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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 by the Company pursuant to the Inside Information Provisions under Part XIVA of the SFO and Rule 13.09(2) of the Listing Rules.

The Board hereby announces that, on 5 February 2013, the Company approved (1) the environmental relocation project of Water Turbine Company; (2) the environmental relocation project of Jiangbei Machinery; (3) the environmental relocation project of Tool Company; and (4) the environmental relocation project of Yinhe Forging & Founding.

(I) ENVIRONMENTAL RELOCATION PROJECT OF WATER TURBINE COMPANY

(1) Site selection for the project:

Luohuang Industrial Park, Jiangjin District, Chongqing

(2) Investment and details of the project:

The newly acquired land for the project is approximately 591 Mu, with a construction land area of approximately 397 Mu for Phase I of the project. On the land for Phase I, it is proposed to construct the structural component complex factories, machining complex factories, electrical complex factories, assembly complex factories, research and development complex building, as well as related ancillary utility power stations, roads and other supporting facilities in the plant area.

Phase II of the project shall be implemented depending on market conditions and subject to the approval of the Board.

(3) Construction schedule for the project:

The relevant preliminary works of the Water Turbine Company project were commenced in July 2012 and the project will commence production upon completion in 2014.

(4) Estimated investment and fundraising:

(a) Estimated investment:

The total investment in Phase I of the Water Turbine Company project amounts to approximately RMB1,329.84 million, including new investments of approximately RMB918.62 million (of which construction investment is approximately RMB860.43 million and initial working capital is approximately RMB58.19 million), utilization of the existing fixed assets of approximately RMB275.43 million, and supplemental working capital of approximately RMB135.79 million.

(b) Fund sources:

- i. Bank loans of approximately RMB550.00 million; and
- ii. Self-raised fund of approximately RMB368.62 million by Water Turbine Company.

(II) ENVIRONMENTAL RELOCATION PROJECT OF JIANGBEI MACHINERY

(1) Site selection for the project:

Yufu Industrial Park, Liangjiang New Area, Chongqing

(2) Investment and details of the project:

The Jiangbei Machinery project mainly involves land acquisition, construction planning and design, construction of buildings, purchase of ancillary facilities and equipment, CNC renovation, etc. before completion of the environmental relocation and resumption of production. The newly acquired land for the project is approximately 165 Mu, with a GFA of 57,804 square meters for Phase I of the project. It is expected to purchase 119 advanced large-scale key equipments for CNC feeding, molding, welding, processing, pre-treating, coating and final assembling, and utilize 217 existing technical equipments.

Phase II of the project shall be implemented depending on market conditions and subject to the approval of the Board.

(3) Construction schedule for the project:

The relevant preliminary works of the Jiangbei Machinery project were commenced in July 2012 and the project will commence production upon completion in 2014.

(4) Estimated investment and fundraising:

(a) Estimated investment:

The total investment in Phase I of the Jiangbei Machinery project amounts to approximately RMB256.07 million, including the aggregate construction investments of approximately RMB224.15 million, working capital of approximately RMB30.00 million, and interest to be accrued during the construction period of approximately RMB1.92 million.

(b) Fund sources:

- i. Capital injection of approximately RMB86.07 million by the Company;
- ii. Equipment of approximately RMB50.00 million under finance leasing;
- iii. Self-raised fund of approximately RMB100.00 million by Jiangbei Machinery; and
- iv. Bank loans of approximately RMB20.00 million.

(III) ENVIRONMENTAL RELOCATION PROJECT OF TOOL COMPANY

(1) Site selection for the project:

Luohuang Industrial Park, Jiangjin District, Chongqing

(2) Investment and details of the project:

With newly acquired land of approximately 199.5 Mu, the Tool Company project has a planned GFA of 64,670 square meters. Phase I of the project, with a GFA of 39,110 square meters, will include construction of offices, R&D and testing center, hobbing cutter factory, razor/ slotting tool factory, broaching tool factory and heat treatment factory, etc.

Phase II of the project shall be implemented depending on market conditions and subject to the approval of the Board.

(3) Construction schedule for the project:

The relevant preliminary works of the Tool Company project were commenced in July 2012 and the project will commence production upon completion in 2014.

(4) Estimated investment and fundraising:

(a) *Estimated investment:*

The total investment in Phase I of the Tool Company project amounts to approximately RMB162.20 million, including construction cost of approximately RMB61.01 million, equipment procurement costs of approximately RMB57.00 million, installation expenses of approximately RMB6.08 million, other construction-related expenses of approximately RMB31.87 million and reserve fund of approximately RMB6.24 million.

(b) *Fund sources:*

- i. Self-raised fund of approximately RMB132.20 million by Tool Company; and
- ii. Bank loans of RMB30.00 million.

(IV) ENVIRONMENTAL RELOCATION PROJECT OF YINHE FORGING & FOUNGING

(1) Site selection for the project:

Luohuang Industrial Park, Jiangjin District, Chongqing

(2) Investment and details of the project:

Yinhe Forging & Founding project has a newly acquired land of approximately 192 Mu, with GFA of approximately 36,642 square meters for Phase I of the project. The projects involves construction of casting factory, No.1 complex factory, wood pattern factory, No.2 complex factory, etc.

Phase II of the project shall be implemented depending on market conditions and subject to the approval of the Board.

(3) Construction schedule for the project:

The relevant preliminary works of the Yinhe Forging & Founding project were commenced in July 2012 and the project will commence production upon completion in 2014.

(4) Estimated investment and fundraising:

(a) *Estimated investment:*

The total investment in Phase I of the Yinhe Forging & Founding project amounts to approximately RMB269.89 million, including construction investment of approximately RMB245.89 million, initial working capital of approximately RMB16.78 million and interest to be incurred during the construction period of approximately RMB7.22 million.

(b) *Fund sources:*

- i. Self-raised fund of approximately RMB116.78 million by Yinhe Forging & Founding;
- ii. Capital injection of approximately RMB57.22 million from Chongqing Machine Tools Group; and
- iii. Bank loans of approximately RMB95.89 million.

GENERAL

The environmental relocation projects of the Tool Company and Yinhe Forging & Founding fall into Phase II of the overall environmental relocation project of Chongqing Machine Tools Group.

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

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.*;
“Inside Information Provisions”	has the meaning ascribed to it under the Listing Rules;
“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 laws of the PRC and a wholly-owned subsidiary of the Company;
“Chongqing Machine Tools Group”	Chongqing Machine Tools (Group) Co., Ltd.* (重慶機床(集團)有限責任公司), a limited liability company established under laws of the PRC and a wholly-owned subsidiary of the Company;
“Yinhe Forging & Founding”	Chongqing Yinhe Forging & Founding Co., Ltd.* (重慶銀河鑄鍛有限責任公司), a limited liability company established under laws of the PRC and a wholly-owned subsidiary of Chongqing Machine Tools Group;
“Tool Company”	Chongqing Tool Factory Co., Ltd.* (重慶工具廠有限責任公司), a limited liability company established under laws of the PRC and a wholly-owned subsidiary of Chongqing Machine Tools Group;
“Water Turbine Company”	Chongqing Water Turbine Works Co., Ltd.* (重慶水輪機廠有限責任公司), a limited liability company established under laws of the PRC and a 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);

“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;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Mu”	1 Mu equals to approximately 666.67 square meters.

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

Chongqing, the PRC
5 February 2013

As at the date of this announcement, the executive Directors are Mr. Yu Gang, Mr. Liao Shaohua, Mr. Chen Xianzheng and Mr. Xie Hua Jun; 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