

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**MAJOR TRANSACTION AND CONTINUING CONNECTED
TRANSACTIONS
GROUP FINANCIAL SERVICES FRAMEWORK
SUPPLEMENTAL AGREEMENT AND
PARENT GROUP FINANCIAL SERVICES FRAMEWORK
SUPPLEMENTAL AGREEMENT**

**GROUP FINANCIAL SERVICES FRAMEWORK SUPPLEMENTAL
AGREEMENT**

The Board hereby announces that on 13 March 2013, the Company and the Finance Company entered into a financial services framework supplemental agreement to amend certain terms under the Group Financial Services Framework Agreement, including but not limited to pricing basis of deposit services, and the effective date thereof.

PARENT GROUP FINANCIAL SERVICES FRAMEWORK SUPPLEMENTAL AGREEMENT

On 13 March 2013, the Parent Group and the Finance Company entered into a financial services framework supplemental agreement to amend certain terms under the Parent Group Financial Services Framework Agreement, including but not limited to the pricing basis of deposit services, guarantee services and other financial services, and the effective date thereof.

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 (as amended by the Group Financial Services Framework Supplemental Agreement), and the terms of loan services and guarantee services under the Parent Group Financial Services Framework Agreement (as amended by the Parent Group Financial Services Framework Supplemental Agreement). The Independent Financial Adviser has been appointed 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 (as amended by the Group Financial Services Framework Supplemental Agreement), the Parent Group Financial Services Framework Agreement (as amended by the Parent Group Financial Services Framework Supplemental 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 as soon as practicable.

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 (as amended by the Group Financial Services Framework Supplemental Agreement), and the loan services and guarantee services under the Parent Group Financial Services Framework Agreement (as amended by the Parent Group Financial Services Framework Supplemental Agreement). The Parent Company and its associates will abstain from voting on the relevant resolutions to be proposed at the EGM.

Reference is made to the announcement of the Company dated 17 February 2013 (the “Announcement”). Unless otherwise specified or the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

GROUP FINANCIAL SERVICES FRAMEWORK SUPPLEMENTAL AGREEMENT

The Board hereby announces that on 13 March 2013, the Company and the Finance Company entered into a financial services framework supplemental agreement to amend certain terms under the Group Financial Services Framework Agreement, including but not limited to pricing basis of deposit services, and the effective date thereof.

PARENT GROUP FINANCIAL SERVICES FRAMEWORK SUPPLEMENTAL AGREEMENT

On 13 March 2013, the Parent Company and the Finance Company entered into a financial services framework supplemental agreement to amend certain terms under the Parent Group Financial Services Framework Agreement, including but not limited to the pricing basis of deposit services, guarantee services and other financial services, and the effective date thereof.

GROUP FINANCIAL SERVICES FRAMEWORK SUPPLEMENTAL AGREEMENT

On 17 February 2013, the Company and the Finance Company entered into a financial services framework agreement. On 13 March 2013, the Company and the Finance Company entered into a financial services framework supplemental agreement to amend certain terms under the Group Financial Services Framework Agreement, including but not limited to pricing basis of deposit services, and the effective date thereof, the major terms of which are set out below:

Date: 13 March 2013

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

Term: The terms of the deposit services and loan services under the Group Financial Services Framework Agreement (as amended by the Group Financial Services Framework Supplemental Agreement) shall become effective from the date of approval by Independent Shareholders and expire on 31 December 2013.

The terms of the guarantee services and other financial services under the Group Financial Services Framework Agreement (as amended by the Group Financial Services Framework Supplemental Agreement) shall become effective from the date of signing of the Group Financial Services Framework Supplemental Agreement and expire on 31 December 2013.

Pricing Standards **Deposit Services**

The interest rates of deposits provided by the Finance Company to the Group will not be lower than interest rates for deposits of similar nature and under similar terms provided to Group by other independent commercial banks in the PRC.

Except as amended and modified by the Group Financial Services Framework Supplemental Agreement, all other terms and conditions of the amended Group Financial Services Framework Agreement shall remain in full force and effect and be binding on all parties thereto.

PARENT GROUP FINANCIAL SERVICES FRAMEWORK SUPPLEMENTAL AGREEMENT

On 17 February 2013, the Parent Company and the Finance Company entered into a financial services framework agreement. On 13 March 2013, the Parent Company and the Finance Company entered into a Financial Services Framework Supplemental Agreement, to amend certain terms under the Parent Group Financial Services Framework Agreement, including but not limited to the pricing basis of deposit services, guarantee services and other financial services, and the effective date thereof, the major terms of which are set out as follows:

Date: 13 March 2013

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

Term: The terms of the loan services and guarantee services under the Parent Group Financial Services Framework Agreement (as amended by the Parent Group Financial Services Framework Supplemental Agreement) shall become effective from the date of approval by Independent Shareholders and expire on 31 December 2013.

The terms of the deposit services and other financial services under the Parent Group Financial Services Framework Agreement (as amended by the Parent Group Financial Services Framework Supplemental Agreement) shall become effective from the date of signing of the Parent Group Financial Services Framework Supplemental Agreement and expire on 31 December 2013.

Deposit Services

The interest rates of deposits provided by the Finance Company to the Parent Group will not be higher than interest rates for deposits of similar nature and under similar terms provided to 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 lower 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

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

Except as amended and modified by the Parent Group Financial Services Framework Supplemental Agreement, all other terms and conditions of the amended Parent Group Financial Services Framework Agreement shall remain in full force and effect and be binding on all parties thereto.

LISTING RULES IMPLICATIONS

Group Financial Services Framework Agreement (As Amended by the Group Financial Services Framework Supplemental Agreement)

As disclosed in the Announcement, as the Parent Company is 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 30% by the Parent Company, is an associate of the Parent Company. Therefore, the transactions under the Group Financial Services Framework Agreement (as amended by the Group Financial Services Framework Supplemental 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 not be lower than interest rates for deposits of similar nature and under similar terms provided to 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 deposit services exceed 5% and the annual caps exceeds HK\$10,000,000, the deposit services under the Group Financial Services Framework Agreement (as amended by the Group Financial Services Framework Supplemental 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 (as amended by the Group Financial Services Framework Supplemental 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 (as amended by the Group Financial Services Framework Supplemental 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 Amended by the Parent Group Financial Services Framework Supplemental Agreement)

As disclosed in the Announcement, as the Parent Company is 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 (as amended by the Parent Group Financial Services Framework Supplemental 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 not be higher than interest rates for deposits of similar nature and under similar terms provided to Parent Group by other independent commercial banks in the PRC 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 (as amended by the Parent Group Financial Services Framework Supplemental 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 (as amended by the Parent Group Financial Services Framework Supplemental 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 lower 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 (as amended by the Parent Group Financial Services Framework Supplemental 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 lower 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 (as amended by the Group Financial Services Framework Supplemental Agreement), and the terms of loan services and guarantee services under the Parent Group Financial Services Framework Agreement (as amended by the Parent Group Financial Services Framework Supplemental Agreement). The Independent Financial Adviser has been appointed 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 (as amended by the Group Financial Services Framework Supplemental Agreement), the Parent Group Financial Services Framework Agreement (as amended by the Parent Group Financial Services Framework Supplemental 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 as soon as practicable.

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 (as amended by the Group Financial Services Framework Supplemental Agreement), and the loan services and guarantee services under the Parent Group Financial Services Framework Agreement (as amended by the Parent Group Financial Services Framework Supplemental Agreement). The Parent Company and its associates will abstain from voting on the relevant resolutions to be proposed at the EGM

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

“Announcement”	means	the announcement of the Company dated 17 February in relation to, among other things, the Group Financial Services Framework Agreement and the Parent Group Financial Services Framework Agreement
----------------	-------	--

“Group Financial Services Framework Supplemental Agreement” means the financial services framework supplemental agreement entered into between the Company and the Finance Company on 13 March 2013 to amend certain terms under the Group Financial Services Framework Agreement, including but not limited to pricing basis of deposit services, and the effective date thereof

“Parent Group Financial Services Framework Supplemental Agreement” means the financial services framework supplemental agreement entered into between the Parent Company and the Finance Company on 13 March 2013 to amend certain terms under the Parent Group Financial Services Framework Agreement, including but not limited to the pricing basis of deposit services, guarantee services and other financial services, and the effective date thereof

By Order of the Board

Chongqing Machinery & Electric Co., Ltd.*

Chen Xianzheng

Executive Director and Secretary to the Board

Chongqing, the People’s Republic of China

13 March 2013

As at the date of this announcement, the executive Directors are Mr. Yu Gang, Mr. Liao Shaohua, Mr. Chen Xianzheng and Mr. Xie Huajun; 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*