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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)

FRAMEWORK AGREEMENT

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

The Board is please to announce that on 23 April 2009, the Company has entered into a non-legally binding Framework Agreement with the Business Partner in relation to the Possible Transaction.

The Possible Transaction, if it materializes, may constitute a notifiable transaction for the Company under the Listing Rules. If and when appropriate, the Company will comply with the reporting, disclosure and/or shareholders' approval requirements under the Listing Rules should the Possible Transaction proceed.

The Board wished to emphasis that no binding or any other agreement in relation to the Possible Transaction, other than the Framework Agreement, has been entered into as at the date of this announcement. The Possible Transaction may or may not proceed, shareholders of the Company and/or investors are urged to exercise caution when dealing in the securities of the Company.

This announcement is made by Chongqing Machinery & Electric Co., Ltd. (the “Company”) pursuant to Rules 13.09(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce that, on 23 April 2009, the Company has entered into a non-legally binding framework agreement (the “Framework Agreement”) with an independent third party (the “Business Partner”) in relation to the possible acquisition of equity in an overseas company (the “Possible Transaction”).

To the best of the Directors’ knowledge, having made all reasonable enquiries, the Business Partner is not a connected person (as defined in the Listing Rules) of the Company and is independent from the Company, the Directors, supervisor and senior management of the Company or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

It is anticipated that the Possible Transaction provides a good opportunity for the Company to develop and diversified its business. The Board considers the Possible Transaction is beneficial to the Company and the shareholders as a whole.

Since the negotiation is in its preliminary stage and the terms have not been finalized, the Possible Transaction may or may not proceed further. The Possible Transaction, if it materializes, may constitute a notifiable transaction for the Company under the Listing Rules. If and when appropriate, the Company will comply with the reporting, disclosure and/or shareholders’ approval requirements under the Listing Rules and all applicable laws and regulations should the Possible Transaction proceed.

The Framework Agreement is not intended to be legally binding between the parties in relation to the Possible Transaction and it is subject to the execution of the legal binding agreement by the parties. The Board wishes to emphasize that no binding agreement in relation to the Possible Transaction has been entered into as at the date of this announcement. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

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

Chongqing, the PRC
23 April 2009

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*