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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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**CQME**

**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)*

(Stock Code: 02722)

- (1) PROPOSED GRANTING OF A GENERAL MANDATE TO ISSUE NEW  
SHARES OF THE COMPANY;**
  - (2) PROVISION OF GUARANTEE BY THE COMPANY FOR LOANS OF  
HOLROYD OF GBP17 MILLION AND USD11.5 MILLION;**
  - (3) PROVISION OF GUARANTEE BY THE COMPANY FOR LOANS OF PTG  
DEVELOPMENT OF USD58.5 MILLION;**
  - (4) ADJUSTMENT TO CONSTRUCTION PLAN UNDER INVESTMENT  
PROJECT OF IPO PROCEEDS OF THE COMPANY;  
AND**
  - (5) 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 4 to 9 of this circular.

A notice convening the 2014 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 Thursday, 18 June 2015 at 9:30 a.m. is set out on pages 14 to 18 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 Friday, 29 May 2015 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 2015

\* 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 2014 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 Thursday, 18 June 2015 at 9:30 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 14 to 18 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 Machine Tools”	means Chongqing Machine Tools (Group) Co., Ltd., a wholly-owned subsidiary of the Company, which was established in the PRC on 23 October 1989
“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
“Director(s)”	means the director(s) of the Company
“Domestic Share(s)”	means ordinary share(s) with 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”	means 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 relevant resolution
“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 Ltd., a wholly-owned subsidiary of PTG and a limited company incorporated in the United Kingdom

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## DEFINITIONS

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“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“IPO Proceeds”	means the proceeds raised by the Company on initial listing on the Stock Exchange on 13 June 2008
“Latest Practicable Date”	means 24 April 2015, 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
“PRC”	means the People’s Republic of China, which, for the purpose of this circular, excludes the 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”	means Precision Technologies Group Limited, a wholly-owned subsidiary of the Company and a limited company incorporated in the United Kingdom
“PTG Development”	means PTG Investment Development Company Ltd., a wholly-owned subsidiary of PTG and a limited company incorporated in Hong Kong
“Prospectus”	means the prospectus dated 30 May 2008 issued by the Company

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## DEFINITIONS

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“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 the relevant resolution, unless, by a 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 at a general meeting revoking or varying the authority set out in the resolution 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
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	means the holder(s) of the Shares
“Shares”	means the Domestic Shares and the H Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	has the meaning ascribed to it under the Company Law of the PRC and the Listing Rules
“USD”	means US dollars, the lawful currency of the United States
“GBP”	means British pound sterling, the lawful currency of the United Kingdom

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## LETTER FROM THE BOARD

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**CQME**

**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)*

(Stock Code: 02722)

*Executive Directors:*

Mr. Wang Yuxiang  
Mr. Yu Gang  
Mr. Ren Yong  
Mr. Xiang Hu

*Non-executive Directors:*

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

*Independent Non-executive Directors:*

Mr. Lo Wah Wai  
Mr. Ren Xiaochang  
Mr. Jin Jingyu  
Mr. Liu Wei

*To the Shareholders*

Dear Sir or Madam,

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

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

*Principal place of business  
in Hong Kong:*

Room 502,  
5th Floor,  
China Building,  
29 Queen's Road Central,  
Central,  
Hong Kong

- (1) PROPOSED GRANTING OF A GENERAL MANDATE TO ISSUE NEW  
SHARES OF THE COMPANY;**
- (2) PROVISION OF GUARANTEE BY THE COMPANY FOR LOANS OF  
HOLROYD OF GBP17 MILLION AND USD11.5 MILLION;**
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DEVELOPMENT OF USD58.5 MILLION;**
- (4) ADJUSTMENT TO CONSTRUCTION PLAN UNDER INVESTMENT  
PROJECT OF IPO PROCEEDS OF THE COMPANY;**
- AND**
- (5) NOTICE OF THE ANNUAL GENERAL MEETING OF THE COMPANY.**

### **1. INTRODUCTION**

The purpose of this circular is to give you the 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.

\* For identification purposes only

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## LETTER FROM THE BOARD

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### 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 any 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 the resolution for General Mandate by the Shareholders; 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.

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);

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## LETTER FROM THE BOARD

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- (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) so as to reflect the new capital and/or share capital structure of the Company.

As at the Latest Practicable Date, the Company had 3,684,640,154 Shares in issue. 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 additional Shares will be issued by the Company prior to the Annual General Meeting.

### **3. PROVISION OF GUARANTEE BY THE COMPANY FOR LOANS OF HOLROYD OF GBP17 MILLION AND USD11.5 MILLION**

Holroyd requested the Company to provide guarantee for its loans totalling GBP17 million and USD11.5 million (“Loans of Holroyd”). Holroyd is a wholly-owned subsidiary of PTG, which in turn is a wholly-owned subsidiary of the Company.

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

The Company is optimistic about the business prospect of Holroyd, and Holroyd’s continuous and stable development will facilitate the Company’s expansion into overseas markets.

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

The guarantee for the Loans of Holroyd is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Holroyd. The Board is of the opinion that the terms of provision of guarantee for the Loans of Holroyd 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 impact on the financial conditions of the Company.

Holroyd is not a connected person of the Group and the guarantee to be provided for Holroyd does not exceed the applicable percentage ratio specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapters 14 and 14A of the Listing Rules. However, as the gearing ratio of Holroyd reaches 83.7%, the provision of guarantee by the Company for Holroyd is subject to consideration and approval at the general meeting according to requirements of the Articles.

Pursuant to the Articles, the provision of guarantee by the Company for Holroyd is subject to approval by the Shareholders at the general meeting.



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## LETTER FROM THE BOARD

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### 4. PROVISION OF GUARANTEE BY THE COMPANY FOR LOANS OF PTG DEVELOPMENT OF USD58.5 MILLION

PTG Development requested the Company to provide guarantee for its loans totalling USD58.5 million (“Loans of PTG Development”). PTG Development is a wholly-owned subsidiary of PTG, which in turn is a wholly-owned subsidiary of the Company.

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

Considering that PTG Development represents an important platform of the Company in Hong Kong, its continuous and stable development will facilitate the Company’s expansion into overseas markets.

#### Terms of the Guarantee

The guarantee for the Loans 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 Loans 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 impact on the financial conditions of the Company.

PTG Development is not a connected person of the Group and the guarantee to be provided for the Loans of PTG Development does not exceed the applicable percentage ratio specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapters 14 and 14A of the Listing Rules. However, as the gearing ratio of PTG Development reaches 99.1%, the provision of guarantee for the Loans of PTG Development is subject to consideration and approval at the general meeting according to requirements of the Articles.

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

### 5. ADJUSTMENT TO CONSTRUCTION PLAN UNDER INVESTMENT PROJECT OF IPO PROCEEDS OF THE COMPANY

The total investment made by Chongqing Machine Tools in the “Construction of industrialisation base for large, precision and high-speed CNC gear processing machines” project (“大型精密高速數控齒輪加工機床產業化基地建設項目”) (the “Project”) amounted to approximately RMB260 million, out of which RMB150 million came from IPO Proceeds and RMB110 million belonged to the funds raised by Chongqing Machine Tools on its own. The Project is divided in two phases. Up to the completion of phase 1 in November 2011, the total investment amounted to approximately RMB194.72 million, out of which RMB108.18 million came from IPO Proceeds. Currently, an amount of RMB36.368 million of the funds raised by Chongqing Machine Tools on its own has been invested in phase 2 while the remaining balance of IPO Proceeds totalling RMB31.82 million, after deducting RMB10 million for the construction of large factories, has not yet been utilised.

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## LETTER FROM THE BOARD

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### **Reasons for the Adjustment**

The structure of market demand for machine tools has been changing rapidly since 2012, with users focusing more on the cost of production per unit and turning to high-end machine tools with enhanced stability and quality, high degree of automation, energy-saving and environmental-friendly features and a more delicate configuration. The single-unit production model, inspection capability and auxiliary equipment for lifting, coating and assembly outlined in the original proposal are insufficient to satisfy the existing production needs. As such, Chongqing Machine Tools intends to purchase more advanced and intelligent equipment in response to market demand.

### **Plans contemplated subsequent to the adjustment**

After discussing thoroughly, the Board recommends that after adjustment to the Project, it is intended that IPO Proceeds will be applied to purchase one flexible manufacturing system, one bridge-type triple leg gantry (橋式三座標), one CNC internal cylindrical grinder (數控內孔磨), six sets of assembly and coating equipment and eight European overhead cranes at a total consideration of approximately RMB32.02 million, with the shortfall satisfied by the funds raised by Chongqing Machine Tools on its own. The interest received on IPO Proceeds will be applied to cover the interest expense incurred on the advance payment made by Chongqing Machine Tools.

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

The notice of the Annual General Meeting is set out on pages 14 to 18 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 2014; (ii) the report of the Supervisory Committee for the year ended 31 December 2014; (iii) the audited financial statements of the Company and its subsidiaries and the Auditor's Report for the year ended 31 December 2014; (iv) the profit appropriation proposal; (v) the re-appointment of the Company's auditor; (vi) the granting of the General Mandate; (vii) the provision of guarantee by the Company for the Loans of Holroyd of GBP17 million and USD11.5 million; (viii) the provision of guarantee by the Company for the Loans of PTG Development of USD58.5 million; and (ix) the adjustment to construction plan under investment project of IPO Proceeds of the Company.

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 Friday, 29 May 2015 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.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the Directors or Shareholders has a material interest in the resolutions to be 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.

### **7. PROCEDURES FOR VOTING AT THE ANNUAL GENERAL MEETING**

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

### **8. RECOMMENDATION**

The Directors consider that all resolutions to be 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 2015

## 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 Shareholder	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
Chongqing State-Owned Assets Supervision and Administration Commission	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 Shareholder	Number of shares	Capacity	Note	Percentage of total issued H shares (%)	Percentage of total issued shares (%)
Templeton Asset Management Ltd.	121,831,300 (L)	Investment manager		11.07(L)	3.31(L)
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)
(L) Long Position					
(S) Short Position					
(P) Lending Pool					

*Notes:*

- (1) As Chongqing Machinery and Electronic Holding (Group) Co., Ltd. and Chongqing Yufu Assets Management Group Co., Ltd. were wholly owned by Chongqing State-Owned Assets Supervision and Administration Commission, Chongqing State-Owned Assets Supervision and Administration Commission 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 Chongqing State-Owned Assets Supervision and Administration Commission 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, Chongqing State-Owned Assets Supervision and Administration Commission 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 2014, 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 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 2014, 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 Room 502, 5/F, China Building, 29 Queen's Road Central, Central, Hong Kong.

- (iii) The Company's H Share Registrars and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The company secretary of the Company is Miss Chiu Hoi Shan, 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.

**CQME****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)*

(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 Thursday, 18 June 2015 at 9:30 a.m. (or 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”) for the year ended 31 December 2014;
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2014;
3. To consider and approve the audited financial statements of the Company and its subsidiaries and the Auditor’s Report for the year ended 31 December 2014;
4. To consider and approve the profit appropriation proposal of the Company for the year ended 31 December 2014 and the declaration of the final dividend of RMB0.046 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 in 2015 to hold office until the conclusion of the next annual general meeting and the total review and audit fees of RMB4.7 million for the Company’s 2015 interim financial statements and annual financial statements;
6. To consider and approve the provision of guarantee by the Company for Loans of Holroyd of GBP17 million and USD11.5 million;
7. To consider and approve the provision of guarantee by the Company for Loans of PTG Development of USD58.5 million;

\* For identification purposes only



8. To consider and approve the adjustment to the construction plan for the construction project of industrialisation base for large, precision and high-speed CNC gear processing machines of Chongqing Machine Tools (Group) Co., Ltd. invested from IPO Proceeds of the Company;

**SPECIAL RESOLUTION**

9. To grant 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 special 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, 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) 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 2015

*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. In order to determine the Members who are entitled to attend and vote at the Meeting, the register of Members will be closed from 19 May 2015 to 18 June 2015, both days inclusive, during which period no transfer of H shares of the Company will be effected. 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 18 May 2015.
4. In order to ascertain the shareholders who are entitled to receive the proposed final dividend, the register of members of the Company will be closed from Wednesday, 24 June 2015 to Monday, 29 June 2015 (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 Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 23 June 2015.
5. Whether or not holders of H shares of the Company can attend the Meeting, please 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 Friday, 29 May 2015.

6. Whether or not holders of domestic shares of the Company can attend the Meeting, please 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 Friday, 29 May 2015.

*As at the date of this notice, the executive Directors are Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Ren Yong and Mr. Xiang Hu; 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. Liu Wei.*