
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chongqing Machinery & Electric Co., Ltd., you should at once hand this circular with the accompanying form of proxy and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) PROPOSED AMENDMENTS TO THE ARTICLES OF THE COMPANY
AND
(2) CHANGE OF EXECUTIVE DIRECTOR AND
APPOINTMENT OF EXECUTIVE DIRECTOR
AND
(3) CHANGE OF SUPERVISOR

A letter from the Board is set out on pages 1 to 7 of this circular.

A notice convening an extraordinary general meeting of Chongqing Machinery & Electric Co., Ltd. to be held at Grand Metropark Hotel Chongqing, at No. 1598, Jinkai Road, North New Zone, Chongqing, the PRC on Monday, 31 August 2009 at 9:30 a.m. is set out on pages 13 to 15 of this circular.

A form of proxy for use at the extraordinary general meeting is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinacqme.com). Whether or not you intend to attend the extraordinary general meeting, you are requested to complete and return (i) the enclosed reply slip in accordance with the instructions printed thereon no later than 11 August 2009; and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the extraordinary general meeting and voting in person if you so wish.

13 July 2009

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Articles”	means the articles of associations of the Company currently in force;
“Board”	means the board of directors of the Company;
“Company”	means Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司), a joint stock limited company incorporated in the PRC with limited liability;
“Company Law”	means the Company Law of the PRC;
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	means director(s) of the Company;
“Domestic Share(s)”	means ordinary share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as paid up in RMB;
“EGM”	means extraordinary general meeting to be held by the Company to approve, among other things, the proposed amendments to Articles of the Company, the change of executive Director and appointment of executive Director and the change of supervisor;
“Group”	means the Company and its subsidiaries;
“H Shares”	means overseas-listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	means 10 July 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	means Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“MOF”	means the Ministry of Commerce of People’s Republic of China;
“Main Board”	means the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Stock Exchange;
“PRC”	means the People’s Republic of China, which, unless otherwise stated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;
“Parent Company”	means Chongqing Machinery and Electronic Holding (Group) Co., Ltd. (重慶機電控股(集團)公司), a limited liability company established in the PRC on 25 August 2000 and owned by the Chongqing State-owned Assets Supervision and Administration Commission, being one of the Promoters of the Company;
“Parent Group”	means Parent Company and its associates, excluding the Group;
“Promoter”	has the meaning ascribed to it under the Listing Rules;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Supervisor(s)”	means supervisor(s) of the Company;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shareholders”	means holder(s) of the Shares;
“Shares”	means the ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, comprising the domestic shares and the H shares;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules; and
“US\$”	means the lawful currency of the United States of America.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Sun Nengyi
Mr. He Yong
Mr. Liao Shaohua
Mr. Chen Xianzheng

*Registered office and principal place
of business in the PRC:*

No. 155 Zhongshan Third Road
Yuzhong District, Chongqing City
The PRC

Non-executive Directors:

Mr. Huang Yong
Mr. Yu Gang
Mr. Yang Jingpu
Mr. Wu Jian

Principal place of business in Hong Kong:

Suite 2208, 22/F, Jardine House
1 Connaught Place, Central
Hong Kong

Independent Non-executive Directors:

Mr. Lo Wah Wai
Mr. Ren Xiaochang
Mr. Kong Weiliang

To the Shareholders,

**(1) PROPOSED AMENDMENTS TO THE ARTICLES OF THE COMPANY
AND
(2) CHANGE OF EXECUTIVE DIRECTOR AND
APPOINTMENT OF EXECUTIVE DIRECTOR
AND
(3) CHANGE OF SUPERVISOR**

1. INTRODUCTION

The purpose of this circular is to give you the notice of EGM and to provide you with information regarding certain resolutions to be proposed at the EGM to enable you to make an informed decision on whether to vote for or against those resolutions at the EGM.

* For identification purposes only

LETTER FROM THE BOARD

2. PROPOSED AMENDMENTS TO THE ARTICLES OF THE COMPANY

The Company submitted an application to MOF in August 2008 for approval of its change to a foreign investment enterprise. According to the reply of MOF, pursuant to Article 3 (1) of “Regulations on the Establishment of Investment Companies by Foreign Investors” (MOF [2004] Order No.22) which provides, inter alia, that “to apply for approval to establish an investment company, the following conditions shall be met: 1. the foreign investor has sound creditworthiness and has the economic strength necessary for the establishment of the investment company. Its total assets during the year immediately preceding the application are not less than US\$400 million and the investor has established (a) foreign investment enterprise(s) in the PRC and the actual amount of paid-up contributions to the registered capital thereof exceeds US\$10 million or; 2. the foreign investor has sound creditworthiness and has the economic strength necessary for the establishment of the investment company. The investor has established at least 10 foreign investment enterprises in the PRC and the actual amount of paid-up contributions to the registered capital thereof exceeds US\$30 million;”. The holders of H Shares do not meet the abovementioned conditions in relation to foreign investors and the Company needs to apply to change to a foreign-invested project stock company limited (外商投資的項目性股份有限公司). In addition, it is stipulated by the MOF that there shall not be any description in respect of “investment” within the business scope of a project company. Hence, the Company is required to delete the description of “investment in machine tools sector, real estate development sector and finance sector” in Article 11 of the Articles of Association.

Kaiwen Law Firm, the PRC legal adviser of the Company, opines that upon compliance of the relevant requirements, notwithstanding the deletion of “investment in machine tools sector, real estate development sector and finance sector”, the Company may engage in such business directly.

The Company proposed to amend the Article 11 of the Articles as follows:

Original text:

“The Company’s operating principles: carry out its own businesses in accordance with relevant laws and regulations; constantly enhance its management standards and core competitiveness to provide clients with quality services; maximize the interests of shareholders and corporate value of the Company; create good economic and social benefits; and become a world-class equipment manufacturing industry group with core competitiveness, vitality and sustainable development.

The Company’s operating scope shall only cover the items authorized by the company registration authority.

LETTER FROM THE BOARD

The scope of business of the Company:

Development, manufacture and sales of vehicle parts and components, electric machinery and apparatus, environment friendly equipment, CNC machine tools, electric equipment and apparatus, communication equipment (excluding receiving and transmitting facilities), computer and its components, nonferrous metal smelting products and their processing products, instruments and meters, office machinery products, wind power generation equipment; investment in equipment manufacturers, property developers and financial institutions; import & export trade, hi-tech consultation service.

According to the domestic and international market trends, business needs and its own growth capability, the Company may opportunely adjust investment policies, business scope and mode, subject to approvals by resolution of the general meeting and relevant governmental authorities.”

To be amended as:

“The Company’s operating principles: carry out its own businesses in accordance with relevant laws and regulations; constantly enhance its management standards and core competitiveness to provide clients with quality services; maximize the interests of shareholders and corporate value of the Company; create good economic and social benefits; and become a world-class equipment manufacturing industry group with core competitiveness, vitality and sustainable development.

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LETTER FROM THE BOARD

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According to the domestic and international market trends, business needs and its own growth capability, the Company may opportunely adjust investment policies, business scope and mode, subject to approvals by resolution of the general meeting and relevant governmental authorities.”

The full text of the proposed amendments to the Articles is also set out in resolution number 3 in the notice convening the EGM set out on page 14 of this circular.

The proposed amendments to the Articles as set out in resolution number 3 in the notice of the EGM are formulated in Chinese, and translated into English for incorporation in this circular for information purposes only. The Chinese language version shall generally prevail over the English language version in case of any event of inconsistency.

3. CHANGE OF EXECUTIVE DIRECTOR AND APPOINTMENT OF EXECUTIVE DIRECTOR

The Board announced that Mr. Sun Nengyi (“Mr. Sun”), the Chairman of the Company, reached the age of 60 on 12 December 2008, which is the statutory retirement age. The Board announced that Mr. Sun has tendered his resignation from the positions of executive Director and Chairman, which shall become effective upon the appointment of Mr. Xie Hua Jun (“Mr. Xie”) as an executive Director. The Company received the nomination from the Parent Company, its Shareholder, which proposes to appoint Mr. Xie as the executive Director, effective from the date of appointment of Mr. Xie. Mr. Sun has confirmed that he has no disagreement with the Company and there is no matter relating to his resignation that is required to be brought to the attention of the Shareholders. The Board wishes to take this opportunity to express its gratitude to Mr. Sun for his contributions to the Company during his tenure of service with the Company.

LETTER FROM THE BOARD

The Company proposes to appoint Mr. Xie as the executive Director in place of, Mr. Sun who decided to resign upon the appointment of Mr. Xie. The appointment of Mr. Xie is subject to the approval by Shareholders at the EGM. Biographical details of Mr. Xie is as follows:

Mr. Xie, aged 56. He joined the Parent Company in 2009 and served as director and Chairman of the Parent Company in June 2009. Mr. Xie has accumulated over 30 years of experience in corporate management in the production industry. Mr. Xie is a senior economist. From 2000 to 2002, he graduated from the postgraduate program of Public Administration of the Institute of Administration Management (行政管理學院) at Peking University and was awarded a master degree from the School of Public Administration in Chongqing in 2006. Mr. Xie served as the deputy general manager of Chongqing No.2 Light Industry Supply & Sale Co. (重慶二輕工業供銷總公司) from February 1988 to February 1990, the manager of Chongqing Craft and Art Industry Company (重慶市工藝美術工業公司) from February 1990 to June 1992, the deputy director of Chongqing Light Industry Bureau from June 1992 to June 1998, the secretary-general of Re-employment Office (再就業辦公室) of Chongqing from June 1998 to July 2000, the vice president of Chongqing Chemical And Pharmaceutical Holding (Group) Company from July 2000 to November 2003, the director of Chongqing Sanxia Paints Co., Ltd (a company listed on the Shenzhen Stock Exchange of the PRC, stock code: 000565) from June 2001 to March 2007, the president and director of Chongqing Chemical And Pharmaceutical Holding (Group) Company from November 2003 to June 2006, the deputy director of Chongqing State-owned Assets Supervision and Administration Commission from July 2006 to December 2008 as well as the deputy secretary-general of Chongqing Municipal People's Government from December 2008 to June 2009.

Save as disclosed above, Mr. Xie has not held any directorship in any other listed public companies in the last three years, Mr. Xie does not hold any other positions with the Company and other members of the Group and does not have any relationship with any Directors, senior management, substantial or Controlling Shareholder of the Company, nor does he have any interests in the securities of the Company within the meaning of Part XV of the SFO. If Mr. Xie is appointed as an executive Director in the EGM, the Company and Mr. Xie will enter into a service agreement in relation to the appointment of Mr. Xie as an executive Director. Mr. Xie's appointment will be for a term commencing from the date of EGM to the expiry of the term of the current Board. Mr. Xie will be entitled to Director's emoluments. The Board will determine Mr. Xie's remuneration with reference to the remuneration standards for Directors (董事薪酬標準) passed at the 2007 annual general meeting, subject to the approval of the appointment of Mr. Xie at the EGM.

Save as disclosed above, in relation to the proposed appointment of Mr. Xie, the Board is not aware of any matters that need to be brought to the attention of the Shareholders, nor is there any information required to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

4. CHANGE OF SUPERVISOR

The Board announced that Mr. Ye Zusheng (“Mr. Ye”) has resigned from the position of Supervisor, effective from the appointment of Ms. Liao Rong (“Ms. Liao”) as the new Supervisor. Mr. Ye has confirmed that he has no disagreement with the Company and there is no matter relating to his resignation that is required to be brought to the attention of the Shareholders. The Board wishes to take this opportunity to express its gratitude to Mr. Ye for his contributions to the Company during his tenure of service with the Company.

The Company proposes to appoint Ms. Liao as a Supervisor in place of, Mr. Ye who decided to resign upon the appointment of Ms. Liao. The appointment of Ms. Liao is subject to the approval by Shareholders at the EGM. Biographical details of Ms. Liao is as follows:

Ms. Liao, aged 52. She was awarded a bachelor degree in Economic Management by the Party College of Sichuan Province Committee of CCP (中共四川省委黨校) in July 1996. Ms. Liao is a senior economist and has over 20 years of experience in corporate management. Ms. Liao severed as the deputy general manager of Chongqing office of China Huarong Asset Management Co., Ltd. in May 2008. Ms. Liao graduated from the School of Finance and Trading in Chongqing (重慶財貿學校) with a degree in Banking in August 1980 and graduated from the department of Finance and Business of Sichuan Broadcasting and Television University in July 1986. From September 1983 to February 2000, she worked at the Wan Cheng sub branch of Chongqing branch (重慶市分行萬盛區支行) of the Industrial and Commercial Bank of China, during which she served as the department head of the credit department (信貸科科長), assistant to the governor (行長助理), vice governor (副行長) and secretary of commission for discipline inspection. From March 2000 to May 2008, she worked at the Chongqing office of China Huarong Asset Management Co., Ltd. (中國華融資產管理公司重慶辦事處), during which she served as the senior deputy manager, the senior manager of the general department (綜合部高級經理), senior manager of operation department, senior manager of claim department as well as the senior manager of business department.

Ms. Liao has not held any directorship in any other listed public companies in the last three years. Save as disclosed above, Ms. Liao does not hold any other positions with the Company and other members of the Group and does not have any relationship with any Directors, senior management, substantial or Controlling Shareholder of the Company, nor does she have any interests in the securities of the Company within the meaning of Part XV of the SFO. If Ms. Liao is appointed as a Supervisor in the EGM, the Company and Ms. Liao will enter into a service agreement in relation to the appointment of Ms. Liao as a Supervisor. Ms. Liao’s appointment will be for a term commencing from the date of EGM to the expiry of the term of the current supervisory committee.

Ms. Liao will be entitled to Supervisor’s emoluments. The Board will determine Ms. Liao’s remuneration with reference to the remuneration standards for Supervisors (監事薪酬標準) passed at the 2007 annual general meeting, subject to the approval of the appointment of Ms. Liao at the EGM.

LETTER FROM THE BOARD

Save as disclosed above, in relation to the proposed appointment of Ms. Liao, the Board is not aware of any matters that need to be brought to the attention of the Shareholders, nor is there any information required to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules.

5. EGM

The notice of EGM is set out on pages 13 to 15 of this circular. At the EGM, resolutions will be proposed to approve, inter alia, the proposed amendments to the Articles of the Company, change of executive Director and the appointment of executive Director as well as the change of Supervisor.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinacqme.com). Whether or not you intend to attend the EGM, you are requested to complete and return (i) the enclosed reply slip in accordance with the instructions printed thereon no later than 11 August 2009; and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

6. PROCEDURES FOR VOTING IN THE EGM

According to Rule 13.39(4) of the Listing Rules, any vote at a general meeting must be taken by poll.

7. RECOMMENDATION

The Directors consider that all resolutions to be proposed for consideration and approval by the Shareholders at the EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the resolutions to be proposed at the EGM as set out in the notice of the EGM.

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

Chongqing, the PRC, 13 July 2009

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors, chief executive and Supervisors of the Company had any interests or short positions in the Shares, underlying Shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as the Directors are aware the following persons (not being a Director, chief executive or Supervisor of the Company) had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO:

Domestic shares of RMB1.00 each of the Company

Name of Substantial Shareholders	Number of shares	Capacity	Note	Percentage of total number of Domestic Shares in Issue (%)	Percentage of total number of Shares in Issue (%)
Chongqing Machinery and Electronic Holding (Group) Co., Ltd.	1,924,225,189	Beneficial owner	(1)	74.45 (L)	52.22
Chongqing Yufu Asset Management Co., Ltd.	232,132,514	Beneficial owner	(1)	8.98 (L)	6.30
Chongqing Jiangong Group Co., Ltd.	232,132,514	Beneficial owner	(1)	8.98 (L)	6.30
China Huarong Asset Management Co., Ltd.	195,962,467	Beneficial owner	(2)	7.58 (L)	5.32
State-Owned Assets Supervision and Administration Commission of Chongqing	2,388,490,217	Interest in controlled corporations	(1)	92.42 (L)	64.82
The People's Republic of China Ministry of Finance	195,962,467	Interest in controlled corporations	(2)	7.58 (L)	5.32

(L): Long Position

Long position in H shares of RMB1.00 each of the Company

Name of shareholder	Class of shares	Number of shares	Capacity	Note	Percentage of number of H Shares (%)	Percentage of number of Shares in Issue (%)
ChongQing International (HK) Limited	H shares	161,728,000	Beneficial owner	(3)	14.70 (L)	4.39
Fortis Investment Management SA	H shares	99,442,000	Investment manager	(4)	9.04 (L)	2.70
National Council for Social Security Fund	H shares	95,287,470	Beneficial owner		8.66 (L)	2.59
The Bank of New York Mellon (formerly known as the Bank of New York)	H shares	87,276,000	Custodian	(5)	7.93 (L)	2.37
The Bank of New York Mellon Corporation	H shares	87,276,000	Interest in controlled corporation	(5)	7.93 (L) 7.93 (P)	2.37 2.37
Cheah Cheng Hye	H shares	58,316,000	Person who sets up discretionary trust	(6)	5.30 (L)	1.58
To Hau Yin	H shares	58,316,000	Interest of children under 18 and/or spouse	(6)	5.30 (L)	1.58
Hang Seng Bank Trustee International Limited	H shares	58,316,000	Trustee (other than a bare trustee)	(6)	5.30 (L)	1.58
Cheah Company Limited	H shares	58,316,000	Interest in controlled corporation	(6)	5.30 (L)	1.58
Cheah Capital Management Limited	H shares	58,316,000	Interest in controlled corporation	(6)	5.30 (L)	1.58
Value Partners Group Limited	H shares	58,316,000	Interest in controlled corporation	(6)	5.30 (L)	1.58
Value Partners Limited	H shares	58,316,000	Investment manager	(6)	5.30(L)	1.58

(L): Long Position

(P): Lending Pool

Notes:

1. Chongqing Machinery and Electronic Holding (Group) Co., Ltd., Chongqing Yufu Assets Management Co., Ltd, Chongqing Jiangong Group Co., Ltd. and Chongqing International (Holding) Ltd. for Econo & Tech. Cooperation were wholly owned by State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government and their interests in 1,924,225,189 domestic shares, 232,132,514 domestic shares, 232,132,514 domestic shares and 180,000,000 domestic shares respectively were deemed to be the interests.
2. China Huarong Asset Management Co., Ltd was wholly owned by the People's Republic of China Ministry of Finance and the interest in 195,962,467 domestic shares was deemed to be interests of the People's Republic of China of Finance.
3. 重慶國際經濟技術合作(集團)有限公司 was interested in 161,728,000 of H shares of the Company by virtue of its 100% shareholding in 中國重慶國際經濟技術合作公司 and 重慶對外建設總公司, 中國重慶國際經濟技術合作公司 and 重慶對外建設總公司 hold 97.56% and 2.44% equity interests in ChongQing International (HK) Limited respectively. ChongQing International (HK) Limited in turn holds a direct interest of 161,728,000 H shares in the Company.
4. Fortis Investment Management SA was interested in 99,442,000 of H shares of the Company by virtue of its control over the following corporations which held direct interests in the Company:

Name of controlled corporation	Percentage of ownership in controlled corporation (%)	Number of Shares
ABN AMRO Asset Management (Asia) Limited	100	90,066,000
ABN AMRO Asset Management (India) Limited	100	776,000
Fortis Investment Management Japan Limited	100	8,600,000

5. The Bank of New York Mellon Corporation holds 100% interest in The Bank of New York Mellon (formerly known as "The Bank of New York"), which is holding 87,276,000 of H shares of the Company. The interest in 87,276,000 H shares relates to the same block of shares in the Company and includes a lending pool of 87,276,000 of H shares of the Company.
6. Value Partners Limited holding 58,316,000 H Shares of the Company, was wholly owned by Value Partners Group Limited, which in turn was owned as to 35.65% by Cheah Capital Management Limited. Cheah Capital Management Limited was in turn wholly owned by Cheah Company Limited, which is 100% held in trust by Hang Seng Bank Trustee International Limited under the discretionary trust founded by The C H Cheah Family Trust. Cheah Cheng Hye is interested in the 58,316,000 H Shares of the Company as the person who sets up The C H Cheah Family Trust. the discretionary trust, while To Hau Yin is interested being the children/spouse of Cheah Cheng Hye. The interest in 58,316,000 H Shares mentioned above relates to the same block of Shares in the Company.

Save as disclosed above, the Directors are not aware of any persons holding any interests or short positions in the shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO and were require to be recorded in the register pursuant to section 336 of the SFO as at the Latest Practicable Date.

4. SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their associates were interested in any business which competes or is likely to compete, either directly or indirectly, with that of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other members of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there were no material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

8. MISCELLANEOUS

- (i) The registered office and the principal place of business in the PRC of the Company is at No. 155, Zhongshan Third Road, Yuzhong District, Chongqing City, the PRC.
- (ii) The principal place of business of the Company in Hong Kong is Suite 2208, 22/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (iii) The Company's H Share Registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The company secretary of the Company is Mr. Wang Xiao Jun, who is a practicing solicitor of the High Court of Hong Kong.
- (v) Unless stated otherwise, in the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

NOTICE OF EGM

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Chongqing Machinery & Electric Co., Ltd.* (the “Company”) will be held at Grand Metropark Hotel Chongqing, at No. 1598, Jinkai Road, North New Zone, Chongqing, the People’s Republic of China (the “PRC”) on Monday, 31 August 2009 at 9:30 a.m. (or at any adjournment thereof) for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the resignation of Mr. Sun Nengyi as executive director and chairman and the appointment of Mr. Xie Hua Jun as an executive Director of the Company to hold office from the date of the Meeting until expiry of the term of the session of the Board and to authorize the Board to fix the remuneration of Mr. Xie Hua Jun pursuant to the remuneration standard for Directors passed at the 2007 annual general meeting and to enter into a service agreement with him on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters;
2. To consider and approve the resignation of Mr. Ye Zusheng as the supervisor and the appointment of Ms. Liao Rong as a Supervisor of the Company to hold office from the date of the Meeting until expiry of the term of the session of the Supervisory Committee of the Company and to authorize the Board to fix the remuneration of Ms. Liao Rong pursuant to the remuneration standard for Supervisors passed at the 2007 annual general meeting and to enter into a service agreement with her on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters;

* *For identification purposes only*

NOTICE OF EGM

SPECIAL RESOLUTIONS

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

Existing Article 11 of the Articles be deleted in entirety and replaced by the following:

The Company’s operating principles: carry out its own businesses in accordance with relevant laws and regulations; constantly enhance its management standards and core competitiveness to provide clients with quality services; maximize the interests of shareholders and corporate value of the Company; create good economic and social benefits; and become a world-class equipment manufacturing industry group with core competitiveness, vitality and sustainable development.

The Company’s operating scope shall only cover the items authorized by the company registration authority.

The scope of business of the Company:

Development, manufacture and sales of vehicle parts and components, electric machinery and apparatus, environment friendly equipment, CNC machine tools, electric equipment and apparatus, communication equipment (excluding receiving and transmitting facilities), computer and its components, nonferrous metal smelting products and their processing products, instruments and meters, office machinery products, wind power generation equipment; investment in equipment manufacturers, property developers and financial institutions; import & export trade, hi-tech consultation service.

According to the domestic and international market trends, business needs and its own growth capability, the Company may opportunely adjust investment policies, business scope and mode, subject to approvals by resolution of the general meeting and relevant governmental authorities.

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

Chongqing, the PRC, 13 July 2009

NOTICE OF EGM

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. Where two or more persons are registered as 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 1806-1807, 18/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 Zhongshan Third Road, Yuzhong District, Chongqing City, the PRC, no later than 24 hours before the time appointed for holding the Meeting or any adjournment thereof or the time appointed for passing the resolutions. 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 31 July 2009 to 31 August 2009, both days inclusive, during which period no transfer of H Shares of the Company will be effected. In order to determine the list of Members who are qualified to attend and vote at the Meeting, 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 Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 30 July 2009.
4. Whether or not the holders of H Shares of the Company intend to attend the Meeting, they 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 1806-1807, 18/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or by fax on or before 11 August 2009.
5. Whether or not the holders of domestic shares of the Company intend to attend to the Meeting, they 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 Zhongshan Third Road, Yuzhong District, Chongqing City, the PRC, or by fax on or before 11 August 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.