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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)

POSITIVE PROFIT ALERT

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company and potential investors that the Company and its subsidiaries (the “**Group**”) is expected to record a significant increase in profit for the six months ended 30 June 2010 as compared to the profit for the same period in 2009.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Chongqing Machinery & Electric Co., Ltd. (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the unaudited accounts of the Group, it is expected that the unaudited interim results of the Group for the six months ended 30 June 2010 may record a significant increase in profit as compared to the profit for the same period in 2009. The possible profit is mainly arising from (i) the increase in the demand for diesel engines; (ii) the increase in the demand from automobile sector; and (iii) the increase in the demand for electrical wires and cables.

The Company is still in the process of finalizing the results of the Group for the six months ended 30 June 2010. The information contained in this announcement is only based on a preliminary assessment of the unaudited accounts of the Group as at 30 June 2010 by the Board and is not based on any figures or information audited or reviewed by the Company's auditors. Details of the Group's results for the six months ended 30 June 2010 will be announced in August 2010.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Xie Hua Jun
Chairman Executive Director

Chongqing, the PRC
27 August 2010

As at the date of this announcement, 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.

* *for identification purposes only*