
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s).

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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) RESIGNATION OF EXECUTIVE DIRECTOR
(2) APPOINTMENT OF EXECUTIVE DIRECTOR
(3) APPOINTMENT OF NON-EXECUTIVE DIRECTOR
(4) PROPOSED AMENDMENTS TO THE ARTICLES
AND
(5) NOTICE OF EGM

A notice convening an Extraordinary General Meeting of Chongqing Machinery & Electric Co., Ltd.* to be held at Grand Metropark Hotel Chongqing, No. 1598 Jinkai Road, North New Zone, Yubei District, Chongqing, the PRC on Thursday, 30 December 2010 at 9:30 a.m. is set out on pages 9 to 10 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 Friday, 10 December 2010 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.

15 November 2010

* *For identification purposes only*

CONTENTS

	<i>Pages</i>
Definitions	ii
 Letter from the Board	
Introduction	1
Resignation of Executive Director	2
Appointment of Executive Director	2
Appointment of Non-executive Director	2
Proposed Amendments to the Articles	3
Recommendation	4
 Appendix I — Biographies of the Directors to be appointed	 5
 Appendix II — Proposed Amendments to the Articles	 7
 Appendix III — Notice of EGM	 9

DEFINITIONS

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

“Articles”	means the articles of association of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“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)
“Director(s)”	means the 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
“Extraordinary General Meeting” or “EGM”	means an extraordinary general meeting of the Company to be held at Grand Metropark Hotel Chongqing, No. 1598 Jinkai Road, North New Zone, Yubei District, Chongqing, the PRC on Thursday, 30 December 2010 at 9:30 a.m.
“Group”	means the Company and its associates
“H Shares”	means overseas-listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	means the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“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 or its associates, excluding the Group
“RMB”	means Renminbi, the lawful currency of the PRC
“Shares”	means the Domestic Shares and/or the H Shares
“Shareholders”	means holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

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. Xie Hua Jun
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. Liu Liangcai

Principal place of business in Hong Kong:

Suite 2008, 20/F, Jardine House
1 Connaught Place, Central
Hong Kong

Independent non-executive Directors:

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

15 November 2010

To the Shareholders

**(1) RESIGNATION OF EXECUTIVE DIRECTOR
(2) APPOINTMENT OF EXECUTIVE DIRECTOR
(3) APPOINTMENT OF NON-EXECUTIVE DIRECTOR
(4) PROPOSED AMENDMENTS TO THE ARTICLES
AND
(5) NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the Company's announcement dated 26 October 2010, which sets out the change of executive Director and general manager. The purpose of this circular is to provide you with the following proposals to be considered at the EGM: (i) resignation of executive Director Mr. He Yong, (ii) appointment of Mr. Yu Gang as executive Director, (iii) appointment of Mr. Wang Jiyu as non-executive Director and (iv) proposed amendments to the Articles.

* *For identification purposes only*

LETTER FROM THE BOARD

2. RESIGNATION OF EXECUTIVE DIRECTOR MR. HE YONG

Mr. He Yong (“**Mr. He**”) has tendered his resignation as the executive Director (the “**Executive Director**”) and general manager (the “**General Manager**”) of the Company due to work arrangement on 11 October 2010. The resignation of Mr. He as the Executive Director will take effect upon the election of Executive Director of the Company in due course. The resignation of Mr. He as the General Manager took effect on 25 October 2010.

Mr. He has confirmed that his resignation is due to work arrangement and he has no disagreement with the Board and that he is not aware of any matters relating to his resignation as the Executive Director and the General Manager that need to be brought to the attention of the Shareholders of the Company. Save as disclosed above, there is no other information required to be disclosed by Mr. He pursuant to the requirements of Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and there is no other matter that needs to be brought to the attention of the Shareholders of the Company.

3. APPOINTMENT OF MR. YU GANG AS EXECUTIVE DIRECTOR

Mr. Yu Gang (“**Mr. Yu**”) is the newly nominated candidate for election as Executive Director of the Board. As provided in the Articles, the appointment of Mr. Yu will only become effective after his appointment being approved at the general meeting and his term of office shall commence from the date of the approval at the general meeting until the expiry of the term of this session of the Board of the Company. Mr. Yu is currently a non-executive Director and General Manager of the Company. Mr. Yu will cease to hold his position as non-executive Director upon his being appointed as Executive Director at the EGM. Biography of Mr. Yu, which is discloseable according to the Listing Rules, are set out in Appendix I to this circular.

4. APPOINTMENT OF NON-EXECUTIVE DIRECTOR

After Mr. Yu being elected as Executive Director of the Board, Mr. Wang Jiyu (“**Mr. Wang**”) will be the newly nominated candidate for election as non-executive Director to fill the vacancy arising from Mr. Yu’s resignation as non-executive Director. In accordance with the Articles, the appointment of Mr. Wang will only become effective after his appointment being approved at the general meeting and his term of office shall commence from the date of the approval at the general meeting until the expiry of the term of this session of the Board of the Company. Mr. Wang currently does not hold any positions in the Company. Biography of Mr. Wang, which is discloseable according to the Listing Rules, are set out in Appendix I to this circular.

LETTER FROM THE BOARD

5. PROPOSED AMENDMENTS TO THE ARTICLES

On 17 September 2010, the Board received a notification from Chongqing Jiangong Group Co., Ltd., the Shareholder, stating that its name had been changed to “Chongqing Construction Engineering Group Co., Ltd. (重慶建工集團股份有限公司)”. Thus, the Company proposed to amend the Articles to amend “Chongqing Jiangong Group Co., Ltd.” as “Chongqing Construction Engineering Group Co., Ltd. (重慶建工集團股份有限公司)” in the Articles. Details of proposed amendments are set out in Appendix II to this circular. According to the Articles and relevant laws and regulations, proposed amendments to the Articles are subject to the approval of the Shareholders of the Company by way of special resolution at the general meeting.

6. EGM AND PROXY ARRANGEMENT

The notice of EGM is set out on pages 9 to 10 of this circular. At the EGM, resolutions will be proposed to approve, inter alia, (i) appointment of Executive Director Mr. He Yong; (ii) appointment of Mr. Yu Gang as Executive Director; (iii) appointment of Mr. Wang Jiyu as non-executive Directors; and (iv) proposed amendments to the Articles.

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 reply slip enclosed herein in accordance with the instructions printed thereon not later than Friday, 10 December 2010 and (ii) the form of proxy enclosed herein 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.

To the best of the Director’s knowledge, information and belief and having made all reasonable enquires, no Director or Shareholder has a material interest on the resolutions proposed at the EGM, and no Shareholder is required the abstain from voting on any of the resolutions at the EGM.

7. PROCEDURES FOR VOTING IN THE EGM

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

LETTER FROM THE BOARD

8. RECOMMENDATION

The Directors consider that the proposed resolutions regarding (i) resignation of Mr. He Yong as Executive Director, (ii) appointment of Mr. Yu Gang as Executive Director, (iii) appointment of Mr. Wang Jiyu as Non-executive Director and (iv) proposed amendments to the Articles are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders of the Company should vote in favour of the resolutions to be proposed at the EGM in respect of such matters.

Yours faithfully,

By Order of the Board

Chongqing Machinery & Electric Co., Ltd.*

Xie Hua Jun

Executive Director, Chairman

BIOGRAPHY OF THE CANDIDATE OF EXECUTIVE DIRECTOR**Mr. Yu Gang**

Mr. Yu Gang, aged 46, joined the Parent Group and the Group in October 2003 and July 2007 respectively. He has been a non-executive Director of the Company since July 2007 and a director of the Parent Group since September 2003. Mr. Yu acted as vice president of the Parent Group from September 2003 to September 2010. Since May 2009, he has also been serving as a director and vice chairman at Chongqing Wanli Holding (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange in March 1994 and primarily engaged in manufacture and sale of lead acid storage batteries and components. In addition, Mr. Yu has concurrently been a director and executive director of Chongqing Puhui Electromechanical Industrial Development Company Limited (重慶普惠機電實業發展有限責任公司) since April 2004 and a director of Kunlun Financial Leasing Company Limited since August 2010, respectively. Mr. Yu has over 20 years of experience in the government service and the management of large enterprises. Prior to joining the Company, Mr. Yu was the deputy mayor of Jiangjin Municipal Government from 2001 to 2003 in charge of industrial development of the municipality, the assistant to the mayor of Jiangjin Municipal Government and the section chief of Economic Committee and the minister of the Industry and Transportation Department from 1997 to 2001 in charge of the industrial and economic development of the municipality. Between 1989 and 1997, he was an officer in the Chongqing Municipality Industrial Transportation Department in charge of human resources management, and an officer in the Chongqing Machinery School from 1984 to 1989. Mr. Yu is a senior engineer who graduated from Chongqing Machinery Manufacturing School with a professional degree in machinery engineering in 1984 and from Chongqing Party School in 1997. He also graduated from Southwest Normal School with a master's degree in business management in 2002. He is currently attending an EMBA course in business administration in Xiamen University. Save as disclosed above, Mr. Yu did not hold any directorship in other listed public companies or any other position in the Company or other members of the Group in the last three years.

As at the date of this circular, Mr. Yu did not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed in this circular, Mr. Yu does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

Mr. Yu has not entered into any service contract with the Company or its subsidiaries in respect of his appointment as Executive Director. He has been appointed as the General Manager of the Company and his term of office shall commence from the date of the approval at the Board meeting until the expiry of the term of this session of the Board. The proposed annual salary of Mr. Yu in his term of office shall be subject to the remuneration standard of the Company as approved at the 2009 annual general meeting.

Save as disclosed above, there is no other matter in relation to Mr. Yu that needs to be brought to the attention of the Shareholders of the Company and there is no information that is required to be disclosed pursuant to Rule 13.51(2) (h) to (v) of the Listing Rules.

BIOGRAPHY OF THE CANDIDATE OF NON-EXECUTIVE DIRECTOR**Mr. Wang Jiyu**

Mr. Wang Jiyu, aged 53, joined the Parent Group in December 1980. He has been the vice president of the Parent Group and a member of the Party Committee since October 2001 in charge of economic operation, safety and environmental protection, personnel and labour as well as comprehensive statistics. He has been serving as a director and vice chairman of Chongqing Lifan Automobile Co., Ltd. since May 2004 and a director and vice chairman of Chongqing Electric Machine Federation Ltd. since November 2007 and June 2010 respectively. Mr. Wang has over 20 years of experience in business management. He was an assistant to president and head of the economic operation department at the Parent Group from 2000 to October 2001, in charge of economic operation, safety and hygiene, labour and salaries as well as comprehensive statistics. From November 1984 to August 2000, he served at Chongqing Municipal Machinery Industry Bureau as secretary of the organization and personnel division, deputy secretary of the communist youth league, deputy director of the enterprise management division and deputy director of the general production division (in charge of operation) in tandem. Mr. Wang was a teacher at the Technical School of Chongqing Mining Machine Factory (重慶礦山機器廠技校) from December 1980 to October 1982 and the deputy secretary of the Work Committee of Communist Youth League of Chongqing Engineering & Mining Machinery Industry Company (重慶工程礦山機械工業公司) from October 1982 to November 1984. Mr. Wang is a senior economist who graduated from the Correspondence Institute of the Party School of C.C. of C.P.C. with a diploma in economic management in June 1988. Save as disclosed above, Mr. Wang did not hold any directorship in other listed public companies or any other position in the Company or other members of the Group in the last three years.

As at the date of this circular, Mr. Wang did not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed in this circular, Mr. Wang does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

Mr. Wang has not entered into any service contract with the Company or its subsidiaries in respect of his appointment as non-executive Director. The proposed annual salary of Mr. Wang in his term of office shall be subject to the remuneration standard of the Company as approved at the 2009 annual general meeting.

Save as disclosed above, there is no other matter in relation to Mr. Wang that needs to be brought to the attention of the Shareholders of the Company and there is no information that is required to be disclosed pursuant to Rule 13.51(2) (h) to (v) of the Listing Rules.

(1) **To amend Article 1 as follows:**

Chongqing Machinery & Electric Co., Ltd.* (the “Company”) is a joint stock limited company established in accordance with the Company Law of the People’s Republic of China (hereafter as the “Company Law”), “The Securities Law of the PRC” (hereafter as the “Securities Law”), the Special Provisions of the State Council concerning the Flotation and Listing Abroad of Shares by Joint Stock Company with Limited Liability (國務院關於股份有限公司境外募集股份及上市的特別規定) (hereafter as the “Special Provisions”) and other relevant laws and administrative regulations of the People’s Republic of China (hereafter as the “PRC”, for the purpose of this Article, the “PRC” excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan).

The Company was established on 27 July 2007 by way of promotion and obtained the Business License (企業法人營業執照) upon registration with the Chongqing Administration Bureau of Industry and Commerce on 27 July 2007. Its registration code is: 500000000000311.

The promoters of the Company are: Chongqing Machinery and Electronic Holding (Group) Co., Ltd., Chongqing Yufu Asset Management Co., Ltd, Chongqing Construction Engineering Group Co., Ltd. and China Huarong Asset Management Co., Ltd. etc.

(2) To amend Article 17 to:

After its establishment, the Company first issued 1,100,187,470 overseas listed foreign shares, of which 1,004,900,000 shares were new shares and 95,287,470 shares were existing State-owned shares. After the abovementioned capital increase and issue, the shareholding structure of the Company is as follows:

Name of shareholders	After initial capital increase and issue	
	Number of shares held <i>(shares)</i>	Proportion in total share capital
Promoter shareholder		
Chongqing Machinery and Electronic Holding (Group) Co., Ltd.	1,924,225,189	52.22%
Chongqing Yufu Asset Management Co., Ltd	232,132,514	6.30%
Chongqing Construction Engineering Group Co., Ltd.	232,132,514	6.30%
China Huarong Asset Management Co., Ltd.	195,962,467	5.32%
Sub-total	2,584,452,684	70.14%
H shares	1,100,187,470	29.86%
Total	3,684,640,154	100%

**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 “**EGM**”) of Chongqing Machinery & Electric Co., Ltd.* (the “**Company**”) will be held at Grand Metropark Hotel Chongqing, at No. 1598, Jinkai Road, North New Zone, Yubei District, Chongqing, the PRC on Thursday, 30 December 2010 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolutions:

ORDINARY RESOLUTIONS:

1. To approve the resignation of executive Director Mr. He Yong;
2. To approve the appointment of Mr. Yu Gang as executive Director and his remuneration to be implemented according to the remuneration standards approved at the 2009 annual general meeting;
3. To approve the appointment of Mr. Wang Jiyu as non-executive Director and his remuneration to be implemented according to the remuneration standards approved at the 2009 annual general meeting; and

SPECIAL RESOLUTION:

4. The proposal by the board of directors of the Company (the “**Board**”) to amend the Articles of the Company in the manner as set out in the circular of the Company dated 15 November 2010 to the Shareholders of the Company, of which this notice forms part, be and is hereby approved, and the Board be and is hereby authorised to do all such things as necessary in respect of the amendments to the Articles pursuant to the requirements (if any) under domestic or overseas laws and under the rules of any stock exchange on which securities of the Company are listed.

By Order of the Board

Chongqing Machinery & Electric Co., Ltd.***Xie Hua Jun***Executive Director, Chairman*

15 November 2010

** For identification purposes only*

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 17M Floor, 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 will be closed from 30 November 2010 to 30 December 2010, 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 29 November 2010.
4. Members entitled to attend the meeting shall return the reply slip for attending the meeting, 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 Friday, 10 December 2010.

As at the date of this notice, the executive Directors are Mr. Xie Hua Jun, 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. Liu Liangcai; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang and Mr. Kong Weiliang.

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