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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)

ANNOUNCEMENT

**OBTAINING APPROVAL OF
THE PUBLIC ISSUE OF CORPORATE BONDS IN THE PRC FROM
THE CHINA SECURITIES REGULATORY COMMISSION**

The Company received today from the China Securities Regulatory Commission (the “CSRC”) the “Approval of the Corporate Bond Public Issue of Chongqing Machinery & Electric Co., Ltd.*” (《關於核准重慶機電股份有限公司公開發行公司債券的批覆》) (Zheng Jian Xu Ke [2011] No.1133) which approved the corporate bond public issue of an aggregate nominal value of up to RMB1 billion (inclusive) to the public in the PRC by the Company. The approval shall remain effective for six months from the date of approval.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

ISSUE OF CORPORATE BONDS IN THE PRC

Reference is made to the circular of the Company dated 18 April 2011(the “Circular”).

The annual general meeting of the Company was held on 6 June 2011, at which the shareholders of the Company approved the issue of bonds of RMB1 billion (the “Corporate Bonds”) by the Company.

The particulars of the issue of Corporate Bonds are set out as follows:

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| Size of issue | : | an aggregate nominal value of up to RMB1 billion (inclusive) |
| Variety and maturity of the bonds | : | the Corporate Bonds will bear a fixed interest rate with a maturity of not exceeding 5 years |
| Interest rate of bonds | : | coupon rate of the bonds will be negotiated and determined by the Company and the sponsor (lead underwriter) based on the results of the book-building process of offline subscription and in accordance with relevant PRC regulations, which shall fall within the range of interest rates for the subscription. |
| Target subscribers and placement arrangement to the shareholders of the Company | : | the Corporate Bonds will be issued through offline price consultation and signing subscription agreements with institutional investors which maintain legal securities accounts. No preferential placement will be provided to any shareholders of the Company. |
| Guarantee | : | guarantee will be provided by the parent company. |
| Use of proceeds | : | the proceeds will be first used for repayment of bank loans, and the remaining will be used to replenish the working capital of the Company. |

- Validity period of the resolution : validity period of the resolution in relation to the issue of Corporate Bonds will be from the date of approval at the 2010 annual general meeting to the conclusion of the 2012 annual general meeting of the Company.
- Listing of the bonds : upon completion of the issue of Corporate Bonds, the Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the Corporate Bonds.

The Company made an application in respect of the issue of Corporate Bonds to the CSRC on 8 June 2011 and received today from the CSRC the “Approval of the Corporate Bond Public Issue of Chongqing Machinery & Electric Co., Ltd.*” (《關於核准重慶機電股份有限公司公開發行公司債券的批覆》) (Zheng Jian Xu Ke [2011] No.1133) which approved the corporate bond public issue of an aggregate nominal value of up to RMB1 billion (inclusive) to the public in the PRC. The approval shall remain effective for six months from the date of approval.

The Company shall make further announcement in respect of the issue of Corporate Bonds from time to time in accordance with the Listing Rules.

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Chen Xianzheng
Executive Director

Chongqing, the PRC
22 July 2011

As at the date of this announcement, 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.

* *For identification purposes only*