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**CQME**

**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)*

*(Stock Code: 02722)*

## **FURTHER ANNOUNCEMENT ON PROJECT OF HIGH HORSE POWER DIESEL ENGINES OF CHONGQING CUMMINS**

This announcement is made by Chongqing Machinery & Electric Co., Ltd. (the “**Company**”) in accordance with Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 28 August 2013, 29 September 2014 and 27 January 2015 in relation to, among others, the introduction of the technology of QSK50, QSK60 and QSK72 high horse power diesel engines and the establishment of a research and development centre and manufacturing lines by Chongqing Cummins Engine Company Limited\* (重慶康明斯發動機有限公司) (“**Chongqing Cummins**”).

The board of directors (the “**Board**”) of the Company is pleased to announce that on 12 April 2017, the Company entered into a legally binding memorandum with Cummins Inc. (康明斯有限公司) and Cummins (China) Investment Co., Ltd.\* (康明斯(中國)投資有限公司) (“**Cummins**”), to amend the contract on technological license of QSK60 high horse power diesel engines signed on 28 August 2013 between the parties.

Summary of the memorandum is as follows:

- (i) Chongqing Cummins will introduce the following products and technologies from Cummins to replace those of QSK60 high horse power diesel engines: (1) QSK38 high horse power diesel engines which meet EPA Tier 4f equivalent emission level; (2) QSK50 high horse power diesel

\* *For identification purposes only*

engines which meet EPA Tier 4f equivalent emission level; (3) QSK50 HPD high horse power diesel engines which meet EPA Tier 2 equivalent emission level with a more competitive higher power rate.

- (ii) Upon meeting Cummins global quality, costs, delivery and other commercial terms, Cummins is committed to helping Chongqing Cummins seek additional opportunities and incremental volumes for Chongqing Cummins K19/QSK19 diesel engines for global demand and market.
- (iii) Upon the request from Chongqing Cummins, Cummins shall provide engineering services and support to Chongqing Cummins in developing QSK19 diesel engines which meet NS IV/EU Stage IIIB equivalent emission level.

### **THE NECESSITY FOR AMENDING THE CONTRACT ON TECHNOLOGICAL LICENSE OF QSK60 HIGH HORSE POWER DIESEL ENGINES**

To address the global economic downturn and the decline in market demand, it is predicted that the demand of QSK60 high horse power diesel engines originally planned to be introduced in will be dramatically reduced in the following decade, and the return on investment of this product will also appear a sharp decline in the following decade accordingly. Considering the current situation, the parties decided to replace with a more competitive new product. Under such an arrangement, the core competitive advantages of Chongqing Cummins will be established from its new product portfolio to face with the increasingly stringent emission requirements in the market. In addition, Cummins will provide strong support in the technological improvement and global market expansion of the existing K19/QSK19 diesel engines of Chongqing Cummins. All the above measures will enable Chongqing Cummins to maintain sustainable competitive advantages in the high horse power engine market in China and all over the world and create more steady returns for the Company.

The Board wishes to remind that as there are still uncertainties of the market and project implementation progress of the newly introduced series of products, investors and shareholders of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board  
**Chongqing Machinery & Electric Co., Ltd.\***  
**Wang Yuxiang**  
*Executive Director and Chairman*

Chongqing, the PRC  
12 April 2017

*As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Wei Fusheng, Mr. Deng Yong and Ms. He Xiaoyan; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.*