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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 of the Listing Rules.

PROPOSED ACQUISITION OF 100% EQUITY INTERESTS IN A EUROPE-BASED COMPANY

The Board hereby announces that an indirect wholly-owned subsidiary of the Company (as the Purchaser) proposes to acquire the 100% equity interests in a Europe-based company.

At current stage, no agreement has been entered into between the Purchaser and the Vendor, and any transactions between the Purchaser and Vendor (if any) shall be subject to the final agreement in relation to the Proposed Acquisition. The Proposed Acquisition (if materialized) is expected to constitute a discloseable transaction of the Company. The Company expects to finance the Proposed Acquisition (if materialized) with bank loans.

GENERAL

Since no binding agreement has been entered into in respect of the Proposed Acquisition as at the date of this announcement, the Proposed Acquisition may or may not be materialized. Investors and shareholders of the Company are advised to exercise caution in dealing with the securities of the Company.

A separate announcement will be made if any agreement relating to the Proposed Acquisition is entered into.

DEFINITIONS

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

“Board”	the board of Directors of Chongqing Machinery & Electric Co., Ltd.*(重慶機電股份有限公司);
“Purchaser”	an indirect wholly-owned subsidiary of the Company;
“Company”	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);
“Proposed Acquisition”	the proposed acquisition of the 100% equity interests in a Europe-based company by an indirect wholly-owned subsidiary of the Company;
“Director(s)”	the director(s) of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“PRC”	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;
“Vendor”	the shareholders of a Europe-based company proposed to be acquired by an indirect wholly-owned subsidiary of the Company; and
“Stock Exchange”	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
7 January 2013

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*