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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 Machine Tools has entered into an investment agreement with the management office of Chongqing Nan'an District Chayuan New City, Chongqing, the PRC (重慶市南岸區茶園新區B區建設管理辦公室) on 28 December 2009 (the "Agreement"). The Board approves the Agreement on 8 January 2010. Subject to the terms and conditions of the Agreement, Machine Tools will acquire the Land.

AGREEMENT

- Date : 28 December 2009
- Parties : (1) the management office of Chongqing Nan'an District Chayuan New City, Chongqing, the PRC (重慶市南岸區茶園新區B區建設管理辦公室) as the Vendor ("Party A")
- (2) Machine Tools as the Purchaser ("Party B")

- Property : The area of the Land is approximately 285,081 sq.m. (approximately 427.62 mu), among which approximately 252,001 sq.m. (approximately 378 mu) are reserved for industrial use, and approximately 33,080 sq. m. (approximately 49.62 mu) are reserved for public utilities use.
- 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 not be less than RMB480 per sq.m.
- 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 that 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 (“Sale Contract”) with the State-owned Land Resources and Real Estate Administrative Bureau of Chongqing Municipality as a confirmation.
- (3) Party B shall be responsible for the construction of a new machine tool 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 having made all reasonable enquiry, the management office of Chongqing Nanan District Chayuan New City, Chongqing, the PRC (重慶市南岸區茶園新區B區建設管理辦公室) and the ultimate beneficial owner of the management office of Chongqing Nanan District Chayuan New City, Chongqing, the PRC (重慶市南岸區茶園新區B區建設管理辦公室) are third parties independent of the Company and are not connected persons of the Company.

REASONS FOR ACQUISITION OF THE LAND

After the constructions of the production base on the Land, Machine Tools will move its factory and production plants to the new base. The Board (including independent non-executive Directors) is of the view that the acquisition of the Land is a good opportunity to Machine Tools to strengthen its business of producing CNC machine tools. The acquisition of the Land for the construction of the new base would allow Machine Tools to undergo expansions to accommodate for the increasing demands for CNC machine tools in the market. The Board (including independent non-executive Directors) is of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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) ; |
| “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; |
| “connected person” | 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;
“Group”	means the Company together with its subsidiaries;
“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 situate at Site B of Chongqing Nanan District Chayuan New City, Chongqing, the PRC (重慶市南岸區茶園新區B區), with a total area of approximately 285,081 sq.m. (approximately 427.62 mu);
“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;
“Machine Tools”	means Chongqing Machine Tools (Group) Co., Ltd., a wholly owned subsidiary of the Company;
“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;
“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

“%” means per cent

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Xie Hua Jun
Executive Director, Chairman

Chongqing, the PRC
8 January 2010

As at the date of this announcement, the executive Directors are Mr. Xie Hua Jun, Mr. He Yong, Mr. Liao Shaohua and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Yu Gang, Mr. Yang Jingpu and Mr. Wu Jian; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang and Mr. Kong Weiliang.

* *For identification purposes only*