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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.\* (the “Company”), you should at once hand this circular to the purchaser or the transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(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) PROPOSED GRANTING OF A GENERAL MANDATE  
TO ISSUE NEW SHARES OF THE COMPANY;**
- (2) RENEWAL OF GUARANTEE BY THE COMPANY FOR LOANS  
OF RMB37 MILLION OF CHONGQING PIGEON;**
- (3) RENEWAL OF GUARANTEE BY THE COMPANY FOR LOANS  
OF RMB115 MILLION OF HUAHAO SMELTING;**
- (4) GUARANTEE BY THE COMPANY FOR A LOAN OF USD50 MILLION OF HOLROYD  
AND PTG DEVELOPMENT AS CO-BORROWERS;**
- (5) PROVISION OF GUARANTEE BY THE COMPANY FOR A LOAN OF  
USD20 MILLION OF PTG DEVELOPMENT;**
- (6) CHANGE OF A DIRECTOR; AND**
- (7) NOTICE OF THE ANNUAL GENERAL MEETING OF THE COMPANY.**

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The letter from the Board of the Company is set out on pages 1 to 9 of this circular.

A notice convening the 2013 Annual General Meeting of Chongqing Machinery & Electric Co., Ltd\* to be held at the Conference Room, 13/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Wednesday, 18 June 2014 at 10:00 a.m. is set out on pages 15 to 20 of this circular.

A form of proxy for use at the Annual 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](http://www.hkexnews.hk)) and the Company ([www.chinacqme.com](http://www.chinacqme.com)). Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return (i) the enclosed reply slip in accordance with the instructions printed thereon not later than Thursday, 29 May 2014 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 Annual 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 Annual General Meeting and voting in person if you so wish.

30 April 2014

\* For identification purposes only

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## DEFINITIONS

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

“Annual General Meeting” or “AGM”	means the 2013 annual general meeting of the Company to be held at the Conference Room, 13/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Wednesday, 18 June 2014 at 10:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the annual general meeting which is set out on pages 15 to 20 of this circular, or any adjournment thereof
“Articles”	means the articles of association of the Company currently in force
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of Directors of the Company
“Chongqing Pigeon”	means Chongqing Pigeon Electric Wires & Cables Co., Ltd. (重慶鴿牌電線電纜有限公司), a 74%-owned subsidiary of the Company, which was established in the PRC on 20 January 2001
“Company”	means Chongqing Machinery & Electric Co., Ltd *(重慶機電股份有限公司), a joint stock limited company incorporated in the PRC with limited liability
“Director(s)”	means the director(s) of the Company
“Domestic Share(s)”	means ordinary share(s) of a nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as paid up in RMB
“General Mandate”	the proposed general mandate to allot, issue and otherwise deal with additional Shares representing up to the limit of 20% of the Shares in issue on the date of the passing of the related resolution

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## DEFINITIONS

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“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
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Holroyd”	means Holroyd Precision Limited, is a wholly-owned subsidiary of PTG Company and a limited company incorporated in England, which, in turn, is a wholly-owned subsidiary of the Company
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Huahao Smelting”	means Chongqing Huahao Smelting Co., Ltd. (重慶華浩冶煉有限公司), a wholly-owned subsidiary of the Company, which was established in the PRC on 16 April 2002
“Latest Practicable Date”	means 25 April 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“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 and its associates, excluding the Group

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## DEFINITIONS

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“PRC”	means the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region and the Taiwan region
“Promoter”	has the meaning ascribed to it under the Listing Rules
“PTG Company”	means Precision Technologies Group Limited, a wholly-owned subsidiary of the Company and a limited company incorporated in England
“PTG Development”	means PTG Investment Development Company Ltd., a wholly-owned subsidiary of PTG Company and a limited company incorporated in Hong Kong
“Relevant Period”	means the period from the date of passing the 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 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 the resolution in approving the General Mandate
“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 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

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## DEFINITIONS

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“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholders”	means holder(s) of the Shares
“Shares”	means the Domestic Shares and/or the H Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	has the meaning ascribed to it under the PRC Company Law and the Listing Rules
“USD”	US dollars, the lawful currency of the United States

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Wang Yuxiang  
Mr. Yu Gang  
Mr. Ren Yong  
Mr. Chen Xianzheng

*Registered office and principal place  
of business in the PRC:*

No.60, Middle Section of Huangshan Avenue,  
New North Zone, Chongqing City, the PRC

*Non-executive Directors:*

Mr. Huang Yong  
Mr. Wang Jiyu  
Mr. Yang Jingpu  
Mr. Deng Yong

*Principal place of business in Hong Kong:*

Suite 3701-10, 37/F, Jardine House  
1 Connaught Place, Central  
Hong Kong

*Independent Non-executive Directors:*

Mr. Lo Wah Wai  
Mr. Ren Xiaochang  
Mr. Jin Jingyu  
Mr. Yang Zhimin

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED GRANTING OF A GENERAL MANDATE  
TO ISSUE NEW SHARES OF THE COMPANY;
- (2) RENEWAL OF GUARANTEE BY THE COMPANY FOR LOANS  
OF RMB37 MILLION OF CHONGQING PIGEON;
- (3) RENEWAL OF GUARANTEE BY THE COMPANY FOR LOANS  
OF RMB115 MILLION OF HUAHAO SMELTING;
- (4) GUARANTEE BY THE COMPANY FOR A LOAN OF USD50 MILLION OF HOLROYD  
AND PTG DEVELOPMENT AS CO-BORROWERS;
- (5) PROVISION OF GUARANTEE BY THE COMPANY FOR A LOAN OF  
USD20 MILLION OF PTG DEVELOPMENT;
- (6) CHANGE OF A DIRECTOR; AND
- (7) NOTICE OF THE ANNUAL GENERAL MEETING OF THE COMPANY.

\* For identification purposes only

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## LETTER FROM THE BOARD

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### 1. INTRODUCTION

The purpose of this circular is to give you notice of the Annual General Meeting and to provide you with information regarding certain resolutions to be proposed at the Annual General Meeting to enable you to make an informed decision on whether to vote for or against those resolutions at the Annual General Meeting.

### 2. PROPOSED GRANTING OF THE GENERAL MANDATE

To increase the flexibility and efficiency in operation, and to give discretion to the Board in the event that it becomes desirable to issue any Shares, the Company proposes to obtain Shareholders' approval for the General Mandate to allot, issue and otherwise deal with additional Shares up to the limit of 20% of the Shares in issue on the date of the passing of the relevant resolution. The Board has no present plan to issue new Shares pursuant to the General Mandate.

Any exercise of the power by the Directors under the General Mandate shall comply with the relevant requirements of the Listing Rules, the Articles and the applicable laws and regulations of the PRC and the following conditions:

- (a) the General Mandate shall not extend beyond the Relevant Period save that the Board 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 (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; and
- (c) the Board will only exercise its power under the General Mandate in accordance with the Company Law of the PRC and the Listing Rules (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.



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## LETTER FROM THE BOARD

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In addition, contingent on the Board resolving to exercise the General Mandate, the Company proposes to obtain Shareholders' approval to authorise the Board to:

- (a) approve, execute and do, and/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) 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);
- (c) 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.

As at the Latest Practicable Date, the Company had in issue 3,684,640,154 Shares. Subject to the passing of the proposed resolution for the approval of the General Mandate and in accordance with the terms therein, the Company will be allowed to allot, issue and deal with up to a maximum of 736,928,030 Shares on the basis that no further Shares will be issued by the Company prior to the Annual General Meeting.

### **3. RENEWAL OF GUARANTEE BY THE COMPANY FOR LOANS OF RMB37 MILLION OF CHONGQING PIGEON**

Chongqing Pigeon requested the Company to continue to provide guarantee for its loans totaling RMB37 million ("Pigeon Loans"). The Company holds 74% equity interests in Chongqing Pigeon. Therefore, Chongqing Pigeon is regarded as a subsidiary of the Company.

#### **Reasons for and Benefits of Provision of Guarantee for the Pigeon Loans**

The Pigeon Loans have been renewed since 2007, in order to support the development of Chongqing Pigeon and to ensure that it could maintain production in the coming year. The Board recommended the Company to renew the guarantee by the Company for the Pigeon Loans.

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## LETTER FROM THE BOARD

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### **Terms of the Guarantee**

The guarantee for the Pigeon Loans is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chongqing Pigeon. The Board is of the opinion that the terms of provision of guarantee for Pigeon Loans are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole and will not have a material adverse effect on the financial conditions of the Company.

Chongqing Pigeon is not a connected person of the Group and the provision of guarantee for Pigeon Loans does not exceed the relevant percentage ratios under the Listing Rules. Thus, the provision of guarantee is not subject to the requirements under Chapter 14A of the Listing Rules. However, since the gearing ratio of Chongqing Pigeon is 83.8%, the renewal of the guarantee for the Pigeon Loans is subject to consideration and approval of Shareholders at the general meeting under the Articles.

Pursuant to the Articles, the renewal of the guarantee by the Company to Pigeon Loans requires the approval of the Shareholders at the general meeting.

#### **4. RENEWAL OF GUARANTEE BY THE COMPANY FOR LOANS OF RMB115 MILLION OF HUAHAO SMELTING**

Huahao Smelting requested the Company to continue to provide guarantee for its loans totaling RMB115 million ("Huahao Loans"). Huahao Smelting is a wholly-owned subsidiary of the Company.

### **Reasons for and Benefits of Provision of the Guarantee for the Huahao Loans**

The Huahao Loans have been successively renewed since 2008. In order to support the development of Huahao Smelting and to ensure that it would be in position to maintain its production in the coming year, the Board recommended the Company to renew the guarantee by the Company for the Huahao Loans.

### **Terms of the Guarantee**

The guarantee for the Huahao Loans is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Huahao Smelting. The Board is of the opinion that the terms of provision of guarantee for the Huahao Loans are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse effect on the financial conditions of the Company.

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## LETTER FROM THE BOARD

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Huahao Smelting is not a connected person of the Group and the provision of guarantee for Huahao Loans does not exceed the relevant percentage ratios under the Listing Rules. Thus, the provision of guarantee is not subject to the requirements under Chapter 14A of the Listing Rules. However, since the gearing ratio of Huahao Smelting was 92.8%, the provision of guarantee for the Huahao Loans is subject to consideration and approval of Shareholders at the general meeting under the Articles.

Pursuant to the Articles, the renewal of the guarantee by the Company to Huahao Loans requires the approval of the Shareholders at the general meeting.

### **5. PROVISION OF GUARANTEE BY THE COMPANY FOR A LOAN OF USD50 MILLION OF HOLROYD AND PTG DEVELOPMENT AS CO-BORROWERS**

Holroyd and PTG Development, as co-borrowers, requested the Company to provide guarantee for its loans totaling USD50 million (“Loan of Holroyd and PTG Development”). Holroyd and PTG Development are wholly-owned subsidiaries of PTG Company, a wholly-owned subsidiary of the Company.

#### **Reasons for and Benefits of Provision of the Guarantee for the Loan of Holroyd and PTG Development**

The Company is optimistic about the business prospect of Holroyd and PTG Development is an important platform of the Company in Hong Kong. The continuous and stable development of both companies is helpful for the Company’s expansion into the overseas market. Holroyd and PTG Development, as co-borrowers, are able to utilize the loan in a more flexible way, enhance capital usage efficiency and reduce financial costs.

#### **Terms of the Guarantee**

The guarantee for the Loan of Holroyd and PTG Development is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Holroyd and PTG Development. The Board is of the opinion that the terms of provision of guarantee for the Loan of Holroyd and PTG Development are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse effect on the financial conditions of the Company.

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## LETTER FROM THE BOARD

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Holroyd and PTG Development are not connected persons of the Group and the guarantee to be provided for the Loan of Holroyd and PTG Development does not exceed the applicable percentage ratio specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratio of Holroyd and PTG Development are 73.0% and 99.1% respectively, the Company's provision of guarantee for the Loan of Holroyd and PTG Development is subject to consideration and approval by the Shareholders at the general meeting according to requirements of the Articles.

Pursuant to the Articles, the Company's provision of guarantee for the Loan of Holroyd and PTG Development is subject to approval by the Shareholders at the general meeting.

### **6. PROVISION OF GUARANTEE BY THE COMPANY FOR A LOAN OF USD20 MILLION OF PTG DEVELOPMENT**

PTG Development requested the Company to provide guarantee for its loans totaling USD20 million ("Loan of PTG Development"). PTG Development is a wholly-owned subsidiary of PTG Company, a wholly-owned subsidiary of the Company.

#### **Reasons for and Benefits of Provision of the Guarantee for PTG Development**

Considering PTG Development is an important platform of the Company in Hong Kong, its continuous and stable development is helpful for the Company's expansion into the overseas market.

#### **Terms of the Guarantee**

The guarantee for the Loan of PTG Development is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by PTG Development. The Board is of the opinion that the terms of provision of guarantee for the Loan of PTG Development are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse effect on the financial conditions of the Company.

PTG Development is not a connected person of the Group and the provision of guarantee for the Loan of PTG Development does not exceed the relevant percentage ratios under the Listing Rules. Thus, the provision of guarantee is not subject to the requirements under Chapter 14A of the Listing Rules. However, since the gearing ratio of PTG Development was 99.1%, the provision of guarantee for the Loan of PTG Development is subject to consideration and approval of Shareholders at the general meeting under the Articles.

Pursuant to the Articles, the provision of the guarantee by the Company to the Loan of PTG Development is subject to the approval of the Shareholders at the general meeting.

### 7. CHANGE OF A DIRECTOR

Since Mr. Chen Xianzheng, an executive Director, will reach his statutory retirement age in August 2014, he has tendered his resignation as an executive Director of the Company with effect from the appointment of a new executive Director. Mr. Chen Xianzheng has confirmed that he has no disagreement with the Board and that he is not aware of any matters that need to be brought to the attention of Shareholders. The Board takes this opportunity to express its gratitude to Mr. Chen Xianzheng for his contributions to the Company during his tenure of office.

The Board recommends Mr. Xiang Hu to stand for election as an executive Director at the Annual General Meeting to fill the vacancy of Mr. Chen Xianzheng with the term of office until expiry of the term of the current session of the Board. The appointment of Mr. Xiang Hu is subject to approval by Shareholders at the Annual General Meeting. The biographical details of Mr. Xiang Hu are as follows:

**Mr. Xiang Hu**, aged 49, is the secretary to the Board of the Company. He joined the Company in September 2012, and has served as the secretary to the Board of the Company since January 2014. He has been concurrently serving as a director of Chongqing New North Zone Machinery and Electronic Microcredit Co., Ltd.\* (重慶市北部新區機電小額貸款有限公司) since March 2013 up to now, and a director of Chongqing Water Turbine Works Co., Ltd. and Chongqing Jiangbei Machinery Co., Ltd. from October 2012 up to now. Mr. Xiang has over 20 years of experience in governmental service and news media. He once served as the deputy general manager of the Company from September 2012 to January 2014, the deputy director of the Chongqing Intellectual Property Rights Bureau from November 2004 to September 2012, the president of the Modern Workers Newspaper Office (現代工人報報社) (now known as Chongqing Times (重慶時報)) from January 2003 to November 2004, the deputy CPC secretary of Nanchuan, Chongqing from May 1998 to January 2003, the general manager of Chongqing News Development Company (重慶新聞發展公司) of Xinhua News Agency from July 1993 to May 1998, and a journalist with the Sichuan branch office of Xinhua News Agency from July 1986 to July 1993. Mr. Xiang graduated from the Faculty of Law of Southwest University of Political Science and Law in July 1986, from the Graduate School of Southwest University of Political Science and Law majoring in economic law in June 1997, and from Nanyang Technological University, Singapore, majoring in managerial economics, in July 2002.

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## LETTER FROM THE BOARD

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Save as disclosed above, Mr. Xiang Hu did not hold any directorships in any other listed companies or any other major appointments and qualifications in the last three years. Other than the directorship in the Company and various subsidiaries of the Company, Mr. Xiang Hu does not hold other positions in the Company or other members of the Group.

Save as disclosed above, Mr. Xiang Hu does not have any relationship with any Directors, senior management or substantial or controlling Shareholders of the Company nor had any of them any interests in the Shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Xiang Hu does not hold Shares in the Company

Upon the appointment of Mr. Xiang Hu as a Director of the Company at the Annual General Meeting, the Company will enter into a service contract in relation to the appointment of Mr. Xiang Hu as a Director for a term commencing from the date of the Annual General Meeting until expiry of the term of the current session of the Board.

Mr. Xiang Hu is entitled to a Director's emolument and his remuneration will be determined by the Board with reference to remuneration standards for executive Directors as approved at the 2012 Annual General Meeting, which is subject to the approval at the Annual General Meeting of the appointment of Mr. Xiang Hu.

Save as disclosed above, the Board is not aware of any other matters in relation to the proposed appointment of Mr. Xiang Hu that need to be brought to the attention of the Shareholders, nor is there any information that needs to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

### **8. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT**

The notice of the Annual General Meeting is set out on pages 15 to 20 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, (i) the report of the Board for the year ended 31 December 2013; (ii) the report of Supervisory Committee for the year ended 31 December 2013; (iii) the audited financial statements of the Company and its subsidiaries and the Auditors Report for the year ended 31 December 2013; (iv) profit appropriation proposal; (v) re-appointment of Company's auditor; (vi) granting of a General Mandate; (vii) renewal of guarantee by the Company for loans of RMB37 million of Chongqing Pigeon; (viii) renewal of guarantee by the Company for loans of RMB115 million of Huahao Smelting; (ix) provision of guarantee by the Company for a loan of USD50 million of Holroyd and PTG Development as co-borrowers; (x) provision of guarantee by the Company for a loan of USD20 million of PTG Development; and (xi) change of a Director.

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## LETTER FROM THE BOARD

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A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.chinacqme.com](http://www.chinacqme.com)). Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return (i) the enclosed reply slip in accordance with the instructions printed thereon not later than Thursday, 29 May 2014 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 Annual 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 Annual General Meeting 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 Annual General Meeting, and no shareholder is required to abstain from voting on any of the resolutions at the Annual General Meeting.

### 9. PROCEDURES FOR VOTING IN THE ANNUAL GENERAL MEETING

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

### 10. RECOMMENDATION

The Directors consider that all resolutions proposed for consideration and approval by the Shareholders at the Annual General Meeting are in the best interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the resolutions to be proposed at the Annual General Meeting as set out in the notice of the Annual General Meeting.

Yours faithfully,  
By Order of the Board  
**Chongqing Machinery & Electric Co., Ltd.\***  
**Wang Yuxiang**  
*Executive Director and Chairman*

30 April 2014

\* For identification purposes only

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, none of the Directors, chief executive or supervisors of the Company had any interests or short positions in the shares, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules.



### 3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (not being a Director, chief executive or supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

#### Long position in domestic shares of RMB1.00 each of the Company

Name of Shareholders	Number of shares	Capacity	Note	Percentage of total issued domestic shares (%)	Percentage of total issued shares (%)
Chongqing Machinery and Electronic Holding (Group) Co., Ltd.	1,924,225,189	Beneficial owner	(1)	74.46 (L)	52.22
Chongqing Yufu Assets Management (Group) Co., Ltd.	232,132,514	Beneficial owner	(1)	8.98 (L)	6.30
Chongqing Construction Engineering Group Co., Ltd.	232,132,514	Beneficial owner	(2)	8.98 (L)	6.30
China Huarong Asset Management Co., Ltd.	195,962,467	Beneficial owner	(3)	7.58 (L)	5.32
State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government	2,388,490,217	Interest in controlled corporation	(1)	92.42 (L)	64.82
Ministry of Finance of the PRC	195,962,467	Interest in controlled corporation	(3)	7.58 (L)	5.32

(L) Long Position

**H shares of RMB\$1.00 each of the Company**

Name of Shareholders	Number of shares	Capacity	Note	Percentage of total issued H shares	Percentage of total issued shares
				(%)	(%)
The Bank of New York Mellon (formerly known as “The Bank of New York”)	87,276,000 (L) 0 (P)	Custodian		7.93 (L) 0 (P)	2.37 (L) 0 (P)
The Bank of New York Mellon Corporation	87,276,000 (L) 87,276,000 (P)	Interest of corporation controlled by substantial shareholder	(4)	7.93 (L) 7.93 (P)	2.37 (L) 2.37 (P)
GE Asset Management Incorporated	75,973,334 (L)	Investment manager		6.91 (L)	2.06 (L)
Templeton Asset Management Limited	55,606,000 (L)	Investment manager		5.05 (L)	1.51 (L)

(L) Long Position

(S) Short Position

(P) Lending Pool

*Notes:*

- (1) As Chongqing Machinery and Electronic Holding (Group) Co., Ltd. and Chongqing Yufu Asset Management Co., Ltd. were wholly owned by State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government, State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government is deemed to be interested in 1,924,225,189 domestic shares and 232,132,514 domestic shares of the Company held by the two companies.
- (2) Chongqing Construction Engineering Group Co., Ltd. is held as to 96.18% by State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government through its three wholly-owned subsidiaries and as to 3.82% by the Ministry of Finance of the People's Republic of China through China Huarong Asset Management Co., Ltd. \*(中國華融資產管理股份有限公司), a wholly-owned subsidiary of the Ministry. Therefore, State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government and the Ministry of Finance of the People's Republic of China are deemed to be interested in 232,132,514 domestic shares of the Company held by Chongqing Construction Engineering Group Co.,Ltd.

- (3) China Huarong Asset Management Co., Ltd. is held as to 98.06% directly by the Ministry of Finance of the People's Republic of China and as to 1.94% indirectly by the Ministry of Finance of the People's Republic of China through China Life Insurance (Group) Company, a wholly-owned subsidiary of the Ministry. Therefore, the Ministry of Finance of the People's Republic of China is deemed to be interested in 195,962,467 domestic shares of the Company held by China Huarong Asset Management Co., Ltd.
- (4) The Bank of New York Mellon Corporation holds 100% interest in The Bank of New York Mellon (formerly known as "The Bank of New York"), which holds 87,276,000 of H shares of the Company. The interest in 87,276,000 H shares relates to the same block of shares in the Company and includes a lending pool of 87,276,000 of H shares of the Company.

Save as disclosed above, the Directors of the Company are not aware of any persons holding any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register pursuant to section 336 of the SFO as at the Latest Practicable Date.

#### **4. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND CONTRACTS**

As at the Latest Practicable Date, none of the Directors and the supervisors of the Company had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or are proposed to be acquired or disposed of by or leased to the Company since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up.

None of the Directors and the supervisors of the Company was materially interested in any contract or arrangement entered into by the Company subsisting at the Latest Practicable Date and which is significant in relation to the business of the Company.

#### **5. SERVICE CONTRACTS**

None of the Directors has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

#### **6. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

**7. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any other members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated accounts of the Group were made up.

**9. MISCELLANEOUS**

- (i) The Company's registered office and principal place of business in the PRC is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing, the PRC.
- (ii) The principal place of business of the Company in Hong Kong is Suite 3701-10, 37/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (iii) The Company's H Share Registrars and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The company secretary of the Company is Mr. Wang Xiao Jun, who is a practicing solicitor of the High Court of Hong Kong.
- (v) Unless stated otherwise, in the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**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 the Conference Room, 13/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Wednesday, 18 June 2014 at 10:00 a.m. (or at any adjournment thereof) for the following purposes:

**ORDINARY RESOLUTIONS**

1. To consider and approve the report of the Board (the “Board”) of the Company for the year ended 31 December 2013;
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2013;
3. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries and the Auditor’s Report for the year ended 31 December 2013;
4. To consider and approve the profit appropriation proposal of the Company for the year ended 31 December 2013 and the declare of the final dividend of RMB0.05 per share.
5. To consider and approve the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs (special general partnership) as the PRC auditor and PricewaterhouseCoopers as the international auditor of the Company to hold office until the conclusion of the next annual general meeting and authorise the Board to determine the total review and audit fees of RMB4.7 million for the Company’s 2014 interim financial statements and annual financial statements;

6. To consider and approve the renewal of guarantee by the Company for loans of RMB37 million of Chongqing Pigeon;
7. To consider and approve the renewal of guarantee by the Company for loans of RMB115 million of Huahao Smelting;
8. To consider and approve the provision of guarantee by the Company for loans of USD50 million of Holroyd and PTG Development as co-borrowers;
9. To consider and approve the provision of guarantee by the Company for loans of USD20 million of PTG Development;
10. To consider and approve the resignation of Mr. Chen Xianzheng as an executive Director of the Company;
11. To consider and approve the appointment of Mr. Xiang Hu as an executive Director of the Company to hold office from the date of the AGM until expiry of the term of the session of the Board and to authorize the Board to fix the remuneration of Mr. Xiang Hu pursuant to the remuneration standard for Directors passed at the 2012 annual general meeting and to enter into a service agreement with him on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters;

### **SPECIAL RESOLUTIONS**

12. To give a general mandate to the Board 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 (the “General Mandate”), subject to the following conditions:

**“THAT**

- (A) (a) the General Mandate shall not extend beyond the Relevant Period save that the Board 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 (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 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 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 resolving to exercise the General Mandate and/or issue shares pursuant to paragraph (a) of this resolution, the Board 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.\***  
**Wang Yuxiang**  
*Executive Director and Chairman*

Chongqing, the PRC  
30 April 2014

*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 shares 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. 60, Middle Section of Huangshan Avenue, New North Zone, 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 evoked.
3. The register of Members in Hong Kong will be closed from 19 May 2014 to 18 June 2014, 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, 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 16 May 2014.

4. In order to ascertain the entitlements of the shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Sunday, 22 June 2014 to Friday, 27 June 2014 (both days inclusive), during which period no transfer of shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged at our H Share Registrar at Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Saturday, 21 June 2014.
5. 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by fax on or before Thursday, 29 May 2014.
6. 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. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC, or by fax on or before Thursday, 29 May 2014.

*As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Ren Yong and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Deng Yong; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Yang Zhimin.*

\* For identification purposes only