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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)

**FURTHER ANNOUNCEMENT ON
DISCLOSEABLE TRANSACTION**

**ACQUISITION OF SHARES IN
QIJIANG GEAR AND QIJIANG FORGING**

Reference is made to the announcement of Chongqing Machinery & Electric Co., Ltd. (the “Company”) dated 5 February 2009 (the “Announcement”) in relation to the Acquisition. Further information in relation to the Acquisition is provided in this announcement.

Reference is made to the Announcement. Capitalised terms used in this announcement shall bear the same meanings as defined in the Announcement, unless stated otherwise.

The Company wishes to announce that the unaudited net profit of Qijiang Gear for the financial period ended 31 December 2008 before and after taxation and extraordinary items was approximately RMB65.634 million and RMB58.063 million respectively. For the financial period ended 31 December 2007 the net profit of Qijiang Gear before and after taxation and extraordinary items was approximately RMB84.228 million and RMB77.849 million respectively.

For Qijiang Forging, the unaudited net loss for the financial period ended 31 December 2008 before and after taxation and extraordinary items was approximately RMB0.572 million and RMB0.572 million respectively. For the financial period ended 31 December 2007, the net profit before and after taxation and extraordinary items was approximately RMB3.917 million and RMB3.586 million respectively.

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

9 February 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*