. ("Chongqing General Industry") completed acquisition of equity interests in Jilin Da'an Chenfei Wind Power Equipment Co., Ltd. ("Da'an Chenfei"). Upon completion of the acquisition of Da'an Chenfei by Chongqing General Industry, the implementation of the project will expedite the expansion of the east Mongolia, central Mongolia and peripheral markets, so that Chongqing General Industry can effectively maintain and leverage existing resources and advantages of Da'an Chenfei and at the same time better explore the major wind power markets.

IMPLEMENTATION PLAN

(I) Site selection for the project: Equipment Manufacturing Industrial Park of Xilinhot.

It is located within 1km from the edge of the urban area, with such ancillary facilities as thermal power plants, transformer stations and main roads in the surroundings.

(II) Construction scale: Annual capacity of 350 sets of 1.5MW-2.0MW wind power blades, including 150 sets of 1.5MW blades and 200 sets of 2.0MW blades.

(III) Major construction details:

1. A newly acquired land of 120 Mu, new building area of 18554 m², including blades production workshops of 15444 m², board and lodging buildings of 2160 m², chemicals warehouse of 600 m² and other ancillary facilities of 350 m²;
2. Construction of blades storage yards and turnover sites of 35480 m², improvement of public utilities such as water, electricity and gas, as well as auxiliary facilities including roads and greening;
3. 38 sets of newly-purchased moulds and production equipment, and 14 sets of newly-purchased testing equipment.

(IV) Construction schedule for the project

The planned construction period is 12 months (from November 2011 to October 2012). The construction of the project will be completed for acceptance inspection in October 2012, which will then put into production thereafter.

(V) Estimated investment and financing

1. Estimated investment

Total investment in the project amounts to approximately RMB99.8 million, including investment in fixed assets of around RMB79.8 million and supporting working capital of around RMB20 million. Of the fixed assets investment, construction cost will be approximately RMB69.29 million, other expenses related to the construction will be about RMB6.9 million, reserve fund will be around RMB1.68 million, and interest for the construction period will be around RMB1.93 million.

2. Financing:

- (1) The board of directors of the Company approved investment in Chongqing General Industry of approximately RMB45 million which will be used specifically for the Da'an Chenfei Xilinhot production base;
- (2) Utilization of the existing assets of Da'an Chenfei of around RMB11.25 million;
- (3) Bank loans of approximately RMB43.55 million.

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*