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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)

CLARIFICATION ANNOUNCEMENT

Reference is made to the Proxy Form for Extraordinary General Meeting of Chongqing Machinery & Electric Co., Ltd.* (the “**Company**”) to be held at Grand Metropark Hotel Chongqing at No. 1598, Jinkai Road, North New Zone, Chongqing, the People's Republic of China on Monday, 31 August 2009, at 9:30 a.m. (the “**Proxy Form**”) published on 13 July 2009.

Unless otherwise defined herein, the capitalised terms used in this announcement shall bear the same meaning as defined in the Proxy Form.

The board of directors (the “**Board**”) of the Company is aware of the error in Resolution No.3 on the Proxy Form. The Board would like to clarify that Resolution No.3 on the Proxy Form should be a “Special Resolutions” instead of “Ordinary Resolutions”. A revised proxy form has been despatched to the shareholders of the Company (the “**Revised Form**”), shareholders shall refer to and use the Revised Form.

Save as disclosed in the above, the Company confirms that all the information in the Proxy Form are correct in all material aspects. The aforesaid errors were inadvertently made and the Company failed to detect the same during the process of proofreading of the Proxy Form. The Company apologizes for any inconvenience caused by the aforesaid errors.

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

Chongqing, the PRC
13 July 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*