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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 AMENDMENTS TO THE ARTICLES;
(2) MAJOR TRANSACTION
AND CONTINUING CONNECTED TRANSACTIONS;
(3) CHANGE OF TWO DIRECTORS;
AND
(4) CHANGE OF THREE SUPERVISORS

PROPOSED AMENDMENTS TO THE ARTICLES

On 28 December 2012, the Board received a notice from China Huarong Asset Management Co., Ltd.* (中國華融資產管理公司), a shareholder of the Company, advising the Company that it had changed its name to China Huarong Asset Management Co., Ltd. *(中國華融資產管理股份有限公司).

Therefore, the proposed amendment to the Articles is to change the name from China Huarong Asset Management Co., Ltd.* (中國華融資產管理公司) to China Huarong Asset Management Co., Ltd. *(中國華融資產管理股份有限公司).

Pursuant to the Articles and relevant laws and regulations, the proposed amendment to the Articles subject to the approval of the Shareholders by way of special resolution at the EGM.

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Group Financial Services Framework Agreement

On 17 February 2013, the Group and the Finance Company entered into a financial services framework agreement, pursuant to which, subject to approval of the Independent Shareholders, the Finance Company will provide financial services to the Group, including deposit services, loan services, guarantee services and other financial services. The Group is not under any obligation to obtain any or all of the financial services provided by the Finance Company and may obtain such financial services based on its business needs.

Parent Group Financial Services Framework Agreement

In addition, on 17 February 2013, the Parent Group and the Finance Company entered into a financial services framework agreement, pursuant to which, subject to approval of Independent Shareholders, the Finance Company will provide financial services to the Parent Group including deposit services, loan services, guarantee services and other financial services. The Finance Company is not under any obligation to provide any or all of the financial services to the Parent Group and may offer such financial services based on its business needs.

LISTING RULES IMPLICATIONS

Group Financial Services Framework Agreement

As at the date of this announcement, the Parent Company is a controlling shareholder of the Company, holding 52.22% equity interest in the Company, the Parent Group is therefore a connected person of the Group under the Listing Rules. The Finance Company, which is owned as to 30% by the Parent Company, is an associate of the Parent Company. Therefore, the transactions under the Group Financial Services Framework Agreement constitute continuing connected transactions of the Company.

As the interest rates for deposit services to be provided by the Finance Company to the Group will be implemented based on the preferential interest rates set by the PBOC, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the deposit services exceed 5% and the annual caps exceeds HK\$10,000,000, the deposit services under the Group Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the interest rates for loan services to be provided by the Finance Company to the Group will not be higher than the range of interest rates set by the PBOC for loan of a similar nature and under similar terms or the interest rates for loan of similar nature and under similar terms charging the Group by other independent commercial banks in the PRC, and one or more of the applicable percentage ratios calculated in respect of the maximum daily loan amount exceed 5% and the annual caps exceeds HK\$10,000,000, the loan services under the Group Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of guarantee services to the Group will not be higher than the fees charged by any independent third party on the Group for the same type of services or the fees charged by the Finance Company on any third party of same credit rating for the same type of services and such guarantee services are for the benefit of the Group, and no security over the assets of the Group is granted, the guarantee services under the Group Financial Services Framework Agreement are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of other financial services to the Group will not be higher than the fees charged by any independent third party on the Group for the same type of services, and all the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the service charges for other financial services will exceed 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

Parent Group Financial Services Framework Agreement

As at the date of this announcement, the Parent Company is one of the controlling shareholder of the Company, holding 52.22% equity interest in the Company, the Parent Group is therefore a connected person of the Group under the Listing Rules. The Finance Company, which is owned as to 51% by the Company, is a subsidiary of the Company. Pursuant to the Listing Rules, the Parent Group is a connected person of the Company. Therefore, the transactions under the Parent Group Financial Services Framework Agreement constitute continuing connected transactions of the Company.

As the interest rates for deposit services to be provided by the Finance Company to the Parent Group will be not higher than the range of interest rates set by the PBOC for deposits of similar nature and under similar terms and such deposit services to be provided are for the benefit of the Group, and no security over the assets of the Group is granted, the deposit services under the Parent Group Financial Services Framework Agreement are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the interest rates for loan services to be provided by the Finance Company to the Parent Group will not be lower than the range of interest rates set by the PBOC for loan of similar nature and under similar terms, or the interest rates for loan of similar nature and under similar terms charging the Parent Group by other independent commercial banks in the PRC, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the loan services exceed 5% and the annual cap exceeds HK\$10,000,000, the loan services under the Parent Group Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, as one or more of the applicable percentage ratios calculated in respect of the maximum daily loan amount exceed 25% but less than 100%, such transactions also constitute major transaction of the Company under Rule 14.06(3) of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements for major transaction under Chapter 14 of the Listing Rules.

As the fees charged by the Finance Company for the provision of guarantee services to the Parent Group will not be higher than the fees charged by any independent third party on the Parent Group for the same type of services or the fees charged by the Finance Company on any third party of same credit rating for the same type of services, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the guarantee services exceed 5% and the annual cap exceeds HK\$10,000,000, the guarantee services under the Parent Group Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of other financial services to the Parent Group will not be higher than the fees charged by any independent third party on the Parent Group for the same type of services, and all the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the service charges for other financial services will exceed 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of deposit services and loan services under the Group Financial Services Framework Agreement, and the terms of loan services and guarantee services under the Parent Group Financial Services Framework Agreement. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further information on the Group Financial Services Framework Agreement, the Parent Group Financial Services Framework Agreement and the transactions contemplated thereunder, a letter of advice from the Independent Board Committee, a letter of recommendation from the Independent Financial Adviser and a notice of the EGM will be despatched to the Shareholders on or before 8 March 2013.

The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the deposit services and loan services under the Group Financial Services Framework Agreement, and the loan services and guarantee services under the Parent Group Financial Services Framework Agreement. The Parent Company and its associates will abstain from voting on the relevant resolutions to be proposed at the EGM

CHANGE OF TWO DIRECTORS

Mr. Liao Shaohua will resign as an executive Director of the Company subject to the approval by the Shareholders at the EGM. Mr. Ren Yong is proposed to be appointed as an executive Director of the Company in replacement subject to approval by the Shareholders at the EGM.

Mr. Liu Liangcai will resign as a non-executive Director of the Company subject to the approval by the Shareholders at the EGM. Mr. Deng Yong is proposed to be appointed as a non-executive Director of the Company in replacement subject to approval by the Shareholders at the EGM.

CHANGE OF THREE SUPERVISORS

Mr. Duan Rongsheng and Mr. Zhang Xinzhi will resign as Supervisors of the Company subject to the approval by the Shareholders at EGM. Mr. Yang Mingquan and Mr. Wang Pengcheng are proposed to be appointed as Supervisors of the Company in replacement subject to approval by the Shareholders at the EGM.

Since Mr. Wang Xuqi has reached the mandatory retirement age, he will resign as a Supervisor. According to Article 125 of the Articles: “appointment and removal of supervisors as staff representatives shall be subject to democratic election at the staff representative meetings, staff meetings or by other way”, the Company convened a staff meeting on 12 October 2012, at which Mr. Zhao Zicheng was elected as a Supervisor as staff representative to replace Mr. Wang Xuqi.

(1) PROPOSED AMENDMENTS TO THE ARTICLES

On 28 December 2012, the Board received a notice from China Huarong Asset Management Co., Ltd.* (中國華融資產管理公司), a shareholder of the Company, advising the Company that it had changed its name to China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司).

Therefore, the proposed amendment to the Articles is to change China Huarong Asset Management Co., Ltd.* (中國華融資產管理公司) to China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司).

Pursuant to the Articles and relevant laws and regulations, the proposed amendment to the Articles is subject to the approval of the Shareholders by way of special resolution at the EGM.

(2) CONTINUING CONNECTED TRANSACTIONS

Group Financial Services Framework Agreement

On 17 February 2013, the Group and the Finance Company entered into a financial services framework agreement, the major terms of which are set out as follows:

Date: 17 February 2013

Parties: (i) the Group; and
(ii) the Finance Company

Term: The Group Financial Services Framework Agreement shall become effective from the date of approval by Independent Shareholders and expire on 31 December 2013.

Services: Pursuant to the Group Financial Services Framework Agreement, the Finance Company agreed to provide financial services to the Group including deposit services, loan services, guarantee services and other financial services.

The Finance Company undertakes under the Group Financial Services Framework Agreement that the terms of any financial services to be provided by the Finance Company to the Group will be no less favourable than those of similar financial services provided by independent third parties to the Group (subject to no violation of relevant laws and regulations).

The Group is not under any obligation to obtain any or all of the financial services provided by the Finance Company and may obtain such financial services based on its business needs.

Payment terms: The payment terms will be specified on each separate contract to be agreed by the parties

Pricing standards: The pricing standards of the financial services provided set by the Finance Company are as follows:

Deposit Services

The Group will receive interest in respect of such deposits at the preferential deposit interest rates determined by the PBOC.

Loan Services

The interests of loans provided by the Finance Company will not be higher than the range of interest rates set by the PBOC for loans of similar nature and under similar terms, and not higher than interest rates for loans of similar nature and under similar terms charging the Group by other independent commercial banks in the PRC.

Guarantee Services

The fees charged by the Finance Company for the provision of guarantee services will not be higher than the fees charged by any independent third party on the Group for the same type of services, or the fees charged by the Finance Company on any third party of same credit rating for the same type of services.

Other Financial Services (including bill discounting services, consultancy services and agency services)

The fees charged by the Finance Company for the provision of such other financial services will not be higher than the fees charged by any independent third party on the Group for the same types of services.

Proposed Annual Caps Amounts and the Basis for the Financial Services under the Group Financial Services Framework Agreement

Deposit Services

The Directors proposed the annual cap of RMB1,250,000,000 (including the corresponding accrued interests) for the deposit services under the Group Financial Services Framework Agreement.

As at 31 December 2010, 31 December 2011 and 30 June 2012, the Group had cash and cash equivalent of RMB2,118,810,000, RMB2,789,570,000 and RMB2,826,350,000, respectively. Having taken into account of the above historical amounts, the maximum daily amount of the Group's deposits with the Finance Company for 2013 has been estimated at RMB1,250,000,000 (including the corresponding accrued interests).

Loan Services

The Directors proposed the annual cap of RMB960,000,000 (including the corresponding accrued interests) for the loan services under the Group Financial Services Framework Agreement.

As at 31 December 2010, 31 December 2011 and 30 June 2012, the borrowings and loans of the Group amounted to RMB1,542,950,000, RMB2,669,690,000 and RMB2,532,050,000 (the Company issued corporate bonds of RMB1,000,000,000 in August 2011), respectively. Having taken into account of the above historical amounts, the maximum daily amount of the Group's loans from the Finance Company for 2013 has been estimated at RMB960,000,000 (including the corresponding accrued interests).

Guarantee Services

As the guarantee services are for the benefit of the Group and no security over the assets of the Group is granted in respect thereof, such services are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Accordingly the Directors have determined not to set a cap for the guarantee services.

Other Financial Services (including the bill discounting services, consultancy services and agency services)

Based on the business growth status of the Group in the previous years and the future development plan of the Group and the Finance Company, the Directors anticipate that the fees payable by the Group to the Finance Company for other financial services for 2013 will not be more than RMB52,000,000.

Parent Group Financial Services Framework Agreement

On 17 February 2013, the Parent Group and the Finance Company entered into a financial services framework agreement, the major terms of which are set out as follows:

Date: 17 February 2013

Parties: (i) the Parent Group; and
(ii) the Finance Company

Term: The Parent Group Financial Services Framework Agreement shall become effective from the date of approval by Independent Shareholders and expire on 31 December 2013.

Services: Pursuant to the Parent Group Financial Services Framework Agreement, the Finance Company agreed to provide the financial services to the Parent Group including deposit services, loan services, guarantee services and other financial services.

The Finance Company is not under any obligation to provide any or all of the financial services to the Parent Group and may provide such financial services based on its business needs.

Payment terms: The payment terms will be specified on each separate contract to be agreed by the parties

Pricing standards: The pricing standards of the financial services provided set by the Finance Company are as follows:

Deposit Services

The deposit interest rates for the Parent Group will not be higher than the range of interest rates set by the PBOC for deposits of similar nature and under similar terms.

Loan Services

The interests of loans provided by the Finance Company will not be not lower than the range of interest rates set by the PBOC for loans of a similar nature and under similar terms, and not lower than interest rates for loans of a similar nature and under similar terms charging the Parent Group by other independent commercial banks in the PRC.

Guarantee Services

The fees charged by the Finance Company for provision of guarantee services to the Parent Group will not be higher than the fees charged by any independent third party on the Parent Group for the same type of services or the fees charged by the Finance Company on any third party of same credit rating for the same type of services.

Other Financial Services (including bill discounting services, consultancy services and agency services)

The fees charged by the Finance Company for provision of such other financial services will not be higher than the fees charged by any independent third party on the Parent Group for the same types of services.

Proposed Annual Caps Amounts and the Basis for the Financial Services under the Parent Group Financial Services Framework Agreement

Deposit Services

As the deposit services are for the benefit of the Group and no security over the assets of the Group is granted in respect thereof, such services are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Accordingly, the Directors have determined not to set a cap for the deposit services.

Loan Services

The Directors proposed the annual cap of RMB1,170,000,000 (including the corresponding accrued interests) for the loan services under the Parent Group Financial Services Framework Agreement.

As at 31 December 2010, 31 December 2011 and 30 June 2012, the borrowings and loans of the Parent Group amounted to RMB3,517,240,000, RMB3,494,030,000 and RMB5,220,240,000, respectively. Having taken into account of the above historical amounts, the maximum daily amount of the Parent Group's loans from the Finance Company for 2013 has been estimated at RMB1,170,000,000 (including the corresponding accrued interests).

Guarantee Services

The Directors proposed the annual cap of RMB618,000,000 (including the corresponding handling fees) for the guarantee services under the Parent Group Financial Services Framework Agreement for the year ended 31 December 2013.

As at 31 December 2010, 31 December 2011 and 30 June 2012, the amount of guarantees provided by the Parent Company to its subsidiaries amounted to RMB1,204,000,000, RMB2,254,000,000 and RMB2,610,000,000, respectively. According to the requirements of the Provisional Measures for Risk Regulation Indicators Assessment of Finance Companies of Enterprise Groups (《企業集團財務公司風險監管指標考核暫行辦法》) issued by the CBRC, the ratio of guarantee exposures against the total assets of the Finance Company shall be not higher than 100%. Given the registered capital of the Finance Company of RMB600,000,000, and having taken into account of the above historical amounts and requirements, the maximum amount of guarantees to be provided by the Finance Company for 2013 has been estimated at RMB618,000,000 (including the corresponding accrued guarantee fees).

Other Financial Services (including the bill discounting services, consultancy services and agency services)

Based on the business growth status of the Parent Group in the previous years and the future development plan of the Parent Group and the Finance Company, the Directors anticipate that the fees payable by the Parent Group to the Finance Company for other financial services for 2013 will not be more than RMB46,000,000.

Reasons for, and benefits of, the Group Financial Services Framework Agreement between the Group and the Finance Company

Set out below are reasons for, and benefits of, the Group Financial Services Framework Agreement between the Group and the Finance Company:

- (a) The Finance Company will become the capital settlement center, capital management center, financing support center, capital operation center and information service center of the Group in the future, which would be able to enhance the financial management and control practices, reduce operational risk and consolidate internal resources of the Group;
- (b) The Finance Company is regulated by the PBOC and the CBRC and provides its services in accordance with the rules and operational requirements of these regulatory authorities. In addition, capital risk could be reduced through the risk management measures;

- (c) The capital deposited by the Group with the Finance Company will receive interest at preferential interests rates set by PBOC. Such arrangement will enable the Group to increase its interest income more effectively;
- (d) The Group is able to obtain loans from the Finance Company at an interest rate not higher than the range of interest rates set by the PBOC for loan of a similar nature and under similar terms and not higher than the interest rates for loan of a similar nature and under similar terms charging the Group by other independent commercial banks in the PRC, which could effectively lower its costs of funding; and
- (e) The Company through its direct 51% equity interest in the Finance Company will be able to share the profits of the Finance Company.

Based on the reasons set out above, the Directors (including members of the Independent Board Committee) are of the view that the terms of the Group Financial Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for, and benefits of, the Parent Group Financial Services Framework Agreement between the Parent Group and the Finance Company

Set out below are reasons for, and benefits of, the Parent Group Financial Services Framework Agreement between the Parent Group and the Finance Company:

- (a) It will expand the business scale of the Finance Company, thus benefiting the development of the Finance Company;
- (b) It will consolidate cash resources, enhance the capital utilization efficiency and lower the finance cost;
- (c) It will enlarge the operation scale of the Group, thus enhancing the profitability of the Group; and
- (d) The Company through its direct 51% equity interest in the Finance Company will be able to share the profits of the Finance Company.

Based on the reasons set out above, the Directors (including members of the Independent Board Committee) are of the view that the terms of the Parent Group Financial Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION ON THE COMPANY

The Group is principally engaged in manufacturing and sales of automotive parts and components, power equipment, general machinery and CNC machine tools.

GENERAL INFORMATION ON THE PARENT COMPANY

The Parent Group is principally engaged in automobiles and ancillary automobile business (including special purpose vehicles, compartments and transmission axle), electronic information business and other business.

INFORMATION ON THE FINANCE COMPANY

The Finance Company is a non-bank financial institution established in January 2013 according to PRC laws and with the approval of CBRC. It is subject to the regulation of the PBOC and CBRC. Its principal business is provision of financial services (including but not limited to deposit services, loan services, guarantee services and other financial services) to the Group and the Parent Group.

LISTING RULES IMPLICATIONS

Group Financial Services Framework Agreement

As at the date of this announcement, as the Parent Company is a Controlling Shareholder of the Company, holding 52.22% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. The Finance Company, which is owned as to 30% by the Parent Company, is an associate of the Parent Company. Therefore, the transactions under the Group Financial Services Framework Agreement constitute continuing connected transactions of the Company.

As the interest rate for deposit services to be provided by the Finance Company to the Group will be implemented based on the preferential interest rate set by the PBOC, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the deposit services exceed 5% and the annual caps exceeds HK\$10,000,000, the deposit services under the Group Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the interest rate for loan services to be provided by the Finance Company to the Group will not be higher than the range of interest rates set by the PBOC for loan of a similar nature and under similar terms or the interest rates for loan of a similar nature and under similar terms charging the Group by other independent commercial banks in the PRC, and one or more of the applicable percentage ratios calculated in respect of the maximum daily loan amount exceed 5% and the annual caps exceeds HK\$10,000,000, the loan services under the Group Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of guarantee services to the Group will not be higher than the fees charged by any independent third party on the Group for the same type of services or the fees charged by the Finance Company on any third party of same credit rating for the same type of services and such guarantee services are for the benefit of the Group, and no security over the assets of the Group is granted, the guarantee services under the Group Financial Services Framework Agreement are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of other financial services to the Group will not be higher than the fees charged by any independent third party on the Group for the same type of services, and all the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the service charges for other financial services will exceed 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

Parent Group Financial Services Framework Agreement

As at the date of this announcement, as the Parent Company is one of the Controlling Shareholder of the Company, holding 52.22% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. The Finance Company, which is owned as to 51% by the Company, is a subsidiary of the Company. Pursuant to the Listing Rules, the Parent Group is a connected person of the Company. Therefore, the transactions under the Parent Group Financial Services Framework Agreement constitute continuing connected transactions of the Company.

As the interest rate for deposit services to be provided by the Finance Company to the Parent Group will be not higher than the range of interest rates set by the PBOC for deposits of a similar nature and under similar terms and such deposit services to be provided are for the benefit of the Group, and no security over the assets of the Group is granted, the deposit services under the Parent Group Financial Services Framework Agreement are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the interest rate for loan services to be provided by the Finance Company to the Parent Group will not be lower than the range of interest rates set by the PBOC for loan of a similar nature and under similar terms, or the interest rates for loan of a similar nature and under similar terms charging the Parent Group by other independent commercial banks in the PRC, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the loan services exceed 5% and the annual cap exceeds HK\$10,000,000, the loan services under the Parent Group Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, as one or more of the applicable percentage ratios calculated in respect of the maximum daily loan amount exceed 25% but less than 100%, such transactions also constitute major transaction of the Company under Rule 14.06(3) of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements for major transaction under Chapter 14 of the Listing Rules.

As the fees charged by the Finance Company for the provision of guarantee services to the Parent Group will not be higher than the fees charged by any independent third party on the Parent Group for the same type of services or the fees charged by the Finance Company on any third party of same credit rating for the same type of services, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the guarantee services exceed 5% and the annual cap exceeds HK\$10,000,000, the guarantee services under the Parent Group Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of other financial services to the Parent Group will not be higher than the fees charged by any independent third party on the Parent Group for the same type of services, and all the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the service charges for other financial services will exceed 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of deposit services and loan services under the Group Financial Services Framework Agreement and the terms of loan services and guarantee services under the Parent Group Financial Services Framework Agreement. The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further information on the Parent Group Financial Services Framework Agreement and the Group Financial Services Framework Agreement and the transactions contemplated thereunder, a letter of advice from the Independent Board Committee, a letter of recommendation from the Independent Financial Adviser and a notice of the EGM will be despatched to the Shareholders on or before 8 March 2013.

The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the deposit services and loan services under the Group Financial Services Framework Agreement and the loan services and guarantee services under the Parent Group Financial Services Framework Agreement.

As Mr. Huang Yong and Mr. Wang Jiyu hold management positions in the Parent Company and Mr. Yu Gang, Mr. Liao Shaohua, Mr. Chen Xianzhen, Mr. Xie Hua Jun are Directors of the Company, they are deemed to have material interests in the transactions contemplated under the Group Financial Services Framework Agreement and the Parent Group Financial Services Framework Agreement and have abstained from voting on the relevant Board resolutions to approve the Group Financial Services Framework Agreement and the Parent Group Financial Services Framework Agreement.

(3) CHANGE OF TWO DIRECTORS

The Board announces that executive Director Mr. Liao Shaohua will resign as executive Director as he has ceased to serve in the Company, with effect from the appointment of Mr. Ren Yong as a new executive Director; Mr. Liu Liangcai will resign as a non-executive Director due to job relocation, with effect from the appointment of Mr. Deng Yong as a new executive Director. Mr. Liao Shaohua and Mr. Liu Liangcai have confirmed that they have no disputes with the Company and that there are no matters relating to their resignation that need to be brought to the attention of the Shareholders. The Board would like to express its sincere gratitude for the contribution of Mr. Liao Shaohua and Mr. Liu Liangcai have made to the Company during their terms of office.

In replacement of Mr. Liao Shaohua and Mr. Liu Liangcai after their resignation, the Company proposes to appoint Mr. Ren Yong as an executive Director and Mr. Deng Yong as a non-executive Director. The appointment of Mr. Ren Yong and Mr. Deng Yong shall be subject to the approval of the Shareholders at the EGM. The biographical details of Mr. Ren Yong and Mr. Deng Yong are as follows:

Mr. Ren Yong, aged 55, is a Vice General Manager of the Company. He joined the Parent Group in February 1982 and the Group in March 2005. He has been a director of the Parent Company since November 2004. He has been the chairman and party committee secretary of Chongqing Heavy Vehicle Group Co., Ltd. since July 2005, and served as the chairman of Chongqing CAFF Automotive Braking & Steering System Co., Ltd. from March 2005 to December 2011. Mr. Ren has been a director and vice chairman of SAIC-IVECO HONGYAN Commercial Vehicle Co., Ltd. (上汽依維柯紅岩商用車有限公司) since June 2006, and concurrently served as a director of Chongqing Cummins Engine Co., Ltd. since January 2011, a director of Chongqing Power Transformer Co., Ltd. (重慶變壓器有限責任公司) since October 2011, a director of Chongqing Pigeon Electric Wire & Cable Co., Ltd. since December 2011, a director of Chongqing ABB Transformers Co. Ltd. since March 2012 as well as the chairman of Chongqing Power Transformer Co., Ltd. (重慶變壓器有限責任公司) since August 2012. Mr. Ren Yong has over 20 years of management experience in the automobile industry. From March 2003 to July 2005, he was the general manager, deputy secretary of party committee, director of Chongqing Heavy the Vehicle Group Co., Ltd. From January 2003 to July 2005, he was the party committee secretary and director of Chongqing Hongyan Motor Co., Ltd. He was the chairman of Chongqing Heavy Vehicle Group Special Purpose Vehicle Co., Ltd. in June 2004.

From December 2000 to March 2003, he served as deputy general manager and deputy secretary of party committee of Chongqing Heavy Vehicle Group Co., Ltd. From February 1982 to November 1998, he was the deputy manager, head of the assembly division, director of manager office of a branch company of Sichuan Truck Plant. From November 1998 to December 2000, he was the deputy manager of such plant in charge of human resources, salary, education and security, etc. Mr. Ren Yong is a senior engineer who graduated from the Taiyuan Heavy Machinery Institute with a bachelor's degree in equipment and process in February 1982. From September 2002 to July 2008, he studied in the Chongqing University for a master's degree in Business and Administration.

Mr. Deng Yong, aged 52, is the chief financial officer of Chongqing Yufu Assets Management Co., Ltd.. Mr. Deng Yong has over 20 years of experience in the financial industry. He served as an assistant president and general manager of the planning and financial department of the Southwest Securities Co., Ltd. (600369.SH) from August 2008 to April 2012, assistant general manager and manager of the financial department of Chongqing Yufu Assets Management Co., Ltd. from March 2004 to August 2008, deputy general manager of the Linjiang Road and Jiulongpo Divisions of China Galaxy Securities Co., Ltd. from September 2000 to March 2004, deputy general manager of the Chongqing Securities Division of China Cinda Trust & Investment Company (中國信達信託投資公司重慶證券營業部) from June 1997 to September 2000 (he was seconded to work for the work group of red chips of Chongqing Municipal Government(重慶市政府紅籌股工作小組) from September 1997 to June 1998), the manager of the securities investment department of Chongqing Trust & Investment Company (重慶市信託投資公司) from September 1992 to June 1997 and an employee at the Chongqing branch of the China Construction Bank from July 1988 to September 1992. Mr. Deng Yong is an engineer graduated from Chongqing University with a bachelor's degree in Applied Mathematics. He studied and obtained a master degree majoring in econometrics from the Chongqing University from September 1986 to July 1988.

Save as disclosed above, Mr. Ren Yong and Mr. Deng Yong did not hold any directorship in any other listed companies in the last three years, or any other position in the Company or other members of the Group. Mr. Ren Yong and Mr. Deng Yong does not have any relationship with any other Directors, senior management, substantial Shareholders or Controlling Shareholders of the Company, or have any interest in the shares of the Company within the meaning of Part XV of the SFO. If Mr. Ren Yong and Mr. Deng Yong are appointed as Directors at the EGM, the Company will enter into service contracts with them in connection with their appointment respectively, for a term commencing from the date of the EGM until the expiration of the current session of the Board.

Mr. Ren Yong and Mr. Deng Yong are entitled to a Director's emolument and their remuneration will be determined by the Board with reference to remuneration standards for Directors as approved at the 2009 annual general meeting, which is subject to the approval at the EGM of the appointment of Mr. Ren Yong and Mr. Deng Yong.

Save as disclosed above, the Board is not aware of any matters relating to the proposed appointment of Mr. Ren Yong and Mr. Deng Yong that need to be brought to the attention of the Shareholders, nor is there any information required to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules.

(4) CHANGE OF THREE SUPERVISORS

The Board announces that Mr. Duan Rongsheng will resign as a Supervisor as he has reached the mandatory retirement age, with effect from the appointment of Mr. Yang Mingquan as a new Supervisor; Mr. Zhang Xinzhi will resign as a Supervisor due to job changes, with effect from the appointment of Mr. Wang Pengcheng as a new Supervisor; Mr. Wang Xuqi will resign as a Supervisor as he has reached the mandatory retirement age, with effect from the appointment of Mr. Zhao Zicheng as a new Supervisor. Mr. Duan Rongsheng, Mr. Zhang Xinzhi and Mr. Wang Xuqi have confirmed that they have no disputes with the Company and that there are no matters relating to their resignation that need to be brought to the attention of the Shareholders. The Board would like to express its sincere gratitude for the contribution of Mr. Duan Rongsheng, Mr. Zhang Xinzhi and Mr. Wang Xuqi have made to the Company during their tenure of office.

In replacement of Mr. Duan Rongsheng and Mr. Zhang Xinzhi after their resignation, the Company proposes to appoint Mr. Yang Mingquan and Mr. Wang Pengcheng as Supervisors. According to Article 125 of the Articles: “appointment and removal of supervisors as staff representatives shall be subject to democratic election at the staff representative meetings, staff meetings or by other way”, the Company convened a staff meeting on 12 October 2012, at which Mr. Zhao Zicheng was elected as a Supervisor as staff representative to replace Mr. Wang Xuqi. The appointment of Mr. Yang Mingquan and Mr. Wang Pengcheng is subject to approval by the Shareholders at the EGM. The biographical details of Mr. Yang Mingquan, Mr. Wang Pengcheng and Mr. Zhao Zicheng are as follows:

Mr. Yang Mingquan, aged 58, is the chairman of the supervisory committee of the Parent Company. Mr. Yang Mingquan was the director of Chongqing Changke Urban Rail Transit Vehicle Co., Ltd. (重慶長客城市軌道交通車輛有限責任公司) from February 2009 to October 2012 (during this period, he was the chairman of board of directors of Chongqing Changke Urban Rail Transit Vehicle Co., Ltd. from May 2010 to October 2012). He was the director and chairman of board of directors of Chongqing Machinery and Electric Holding (Group) Engineering Technology Co., Ltd. (重慶機電控股集團機電工程技術有限公司) from February 2010 to October 2012, and the director and chairman of board of directors of Chongqing Machinery and Electric Holding (Group) Forging Co., Ltd. (重慶機電控股集團鑄造有限公司) from November 2010 to October 2012. Mr. Yang Mingquan is a professor-level senior engineer with over 30 years experience in corporate management. He served as the vice president of the Parent Company from October 2001 to September 2012, the assistant president and the head of the planning and development department of the Parent Company from August 2000 to October 2001, the chief of the technology department of the Chongqing Machinery and Industrial Management Bureau (the predecessor of the Parent Company) from May 1991 to August 2000 and the assistant engineer at the Chongqing Machinery and Industrial Management Bureau from July 1983 to May 1991. Mr. Yang Mingquan graduated from the Chongqing Machinery School in September 1976 majoring in machine manufacturing and from Yuzhou University in September 1983 with a bachelor’s degree in machine manufacturing.

Mr. Wang Pengcheng, aged 45. Mr. Wang Pengcheng is a member of the party committee and deputy general manager of the Chongqing office of China Huarong Asset Management Co., Ltd. He has been a director of Chongqing Construction Engineering Group Co., Ltd. since August 2009 and the vice chairman of Southwest Aluminum (Group) Co. Ltd.(西南鋁業集團公司) since May 2012. Mr. Wang Pengcheng is an economist with over 20 years experience in finance. He acted as the senior deputy manager, senior manager and assistant general manager of the Chongqing office of China Huarong Asset Management Co., Ltd. from January 2000 to August 2012, an accountant, head of the office of personnel, deputy chief of the personnel department, deputy chief of the organization department of the Chongqing branch of Industrial and Commercial Bank of China from July 1992 to December 1999. Mr. Wang Pengcheng graduated from Lanzhou University with a bachelor degree in executive management in 1990 and is currently pursuing MBA degree at Chongqing University.

Mr. Zhao Zicheng, aged 42, is the chairman and secretary of the party committee of Chongqing Water Turbine Works Co., Ltd., the Company's wholly-owned subsidiary. Mr. Zhao Zicheng is a professor-level senior engineer with over 20 years experience in engineering technology. He served as the general manager of Chongqing Pump Industry Co., Ltd. and a director and deputy general manager of Chongqing General Industry (Group) Co., Ltd. (both being the Company's wholly-owned subsidiaries) from October 2007 to January 2010, executive deputy general manager and member of the party committee of Chongqing Pump Industry Co., Ltd. from May 2003 to September 2007, deputy general manager of Chongqing Pump Industry Co., Ltd. from July 1998 to May 2003, technician at the tool workshop and second workshop and deputy chief and chief of the technique division of Chongqing Pump Plant from August 1991 to June 1998. Mr. Zhao Zicheng graduated from the environmental and chemical engineering institute of Chongqing University with a master's degree in environmental engineering in July 2005 and from Southwest Jiaotong University in July 1991 with an associate degree in machine manufacturing process and equipment. He has been taking EMBA courses in Xiamen University since September 2011.

Save as disclosed above, Mr. Yang Mingquan, Mr. Wang Pengcheng and Mr. Zhao Zicheng did not serve as Director in any other listed companies in the last three years, nor do they hold any other position in the Company or other members of the Group or have any relationship with any Directors, senior management, substantial Shareholders or Controlling Shareholders of the Company, or have any interest in the shares of the Company within the meaning of Part XV of the SFO. If Mr. Yang Mingquan and Mr. Wang Pengcheng are appointed as Supervisors at the EGM, the Company will enter into service contracts with them in connection with their appointment, for a term commencing from the date of the EGM until the expiration of the current session of the Supervisory Committee.

Mr. Yang Mingquan, Mr. Wang Pengcheng and Mr. Zhao Zicheng are entitled to a Supervisor's emolument and their remuneration will be determined by the Board with reference to remuneration standards for Supervisors as approved at the 2009 annual general meeting, which is subject to the approval at the EGM of the appointment of Mr. Yang Mingquan and Mr. Wang Pengcheng.

Save as disclosed above, the Board is not aware of any matters relating to the proposed appointment of Mr. Yang Mingquan, Mr. Wang Pengcheng and Mr. Zhao Zicheng that need to be brought to the attention of the Shareholders, nor is there any information required to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, inter alia, further details of (i) proposed amendments to the Articles; (ii) major transaction and continuing connected transactions; (iii) change of two Directors; (iv) change of three Supervisors; and (v) a notice of the EGM and a proxy form, will be despatched to the Shareholders on or before 8 March 2013.

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles”	the articles of association of the Company;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;

“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會);
“Company”	Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司);
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	ordinary share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as paid up in RMB;
“Extraordinary General Meeting” or “EGM”	the first extraordinary general meeting of 2013 to be held by the Company to consider and, if thought fit, to approve, among other things: (1) proposed amendments to the Articles; (2) major transaction and continuing connected transactions; (3) change of two Directors; and (4) change of three Supervisors;
“Finance Company”	Chongqing Machinery and Electric Holding (Group) Finance Co., Ltd.* (重慶機電控股集團財務有限公司), a limited liability company established in the PRC on 16 January 2013 by the Company, the Parent Company and Industrial Trust, which is owned as to 51%, 30% and 19% by the Company, the Parent Company and Industrial Trust hold respectively;
“Group”	the Company and its associates;
“Group Financial Services Framework Agreement”	the financial services framework agreement entered into between the Group and the Finance Company on 17 February 2013;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H Shares”	overseas-listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	an independent committee of the Board composed of independent non-executive Directors of the Company, namely Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Kong Weiliang and Mr. Jin Jingyu;
“Independent Financial Adviser”	TC Capital Asia Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the deposit services and loan services under the Group Financial Services Framework Agreement and the loan services and guarantee services under the Parent Group Financial Services Framework Agreement;
“Independent Shareholder(s)”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to the Company means the Shareholders other than Parent Company and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Parent Company”	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”	Parent Company and its associates, excluding the Group;
“Parent Group Financial Services Framework Agreement”	the financial services framework agreement entered into between the Parent Group and the Finance Company on 17 February 2013;
“PBOC”	the People’s Bank of China, the central bank of the PRC;
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and the Taiwan region;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;

“Shares” the Domestic Shares and/or the H Shares;

“Shareholders” holder(s) of the Shares; and

“Supervisor(s)” the supervisor(s) of the Company.

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

Chongqing, the PRC
17 February 2013

As at the date of this announcement, the executive Directors are Mr. Yu Gang, Mr. Liao Shaohua, Mr. Chen Xianzheng and Mr. Xie Hua Jun; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Liu Liangcai and Mr. Yang Jingpu; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Kong Weiliang and Mr. Jin Jingyu

* *For identification purposes only*