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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 pursuant to Rule 13.09(1) of the Listing Rules under the Hong Kong Stock Exchange

The Board is pleased to announce that Chongqing Cummins Engine Co., Ltd. (“**Chongqing Cummins**”), a subsidiary of the Company, has entered into an agreement for intentional power market strategic cooperation (電力市場戰略合作意向協議) with 13 automobile makers and 2 distributors.

The major terms of the agreement for intentional power market strategic cooperation (“**Intentional Agreement**”) are as follows:

- (1) Signing Parties: Each of the 13 automobile makers and 2 distributors with Chongqing Cummins
- (2) Total Intended Procurement: Approximately RMB3,200 million (applicable to 2012 only)

(3) Obligation of parties under the Intentional Agreement

(i) Obligation of 13 automobile makers and 2 distributors:

1. to select G ancillary engine (G發動機配套) of generating units of Chongqing Cummins at first priority, and promote new products to end users of power market with the best endeavors and undertake the responsibility for marketing these products;
2. to strictly comply with the market standards of Chongqing Cummins, including but not limited to the use of its trademark and keeping procurement record, etc;
3. to formulate development plan in accordance with market demand; and
4. to provide Chongqing Cummins with relevant market information.

(ii) Obligation of Chongqing Cummins:

1. to actively meet product requirements of contracted automobile makers and distributors, and to meet their requirement through enhancing production capacity in a steady manner by means of investment expansion;
2. to give full support to automobile makers and distributors in respect of product technologies, quality, supply and after-sale service;
3. to develop and introduce new products for which the power market demands, and supply these new products to automobile makers and distributors at first priority;
4. to provide complete technical trainings in respect of relevant models to technicians of the automobile makers and distributors; and
5. to conduct regular exchanges with automobile makers and distributors.

- (4) Termination: Automobile makers and distributors and Chongqing Cummins may terminate the Intentional Agreement for reasons of their own.

BENEFITS OF THE INTENTIONAL AGREEMENT

Cooperation between Chongqing Cummins and automobile makers and distributors are deepened whilst the client base and market share of Chongqing Cummins are consolidated, which is beneficial for the sustainable and stable development of Chongqing Cummins.

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

Chongqing, the PRC

17 November 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*