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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)

PROFIT WARNING

This announcement is made pursuant to Rule 13.09(2) of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

The Board wishes to inform the Shareholders and potential investors that, the unaudited interim results of the Group for the six months ended 30 June 2013 is expected to record a decline as compared to the corresponding period in 2012, but an increase as compared to the second half of 2012.

The information contained in this announcement is only a preliminary assessment by the management of the Company based on the consolidated management accounts of the Group for the six months ended 30 June 2013 that have not been audited or reviewed by the auditors of the Company.

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

This announcement is made by Chongqing Machinery & Electric Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions under Part XIVA of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) of the Company and potential investors that, the unaudited interim results of the Group for the six months ended 30 June 2013 (such unaudited interim results have not been audited or reviewed by the auditors of the Company) are expected to record a decline as compared to the corresponding period in 2012, but an increase as compared to the second half of 2012. Such decline is mainly due to the following reasons:

- (i) In the first half of 2013, as the world economic recovery was sluggish with insufficient growth momentum and China’s economy was in the grip of structural slowdown, China was confronted with slowing investment, lukewarm domestic demand and shrinking exports; and
- (ii) Economic slowdown led to insufficient market demand, the decline in orders placed with the Group, intensified competition and lowered prices.

The Company is still in the process of finalizing its interim results for the six months ended 30 June 2013. The information contained in this announcement is only a preliminary assessment by the management of the Company based on the unaudited consolidated management accounts of the Group. Further details of the Company’s performance for the six months ended 30 June 2013 will be disclosed when the interim results of the Company for the six months ended 30 June 2013 are announced.

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

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Wang Yu Xiang
Executive Director, Chairman

Chongqing, the PRC
19 August 2013

As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Ren Yong and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Deng Yong; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Yang Zhimin.

* For identification purposes only