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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 hereby announces that CCEC intends to introduce QSK50, QSK60 and QSK78, the most advanced all-electric high-powered diesel engines in the world, from Cummins. Should it be materialized, CCEC plans to establish a new production base for the new products. CCEC has established a specialized team to press ahead with the negotiation of the technology transfer agreement involving the QSK50, QSK60 and QSK78 all-electric high-powered diesel engines as well as the introduction of new products.

Since no binding agreement has been entered into in respect of the technology transfer involving Cummins QSK50, QSK60 and QSK78 all-electric high-powered diesel engines as at the date of this announcement, such technology transfer may or may not materialize. Investors and shareholders of the Company shall exercise caution in dealing with the securities of the Company.

A separate announcement will be made upon entering into the technology transfer agreement relating to the technology transfer of Cummins QSK50, QSK60 and QSK78 all-electric high-powered diesel engines.

REASONS FOR THE PROPOSED INTRODUCTION OF HIGH-POWERED DIESEL ENGINES

Cummins QSK50, QSK60 and QSK78 all-electric high-powered diesel engines are among the most advanced high-powered diesel engines in today's world, mainly reflected by its reliability, economy as well as the dynamic and environmental-friendly features. The power of the products ranges from 1,400 to 3,500 horsepower and are widely used in shale gas exploration, oil field, vessels, power generation and engineering machinery. The market prospect for such high-powered diesel engines is promising.

In recent years, both domestic and overseas market players have been optimistic about the market prospects of high-powered engines in China. Hence, they have continuously extended their product lines to high-powered products, along with greater investments and rapid expansion into the market.

If QSK50, QSK60 and QSK78 all-electric high-powered diesel engines are successfully introduced, the existing product portfolio of CCEC will be expanded and refined. The successful introduction will also enable CCEC to stay competitive in the domestic and global high-powered engine markets.

LATEST PROGRESS

CCEC intends to introduce Cummins QSK50, QSK60 and QSK78, the most advanced all-electric high-powered diesel engines in the world, from Cummins. Should it be materialized, CCEC plans to establish a new production base for the new products and a high-powered engine R&D center, so as to equip itself with capabilities of R&D, inspection and testing.

CCEC has established a specialized team to press ahead with the negotiation of the technology transfer agreement involving the Cummins QSK50, QSK60 and QSK78 all-electric high-powered diesel engines as well as the introduction of new products.

GENERAL

Since no binding agreement has been entered into in respect of the technology transfer involving Cummins QSK50, QSK60 and QSK78 all-electric high-powered diesel engines as at the date of this announcement, such technology transfer may or may not materialize. Investors and shareholders of the Company shall exercise caution in dealing with the securities of the Company.

A separate announcement will be made upon entering into the technology transfer agreement relating to the technology transfer of Cummins QSK50, QSK60 and QSK78 all-electric high-powered diesel engines.

DEFINITIONS

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

- “Board” means the board of Directors of Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司) ;
- “CCEC” Chongqing Cummins Engine Co., Ltd. is a company with limited liability established under the laws of the PRC which is also a sino-foreign joint venture company which is owned as to 50% by Cummins China and the Company respectively;
- “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);
- “Cummins” Cummins Engine Co., Ltd. (康明斯發動機有限公司), a company established with limited liability as at 3 February 1912 under the laws of United States which holds 100% of equity interests in Cummins China;

“Cummins China”	Cummins (China) Investment Co., Ltd.* (康明斯(中國)投資有限公司), a wholly foreign-owned enterprise established under the laws of the PRC which holds 50% equity interests in CCEC;
“Director(s)”	means the director(s) of the Company;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“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;
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction; and
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.

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

Chongqing, the PRC
15 November 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 Jiuyu, 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*