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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: 2722)

ANNOUNCEMENT pursuant to Listing Rules 13.09(1)

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to announce on 6 January 2009, the Company passed a Board resolution to authorise the managers to purchase shares in Qijiang Gear and Qijiang Qi-Chi at Chongqing United Assets And Equity Exchange. The Possible Transaction, if materialized, will constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

The Possible Transaction may or may not proceed. Shareholders and investors of the Company should exercise caution when dealing in the Shares.

The board of directors (the “Board”) of Chongqing Machinery & Electric Co., Ltd. (the “Company”) wishes to announce that on 6 January 2009, the Company passed a Board resolution to authorise the managers to purchase shares in Qijiang Gear Transmission Co., Ltd (綦江齒輪傳動有限公司) (“Qijiang Gear”) and Qijiang Qi-Chi Forging Co. Ltd (綦江綦齒鍛造有限公司) (“Qijiang Qi-Chi) at Chongqing United Assets And Equity Exchange (the “Possible Transaction”). The Company holds 49% and 23.52% equity interests in Qijiang Gear and Qijiang Qi-Chi respectively. The Possible Transaction is expected to provide a good opportunity to the Company to strengthen its business of producing commercial vehicle parts and components. The total expected investment amount to be involved in the Possible Transaction is RMB257 million (the “Investment Sum”), the Company expects to fund the Investment Sum by utilising a portion of the net proceeds from the global offering of the Company (the “Net Proceeds”) that has been allocated for the purpose of the Possible Transaction. In the event that the Investment Sum shall exceed the estimation of the Board, the Board will allocate appropriate portion from the Net Proceeds to pay for the difference. Notwithstanding the Board resolution, the Company does not have any commitment to proceed with the Possible Transaction. The Board would like to emphasize that the Possible Transaction may or may not proceed. Shareholders and investors of the Company should exercise caution when dealing in the shares of the Company (the “Shares”).

The Possible Transaction, if materialized, will constitute a discloseable transaction on the part of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company will comply with the reporting, announcement and shareholders’ approval requirement under the Listing Rules as and when appropriate.

The Board also confirms that, save for the Possible Transaction, there are no negotiations or agreement or any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Sun Nengyi
Executive Director, Chairman

6 January 2009, Chongqing, the PRC

As at the date of this announcement, the executive directors are Mr. Sun Nengyi, 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*