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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)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the “Meeting”) of Chongqing Machinery & Electric Co., Ltd.* (the “Company”) will be held at Empark Grand Hotel Chongqing at No. 1, 2nd Branch Jianxin North Road, Jiangbei District, Chongqing, the People’s Republic of China (the “PRC”) on Thursday 25 June 2009 at 9:30 a.m. (or at any adjournment thereof) for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company (the “Board of Directors”) for the year ended 31 December 2008;
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2008;
3. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries and the Auditors Report for the year ended 31 December 2008;
4. To consider and approve the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the PRC auditors and PricewaterhouseCoopers as the international auditors of the Company to hold office until the conclusion of the next annual general meeting and to authorize the Board of Directors to fix their remuneration;

5. To consider and approve the profit appropriation proposal of the Company for the year ended 31 December 2008;
6. To consider and approve the rules of procedures of general meetings;
7. To consider and approve the renewal of a guarantee by the Company for a loan of RMB37 million of Chongqing Pigeon Electric Wires & Cables Co., Ltd. (重慶鴿牌電線電纜有限公司);
8. To consider and approve the renewal of a guarantee by the Company for a loan of RMB30 million of Chongqing CAFF Automotive Braking & Steering System Co., Ltd. (重慶卡福汽車制動轉向系統有限公司);
9. To consider and approve the adjustment to projects and investment amount of IPO Proceeds;

SPECIAL RESOLUTIONS

10. To consider and, if thought fit, pass the following resolutions, as a special resolutions, for the amendments to the articles of association of the Company (the “Articles”):

“THAT

- (a) Existing Article 48 of the Articles be deleted in entirety and replaced by the following:

Any person who is a registered shareholder or who requests his name be entered in the register of shareholders in respect of shares in the Company may, if his share certificate (the “original certificate”) relating to the shares is lost, apply to the Company for a replacement share certificate in respect of such shares (the “Relevant Shares”).

Application by a holder of Domestic Shares, who has lost his share certificate, for a replacement share certificate shall be dealt with in accordance with Article 144 of the Company Law.

Application by a holder of Overseas-Listed Foreign Shares, who has lost his share certificate, for a replacement share certificate may be dealt with in accordance with the law of the place where the original register of holders of Overseas-Listed Foreign Shares is maintained, the rules of the stock exchange or other relevant regulations.

Applications for re-issue of share certificates of H shareholders shall satisfy the following requirements:

- (1) The applicant shall submit an application to the Company in a prescribed form accompanied by a notarial certificate or a statutory declaration stating the grounds upon which the application is made and the circumstances and evidence of the loss; and declaring that no other person is entitled to have his name entered in the register of shareholders in respect of the Relevant Shares.
- (2) The Company confirms that it has not received any declaration made by any person other than the applicant declaring that his name shall be entered into the register of shareholders in respect of such shares before it decides to issue a replacement share certificate to the applicant.
- (3) The Company shall, if it intends to issue a replacement share certificate, publish a notice of its intention to do so at least once every thirty days within a period of ninety days in such newspapers as may be prescribed by the board of directors.
- (4) The Company shall, prior to publication of its intention to issue a replacement share certificate, deliver to the stock exchange on which its shares are listed, a copy of the notice to be published and may publish the notice upon receipt of confirmation from such stock exchange that the notice has been exhibited in the premises of the stock exchange. Such notice shall be displayed in the premises of the stock exchange for a period of ninety days.

In the case of an application which is made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail or email to such registered shareholder a copy of the notice to be published.

- (5) If, by the expiration of the 90-day period referred to in paragraphs (3) and (4) of this Article, the Company has not received any objections from any person in respect of the issuance of the replacement share certificate, it may issue a replacement share certificate to the applicant pursuant to his application.
 - (6) Where the Company issues a replacement share certificate pursuant to this Article, it shall forthwith cancel the original share certificate and document the cancellation of the original share certificate and issuance of a replacement share certificate in the register of shareholders accordingly.
 - (7) All expenses relating to the cancellation of an original share certificate and the issuance of a replacement share certificate shall be borne by the applicant and the Company is entitled to refuse to take any action until reasonable security is provided by the applicant for such expenses.
- (b) Existing Article 66 of the Articles be deleted in entirety and replaced by the following:

Notice of shareholders' general meetings shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meetings) by personal delivery or email or postage paid mail to the address as shown in the register of shareholders. For the holders of Domestic Shares, notice of the meetings may also be issued by way of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities authority of the State Council within the interval of forty-five days to fifty days before the date of the meeting; after the publication of such announcement, the holders of Domestic Shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The public announcement shall be published in one Chinese newspaper and one English newspaper circulated in Hong Kong on the same day.

- (c) Existing Article 156 of the Articles be deleted in entirety and replaced by the following:

The Company's financial reports shall be made available for shareholders' inspection at the Company twenty days before the date of every shareholders' annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this Chapter.

The Company shall deliver or send to each H shareholder copy of the report of the board of directors together with the balance sheet (including such documents as shall be attached thereto according to laws and regulations of the People's Republic of China) and profit and loss or income statement (including the financial report) not later than twenty-one days before the date of every annual general meeting by email or postage paid mail to the address as shown in the register of shareholders.

- (d) Existing Article 178 of the Articles be deleted in entirety and replaced by the following:

The Company should give thirty days prior notice to the accountant firm if the Company decides to remove such accountant firm or not to renew the appointment thereof. Such accountant firm shall be entitled to make representations at the shareholders' general meeting. Where the accountant firm resigns from its position as the Company's auditor, it shall make clear to the shareholders in a general meeting whether there has been any impropriety on the part of the Company.

An accountant firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall contain the following statements:

- (1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or
- (2) a statement of any such circumstances.

Where a notice is deposited under the preceding sub-paragraph, the Company shall within fourteen days send a copy of the notice to the relevant governing authority. If the notice contains a statement under the preceding sub-paragraph (2), a copy of such statement shall be placed at the Company for shareholders' inspection. The Company should also send a copy of such statement by email or postage paid mail to every shareholder of Overseas-Listed Foreign Shares at the address registered in the register of shareholders.

Where the notice of resignation of the accountant firm contains a statement in respect of the above, the accountant firm may require the board of directors to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

- (e) Existing Article 179 of the Articles be deleted in entirety and replaced by the following:

In the event of the merger or division of the Company, a plan shall be presented by the Company's board of directors and shall be approved in accordance with the procedures stipulated in the Company's Articles of Association. The Company shall then go through the relevant approval process. A shareholder who objects to the plan of merger or division shall have the right to demand the Company or the shareholders who consent to the plan of merger or division to acquire his shareholding at a fair price. The contents of the resolution of merger or division of the Company shall constitute a specific documents which shall be available for inspection by the shareholders of the Company.

Such specific documents shall be sent by email or postage paid mail to holders of the H shares. The recipient's address should be based on the information contained in the register of shareholders.

- (f) Existing Article 195 of the Articles be deleted in entirety and replaced by the following:

Unless otherwise required by these Articles, notices, information or written statements issued by the Company to the holders of Overseas-Listed Foreign Shares can be issued by way of announcement published on newspaper. In addition, the Company shall deliver the notices, information or written statements to the registered address of each holder of Overseas-Listed Foreign Shares by personal delivery, or postage paid mail or email, so that the shareholders would have enough time to exercise his right or act in accordance with the notice.

As to the notices to be issued by the Company to the holder of Domestic Shares, the Company may publish an announcement on any newspaper in the PRC as stipulated under the laws and administrative regulations or designated by the securities authority of the State Council; once the announcement is published, the holder of Domestic Shares shall be deemed to receive the relevant notice.

- (g) Existing Article 196 of the Articles be deleted in entirety and replaced by the following:

Notices, documents, information or written statements served by way of post, shareholders or directors shall demonstrate the relevant notices, documents, information or written statements have been sent. Shareholders shall be deemed to have received the notice, documents, information or written statements 5 days after the despatch of the same. With respect to the same served by fax or email, or published on websites, written record shall be provided.”

11. To give a general mandate to the Board of Directors to allot, issue and deal with additional Domestic Shares and/or the H Shares and to make or grant offers, agreements and/or options in respect thereof, subject to the following conditions (the “General Mandate”):

“THAT

- (A) (a) the General Mandate shall not extend beyond the Relevant Period save that the Board of Directors may during the Relevant Period make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
- (b) the aggregate nominal amount of the Domestic Shares and the H Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board of Directors (otherwise than pursuant to any scrip dividend scheme (or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend), any share option scheme, a Rights Issue or any separate approval of the shareholders of the Company) shall not exceed:
- (i) 20 per cent. of the aggregate nominal amount of the Domestic Shares in issue; and
- (ii) 20 per cent. of the aggregate nominal amount of the H Shares in issue, respectively, in each case as at the date of passing of this resolution; and
- (c) the Board of Directors will only exercise its power under the General Mandate in accordance with the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as each of them may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant government authorities in the PRC are obtained;

and, for the purposes of this resolution:

“**Domestic Share(s)**” mean ordinary domestic share(s) in the share capital of the Company which are subscribed and/or paid for in Renminbi;

“**H Share(s)**” mean overseas listed foreign invested shares (being ordinary shares) in the share capital of the Company which are subscribed and/or paid for in Hong Kong dollars or foreign currency other than Renminbi;

“**Relevant Period**” means the period from the date of passing this resolution until the earlier of: (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution, unless, by special resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or (b) the expiry of the period within which the next annual general meeting is required by the articles of association of the Company or any applicable law to be held; or (c) the passing of a special resolution of the Company in a general meeting revoking or varying the authority set out in this resolution;

“**Rights Issue**” means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding, as the Board of Directors may decide, for such purpose any shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place) entitled to such offer, pro rata (apart from fractional entitlements) to their then existing holdings of shares; and

- (B) contingent on the Board of Directors resolving to exercise the General Mandate and/or issue shares pursuant to paragraph (A) of this resolution, the Board of Directors be and is hereby authorised:
- (a) to approve, execute and do, or procure to be executed and done all such documents, deeds and matters which it may consider necessary in connection with the exercise of the General Mandate and/or the issue of shares, including but not limited to the time, price, quantity and place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);
 - (b) to determine the use of proceeds and to make all necessary filings and registration with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate);
 - (c) to increase the registered capital of the Company and make all necessary amendments to the Articles to reflect such increase and to register the increased capital with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate) as so to reflect the new capital and/or share capital structure of the Company.”

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

Chongqing, the PRC
28 April 2009

Notes:

1. A member of the Company (“Member”) entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a Member. A form of proxy for use at the Meeting is enclosed herewith. In the case of the joint holders of any Share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such Share at the Meeting, and this notice shall be deemed to be given to all joint holders of such Share.
2. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s H share registrar Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, and in case of holders of domestic shares, to the Company’s mailing address at No. 155 Zhong Shan Third Road, Yuzhong District, Chongqing City, the PRC, not later than 24 hours before the time appointed for holding the Meeting or the time appointed for passing the resolutions or any adjournment thereof. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of Members in Hong Kong will be closed from 26 May 2009 to 25 June 2009, both days inclusive, during which period no transfer of H shares of the Company will be effected. For the identification of Members who are qualified to attend and vote at the Meeting and to be entitled to the proposed final dividend for the year ended 31 December 2008 (if any), all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 May 2009.
4. Whether or not the holders of H shares of the Company who intend to attend the Meeting shall complete the enclosed reply slip for the Meeting and return it, by hand or by post, to the Company’s H share registrar Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or by fax on or before 5 June 2009.
5. Whether or not the holders of domestic shares of the Company who intend to attend to the Meeting shall complete the enclosed reply slip for the Meeting and return it, by hand or by post, to the Company’s mailing address at No. 155 Zhong Shan Third Road, Yuzhong District, Chongqing City, the PRC, or by fax on or before 5 June 2009.

As at the date of this notice, 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*