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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 Grand Metropark Hotel Chongqing, No. 1598 Jinkai Road, North New Zone, Yubei District, Chongqing, the PRC on Monday, 6 June 2011 at 10 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 2010;
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2010;
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 2010;
4. To consider and approve the profit appropriation proposal of the Company for the year ended 31 December 2010;

5. 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 of the Board of Directors to fix their remuneration;
6. 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);
7. To consider and approve the renewal of a guarantee by the Company for a loan of RMB50.44 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);
8.
 - (a) To approve the transactions contemplated under the Master Agreements and the Revised Annual Caps as set out in the abovementioned circular;
 - (b) To consider, confirm and ratify the Supplemental Agreements, (a copy of each Supplemental Agreement has been produced at the Meeting marked “A” and initiated by the chairman of the Meeting for identification purpose), as more particularly described in the circular to the shareholder of the Company dated 18 April 2011 of which this notice forms part and all the transactions contemplated thereunder; and
 - (c) To authorize the directors of the Company to do all such things and take all such actions for and on behalf of the Company as they consider necessary, desirable or expedient in connection with the revision as set out in paragraphs 8(a) to 8(b) of this resolution.

SPECIAL RESOLUTIONS

9. To issue corporate bonds with an aggregate nominal value of up to RMB1 billion in the PRC and to authorize the Board to delegate two directors namely Mr. Yu Gang and Mr. Chen Xianzheng to jointly deal with, at their full discretion, all matters relating to the issue of corporate bonds within the framework and principle as approved by the shareholders' general meeting.
10. 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); and
- (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.*

Xie Hua Jun

Executive Director, Chairman

Chongqing, the PRC

18 April 2011

As at the date of this notice, the executive Directors are Mr. Xie Hua Jun, Mr. Yu Gang, Mr. Liao Shaohua and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, 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.

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 5 May 2011 to 6 June 2011, 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 2010 (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 4 May 2011.
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 Tuesday, 17 May 2011.
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 Zhongshan Third Road, Yuzhong District, Chongqing City, the PRC, or by fax on or before Tuesday, 17 May 2010.

* *For identification purposes only*