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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)

PROFIT WARNING

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that, the unaudited interim results of the Group for the six months ended 30 June 2012 is expected to record a decline as compared to the corresponding period in 2011.

The information contained in this announcement is only a preliminary assessment by the management of the Company based on the unaudited management accounts of the Group, such unaudited management accounts have not been audited or reviewed by the auditors of the Company.

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

This announcement is made by Chongqing Machinery & Electric Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) of the Company and potential investors that, the unaudited interim results of the Group for the six months ended 30 June 2012 (such unaudited interim results have not been audited or reviewed by the auditors of the Company) is expected to record a decline as compared to the corresponding period in 2011. Such decline is mainly due to the following reasons:

- (i) in the first half of 2012, with the world economic situation getting increasingly complicated and the European debt crisis still unresolved, China was confronted with increasing risk of slower economic growth and economic downturn. Accordingly, the state reduced its investment projects, with smaller investment scale;
- (ii) the slower economic growth led to insufficient market demands, the decline in orders, increased competition and downward prices; and
- (iii) the increase in labour costs.

The Company is still in the process of finalizing its interim results for the six months ended 30 June 2012. The information contained in this announcement is only a preliminary assessment by the management of the Company based on the unaudited consolidated management accounts of the Group. Further details of the Company’s performance for the six months ended 30 June 2012 will be disclosed when the interim results of the Company for the six months ended 30 June 2012 are announced.

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

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Xie Hua Jun
Chairman, Executive Director

Chongqing, the PRC
21 August 2012

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, Mr. Kong Weiliang and Mr. Jin Jingyu.

* *For identification purposes only*