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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)

**ANNOUNCEMENT**

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

The Board would like to announce that Jiangbei Machinery and the Management Committee of Liangjiang New Area of Chongqing, the PRC (中國重慶兩江新區管理委員會) have entered into an investment agreement (the “Agreement”) on 12 October 2012, pursuant to which Jiangbei Machinery will acquire the Land.

**AGREEMENT**

Date: 12 October 2012

Parties: (1) Management Committee of Liangjiang New Area of Chongqing, the PRC (中國重慶兩江新區管理委員會) as Vendor (“Party A”)

(2) Jiangbei Machinery as purchaser (“Party B”)

Property: The Land with an area of approximately 165 mu (approximately 110,000 sq.m.)

The term of the Land Use Right is for a period of fifty (50) years commencing from the date of delivery of the Land.

The Land shall be used for industrial purpose only.

Consideration: The Consideration will be calculated based on approximately RMB200,000 (equivalent to approximately HK\$244,552.29) per mu, which shall be paid based on the actual price as determined through the bidding, auction and listing process.

The Directors believe that the Consideration is fair and reasonable and in the interests of the Shareholders as a whole.

Other conditions: (1) Party B will submit a bid for the Land (the “Bid”) when the Land is open for bidding. The terms of the Bid will be consistent with those of the Agreement.

(2) The Agreement is considered to be effective upon the acquisition of the Land through public “tender, auction and listing-for-sale”. Party B will enter into the sale contract of state-owned land use rights (the “Sale Contract”) with the State-owned Land Resources and Real Estate Administrative Bureau of Chongqing Municipality (重慶市國土資源和房屋管理局) as a confirmation.

(3) Party B shall be responsible for the construction of a new production base on the Land.

Completion: The delivery and construction of the Land shall take place subject to the terms of the Sale Contract.

Upon completion of the bidding process, the Company will make further announcement to disclose the results of the bid, including but not limited to the bidding result, the final bid price and the date of entering into the Sale Contract.

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, the Management Committee of Liangjiang New Area of Chongqing, the PRC (中國重慶兩江新區管理委員會) and its ultimate beneficial owner are third parties independent of the Company and are not connected persons of the Company.

## **REASONS FOR ACQUISITION OF THE LAND**

At present, Jiangbei Machinery is located at No. 50, Jiefang Branch Road, Shuitu Town, Beibei District, Chongqing City. The area has been planned by the Chongqing Municipal People's Government as public infrastructure and leisure land. In accordance with Chongqing City's strategic plan for "relocation from the urban area to industrial zones" of industrial enterprises, Jiangbei Machinery will implement environmental relocation. Such relocation is conducive to the enhancement of the production capacity of Jiangbei Machinery, and will help achieve the "transformation from a traditional manufacturing enterprise into a modern and service-oriented manufacturing enterprise" and produce "large-scale, differentiated, high-end and whole-set" products through transformation and upgrade.

The Board (including independent non-executive Directors) is of the view that the Agreement which has been entered into on normal commercial terms is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## **INFORMATION ON THE VENDOR**

Chongqing Liangjiang New Area is the third state-level new district for development and opening up apart from Shanghai Pudong New District and Tianjin Binhai New District. The project is located at the Yufu Industrial Park, which is the most important integrated base for waterway and railway transportation and the distribution center of port logistics in western regions, as well as the major undertaker of certain bonded functions transferred from Cuntan Port (寸灘港).

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

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|----------------------|---|
| "Board"              | means the board of Directors of Chongqing Machinery & Electric Co., Ltd.*(重慶機電股份有限公司);  |
| "Jiangbei Machinery" | Chongqing Jiangbei Machinery Co., Ltd. (重慶江北機械有限責任公司), a limited liability company established under the PRC laws and a wholly-owned subsidiary of the Company; |

“Company”	means Chongqing Machinery & Electric Co., Ltd.*(重慶機電股份有限公司), a joint stock limited company incorporated in the PRC, the shares of which are listed on the Stock Exchange (stock code: 02722);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	means the total consideration for the Land;
“Director(s)”	means the director(s) of the Company;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Land”	means a land situated at Yufu Industrial Park in Liangjiang New Area of Chongqing, the PRC, with a total area of approximately 165 mu (approximately 110,000 sq.m.);
“Land Use Right”	means the land use right in respect of the Land;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	means the People’s Republic of China, which for purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan region;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Shareholders”	means shareholder(s) of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;

“sq.m.” means square meter; and

“Vendor” Management Committee of Liangjiang New Area of Chongqing, the PRC (中國重慶兩江新區管理委員會).

For the purpose of this announcement, all amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB1.00=HK\$1.22 for information purpose only. Such translation should not be construed as a representation that any amount in RMB has been or could have been converted at the above rate.

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

Chongqing, the PRC  
12 October 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. Liu Liangcai and Mr. Yang Jingpu; 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*