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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)

**UNAUDITED FIRST QUARTER RESULT FOR 2011**

**IMPORTANT NOTICE**

The board of directors (the “**Board**”), the supervisory committee (the “**Supervisory Committee**”), directors (the “**Directors**”), supervisors (the “**Supervisors**”) and the senior management (the “**Senior Management**”) of Chongqing Machinery & Electric Co., Ltd. (the “**Company**”), confirm that the unaudited first quarter result for 2011 (the “**Result**”) does not contain any false information, misleading statements or material omissions, and accept joint and several responsibility for the truthfulness, accuracy and completeness of the contents of this Result. This Result has been prepared in both Chinese and English. For any discrepancies, the Chinese version shall prevail.

None of the Directors, Supervisors and Senior Management is unable to warrant the truthfulness, accuracy and completeness of the contents of this Result or hold any dissenting views.

The Result was prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the “**PRC**”) by the Company and its subsidiaries (collectively referred to as the “**Group**”) are unaudited.

# CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2011

(All amounts in RMB Yuan unless otherwise stated)

	<b>31 March 2011</b>
<b>ASSETS</b>	<b>Consolidated</b>
<b>Current assets</b>	
Cash at bank and on hand	1,917,161,485
Notes receivable	618,802,666
Accounts receivable	1,791,584,545
Advances to suppliers	311,671,689
Dividends receivable	1,937,455
Other receivables	208,944,383
Inventories	1,786,223,745
Other current assets	—
<b>Total current assets</b>	<b>6,636,325,968</b>
<b>Non-current assets</b>	
Available-for-sale financial assets	4,481,956
Long-term receivables	—
Long-term equity investments	1,122,256,041
Investment properties	144,257,116
Fixed assets	1,614,467,104
Construction in progress	98,258,890
Construction materials	7,470,954
Intangible assets	369,629,671
Goodwill	143,018,489
Long-term prepaid expenses	6,853,723
Deferred tax assets	97,617,518
Other non-current assets	—
<b>Total non-current assets</b>	<b>3,608,311,462</b>
<b>TOTAL ASSETS</b>	<b>10,244,637,430</b>

31 March 2011

Consolidated

**LIABILITIES AND OWNERS' EQUITY**

**Current liabilities**

Short-term borrowings	868,752,454
Notes payable	460,699,951
Accounts payable	1,245,323,812
Advances from customers	779,399,548
Employee benefits payable	192,124,995
Taxes payable	151,430,145
Interest payable	117,041
Dividends payable	11,274,951
Other payables	337,055,586
Current portion of non-current liabilities	157,095,681

**Total current liabilities** 4,203,274,164

**Non-current liabilities**

Long-term borrowings	481,549,535
Long-term payables	132,463,801
Payables for specific projects	4,760,000
Other non-current liabilities	409,686,315
Deferred tax liabilities	27,224,449

**Total non-current liabilities** 1,055,684,100

**Total liabilities** 5,258,958,264

**Owners' equity**

Paid-in capital	3,684,640,154
Capital surplus	57,078,981
Surplus reserve	122,519,724
Undistributed profits	1,053,669,581
Difference on translation of foreign currency financial statements	1,379,200
Total equity attributable to equity holders of the Company	4,919,287,640
Minority interest	66,391,526

**Total owners' equity** 4,985,679,166

**TOTAL LIABILITIES AND OWNERS' EQUITY** 10,244,637,430

# CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(All amounts in RMB Yuan unless otherwise stated)

<b>Item</b>	<b>For the period ended 2011.03.31</b>
<b>Revenue</b>	2,143,219,125
Less: Cost of sales	(1,815,632,999)
Taxes and surcharges	(4,635,333)
Selling and distribution expenses	(78,222,580)
General and administrative expenses	(163,434,196)
Financial expenses – net	(16,323,381)
Asset impairment losses	(353,079)
Investment income	106,313,793
Including: Share of profit of associates and joint ventures	104,098,559
<b>Operating profit</b>	170,931,350
Add: Non-operating income	2,608,136
Less: Non-operating expenses	(2,612,110)
Including: Losses on disposal of non-current assets	–
<b>Total profit</b>	170,927,376
Less: Income tax expenses	(16,893,376)
<b>Net Profit</b>	154,034,000
Attributable to equity holders of the Company	151,854,010
non-controlling interest	2,179,990
<b>Other comprehensive income</b>	(2,632,616)
<b>Total comprehensive income</b>	151,401,384
Attributable to equity holders of the Company	149,221,394
non-controlling interest	2,179,990

# CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(All amounts in RMB Yuan unless otherwise stated)

Item	For the period ended 2011.03.31
<b>Cash flows from operating activities</b>	
Cash received from sales of goods or rendering of services	1,870,236,574
Cash received relating to other operating activities	46,515,230
<b>Sub-total of cash inflows</b>	<b>1,916,751,804</b>
Cash paid for goods and services	-1,589,730,170
Cash paid to and on behalf of employees	-169,072,057
Payments of taxes and surcharges	-140,062,633
Cash paid relating to other operating activities	-168,615,042
<b>Sub-total of cash outflows</b>	<b>(2,067,479,902)</b>
<b>Net cash flows from operating activities</b>	<b>(150,728,098)</b>
<b>Cash flows from investing activities</b>	
Cash received from returns on investments	700,000,000
Cash received relating to other investing activities	2,097,641
Cash received from disposal of investments	288,047
Cash received relating to other investing activities	3,927,624
<b>Sub-total of cash inflows</b>	<b>706,313,312</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	-60,775,872
Cash paid to acquire investments	-700,000,000
Net cash paid to acquire subsidiaries and other business units	—
Cash paid relating to other investing activities	—
<b>Sub-total of cash outflows</b>	<b>(760,775,872)</b>
<b>Net cash flows from investing activities</b>	<b>(54,462,560)</b>

<b>Item</b>	<b>For the period ended 2011.03.31</b>
<b>Cash flows from financing activities</b>	
Cash received from capital contributions	—
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries	—
Cash received from borrowings	183,366,090
Cash received relating to other financing activities	—
<b>Sub-total of cash inflows</b>	183,366,090
Cash repayments of borrowings	-187,800,000
Cash payments for interest expenses and distribution of dividends or profits	-15,238,872
Including: Cash payments for dividends or profit to non-controlling shareholders of subsidiaries	—
Cash payments relating to other financing activities	-1,234,007
<b>Sub-total of cash outflows</b>	(204,272,879)
<b>Net cash flows from financing activities</b>	(20,906,789)
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	—
<b>Net decrease in cash and cash equivalents</b>	(226,097,447)
Add: Cash and cash equivalents at beginning of year	1,679,369,818
<b>Cash and cash equivalent at end of year</b>	1,453,272,372

**Chongqing Machinery & Electric Co., Ltd.\***

**Xie Hua Jun**

*Chairman Executive Director*

Chongqing, the PRC

16 August 2011

*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. Yang Jingpu and Mr. Liu Liangcai; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang and Mr. Kong Weiliang.*

\* For identification purposes only