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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 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;

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

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.

* *For identification purposes only*