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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.*, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s).

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Chongqing Machinery & Electric Co., Ltd.*
重慶機電股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02722)

- (1) CHANGE OF A DIRECTOR;**
(2) CHANGE OF TWO SUPERVISORS;
(3) AMENDMENTS TO THE REMUNERATION STANDARDS
FOR THE THIRD SESSION OF DIRECTORS;
(4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
AND
(5) NOTICE OF THE EXTRAORDINARY GENERAL MEETING
-

The letter from the Board of the Company is set out on pages 1 to 10 of this circular.

A notice convening the first EGM of Chongqing Machinery & Electric Co., Ltd* for 2014 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 Monday, 29 September 2014 at 09:30 a.m. is set out on pages 16 to 18 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinacqme.com). Whether or not you intend to attend the EGM, you are requested to complete and return (i) the reply slip enclosed with this circular in accordance with the instructions printed thereon not later than Monday, 8 September 2014 and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

15 August 2014

* For identification purposes only

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DEFINITIONS

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

“Articles” or “Articles of Association”	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
“Company”	Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司)
“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
“EGM”	the first extraordinary general meeting of 2014 to be held by the Company to consider and, if thought fit, to approve, among other things: (1) Change of A Director; (2) Change of Two Supervisors; (3) Amendments to the Remuneration Standards for the Third Session of Directors; and (4) Proposed Amendments to the Articles of Association
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the overseas-listed foreign share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange

DEFINITIONS

“Remuneration Committee”	the Remuneration Committee of the Board composed of Mr. Ren Xiaochang, Mr. Lo Wah Wai and Mr. Jin Jingyu, being independent non-executive Directors, and Mr. Wang Jiyu, being a non-executive Director
“Latest Practicable Date”	11 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region and the Taiwan region
“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 revised otherwise from time to time
“Shares”	the Domestic Shares and/or the H Shares
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company

LETTER FROM THE BOARD



Chongqing Machinery & Electric Co., Ltd.*

重慶機電股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02722)

Executive Directors:

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

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:

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

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. Yang Zhimin

To the Shareholders

Dear Sir or Madam,

- (1) CHANGE OF A DIRECTOR;
(2) CHANGE OF TWO SUPERVISORS;
(3) AMENDMENTS TO THE REMUNERATION STANDARDS
FOR THE THIRD SESSION OF DIRECTORS;
(4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
AND
(5) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

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

* For identification purposes only

2. CHANGE OF A DIRECTOR

In accordance with the *Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-Time (Holding Office) in Enterprises* (Zhong Zu Fa [2013] No. 18) (《關於進一步規範黨政領導幹部在企業兼職(任職)問題的意見》(中組發[2013]18號)) issued by the Organization Department of the CPC Central Committee, Mr. Yang Zhimin will resign as an independent non-executive Director with effect from the appointment of a new independent non-executive Director. Mr. Yang Zhimin has confirmed that he has no disagreement with the Company and that he is not aware of any matters that need to be brought to the attention of Shareholders. The Board takes this opportunity to express its gratitude to Mr. Yang Zhimin for his contributions to the Company during his tenure of office.

In replacement of Mr. Yang Zhimin after his resignation, the Company proposes to appoint Mr. Liu Wei as an independent non-executive Director, which is subject to approval by shareholders at the EGM. The biographical details of Mr. Liu Wei are as follows:

Mr. Liu Wei, aged 50, is currently the head, professor and doctoral supervisor of the Business Management Department of the School of Economics and Business Administration of Chongqing University, the deputy director of Business and Administration and Economy Development Research Institute of Chongqing University, and has concurrently served as the independent directors of Chongqing Iron & Steel (Group) Company Limited, Chongqing Jianfeng Chemical Co., Ltd. (000950.SZ), Chongqing Guidance Fund for Technology Innovative Industries Venture Investment Co., Ltd (重慶科技創業風險投資引導基金有限公司), Chongqing Technology Venture Investment Co., Ltd (重慶科技風險投資有限公司), Chongqing Zaisheng Technology Company Limited (重慶再升科技股份有限公司) and a member of Investment Decisions Committee of Shanghai Zhongwei Venture Capital (上海中衛創業風險投資基金) and Guizhou Tongshengshifu Fund (貴州通盛時富基金). Mr. Liu has served in Chongqing University since July 1990. He once served as the lecturer, associate professor and assistant of the head of department for Department of Mechanical Engineering, professor of Mechanical Engineering Institute, and vice chief of the Industrial Engineering Research Institute. Mr. Liu graduated from Chongqing University with a bachelor's degree in Mining Machinery Department in July 1984, graduated from Chongqing University with a master's degree in Mechanics Department in July 1987, and graduated from Chongqing University with a doctorate degree in Department of Mechanical Design and Theory in July 1990. He also conducted post-doctoral research in the University of Manchester Institute of Science and Technology from September 1996 to October 1997. He completed the training for independent directors of listed company by the SAC in December 2002.

LETTER FROM THE BOARD

Save as disclosed above, Mr. Liu Wei 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. Liu Wei 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. Liu Wei is appointed as a Director at the EGM, the Company will enter into a service contract with him in connection with his appointment, for a term commencing from the date of the EGM until the expiration of the current session of the Board.

Mr. Liu Wei is entitled to a Director's emolument and his remuneration will be determined by the Board with reference to remuneration standards for Directors as approved at the 2012 annual general meeting, which is subject to the approval at the EGM of the appointment of Mr. Liu Wei.

Save as disclosed above, the Board is not aware of any matters relating to the proposed appointment of Mr. Liu Wei 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.

3. CHANGE OF TWO SUPERVISORS

In accordance with the *Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-Time (Holding Office) in Enterprises* (Zhong Zu Fa [2013] No. 18) (《關於進一步規範黨政領導幹部在企業兼職(任職)問題的意見》(中組發[2013]18號)) issued by the Organization Department of the CPC Central Committee, Mr. Liu Xing and Mr. Du Chengrong will resign as independent supervisors with effect from the appointment of new supervisors. Mr. Liu Xing and Mr. Du Chengrong have confirmed that they have no disagreement with the Company and that they are not aware of any matters that need to be brought to the attention of Shareholders. The Board takes this opportunity to express its gratitude to Mr. Liu Xing and Mr. Du Chengrong for their contributions to the Company during their tenure of office.

LETTER FROM THE BOARD

In replacement of Mr. Liu Xing and Mr. Du Chengrong after their resignation, the Company proposes to appoint Ms. Wu Yi and Mr. Huang Hui as supervisors, which is subject to approval by shareholders at the EGM. The biographical details of Ms. Wu Yi and Mr. Huang Hui are as follows:

Ms. Wu Yi, aged 40, is currently the director of Chongqing Bestone Law Firm (重慶百事得律師事務所), a member of Chongqing Lawyers Association and the Specially-invited Member of of the fourth Committee of Chinese People's Political Consultative Conference of Chongqing. Ms. Wu once served as the lawyer of Chongqing Dongfanglianhe Law Firm (重慶東方聯合律師事務所), Chongqing Zhongzhu Law Firm (重慶中柱律師事務所) and Chongqing Branch of Beijing Kaiwen Law Firm (北京凱文律師事務所重慶分所律師) from August 1997 to April 2008. Ms. Wu graduated from School of Economic Law of Southwest University of Political Science and Law with a bachelor's degree in Laws from September 1993 to July 1997 and with a master's degree in Laws from September 2003 to July 2006. She graduated from Peking University HSBC School of Business with a master's degree in Finance from September 2008 to July 2009.

Mr. Huanghui, aged 43, is currently the deputy head, professor and tutor of postgraduates in Department of Finance of School of Accountancy of Chongqing Technology and Business University. Mr. Huang was once a teacher in No.2 Senior High School in Xinxian County of Henan Province (河南省新縣第二高級中學) from September 1989 to July 1991, and a teacher in Chengguan No. 2 Middle School in Xinxian County of Henan Province (河南省新縣城關二中) from August 1996 to August 1998. Since July 2002, he worked in School of Accountancy of Chongqing Technology and Business University. Mr. Huang graduated from Luoyang Normal College with a junior degree in Department of Physics from September 1989 to July 1991. He graduated from Henan College of Education(河南教育學院) with a bachelor's degree in Department of Politics and Laws from September 1994 to July 1996. He graduated from School of Management Economics of Wuhan University of Technology with a master's degree from September 1999 to June 2002. He graduated from the Management College of Hua Zhong University of Science and Technology with a doctor's degree from September 2005 to June 2009. He was a visiting scholar in University of Missouri in US from April to May in 2010. He was a visiting scholar in the School of Economics and Management of Tsinghua University from September 2011 to July 2012. He conducted post-doctoral research in the Research Institute for Fiscal Science of the Ministry of Finance from September 2011 to December 2013.

LETTER FROM THE BOARD

Save as disclosed above, Ms. Wu Yi and Mr. Huang Hui 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. Ms. Wu Yi and Mr. Huang Hui do not 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 Ms. Wu Yi and Mr. Huang Hui 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.

Ms. Wu Yi and Mr. Huang Hui 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 2012 annual general meeting, which is subject to the approval at the EGM of the appointment of Ms. Wu Yi and Mr. Huang Hui.

Save as disclosed above, the Board is not aware of any matters relating to the proposed appointment of Ms. Wu Yi and Mr. Huang Hui 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. AMENDMENTS TO THE REMUNERATION STANDARDS FOR THE THIRD SESSION OF DIRECTORS

Pursuant to the proposed amendments to the Management Measures Concerning the Remuneration for the Third Session of Senior Management of Chongqing Machinery & Electric Co., Ltd. (《重慶機電股份有限公司第三屆高級管理人員薪酬管理辦法》), the remuneration of executive Directors and senior management is composed of basic salary, performance-related salary, special award and tenure incentive.

- (i) The basic salary of executive Directors and senior management for 2014-2016 is calculated at 3.6-4 times the annual average salary of employees of urban economic entities of Chongqing Municipality in 2013, and it means that the basic salary of executive Directors, chairman and the executive Director and general manager will be calculated at 4 times and the basic salary of the remaining Directors and senior management will be calculated at 3.6 times.

LETTER FROM THE BOARD

- (ii) The performance-related salary of executive Directors and senior management for 2014-2016 will be accumulatively provided in levels based on the completed total profit according to the following percentages, and will be issued upon year end assessment:

Level	Total profit of the Company for the current year	Provision percentage
1	Less than or equal to RMB100 million	0.15%
2	More than RMB100 million and less than RMB300 million	0.10%
3	More than RMB300 million and less than RMB500 million	0.05%
4	More than RMB500 million	0.03%

The coefficient of performance-related annual salary of the chairman and the general manager is 1; the performance-related salary of the remaining executive Directors and senior management is 70-80% of that of the chairman and the general manager, and the percentage can be up to 90% for individuals with particularly prominent performance. The specific percentage will be implemented upon assessment by the Board.

- (iii) The scope of special award includes outstanding annual operating results, significant scientific and technical innovation and technology import, material merger and acquisition and capital operation, innovation of construction and management of key projects, acquisition of key national projects, etc. The award limit is subject to determination by the Board based on the actual situation.
- (iv) Appropriate tenure incentive will be granted to senior management depending on the operating results during the tenure. The way of assessment of operating results during the tenure and incentive should be executed with reference to the Interim Measures for Assessment of Operating Results and Remuneration Management for Persons in Charge of Key State-owned Enterprises of Chongqing Municipality (Yu Guo Zi Fa [2014] No. 1) (《重慶市屬國有重點企業負責人經營業績考核及薪酬管理暫行辦法》(渝國資發[2014]1號)) and the implementation should be subject to approval by the Board upon assessment and determination by the Remuneration Committee.

The remuneration standards for non-executive Directors, independent non-executive Directors and supervisors remain unchanged and should be still subject to the remuneration standards as approved at the 2012 annual general meeting.

LETTER FROM THE BOARD

5. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the amended Company Law of the People's Republic of China which became effective on 1 March 2014 and the business development needs of the Company, it is proposed that the following amendments be made to the Articles of Association:

- (i) "Application by a holder of domestic-invested shares, who has lost his share certificate, for a replacement share certificate shall be dealt with in accordance with Article 144 of the Company Law." under Article 48 in the Articles of Association

Be amended as "Application by a holder of domestic-invested shares, who has lost his share certificate, for a replacement share certificate shall be dealt with in accordance with the Company Law."

- (ii) "To adopt an ordinary resolution, not less than half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution in order for it to be passed." under Article 75 in the Articles of Association

Be amended as "To adopt an ordinary resolution, more than half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution in order for it to be passed."

- (iii) "(14) To decide the receipt of fixed-asset investment of war industry and the affairs in relation to increase of state-owned capital by transferring investment within central budget;" be added under Article 103 in the Articles of Association

- (iv) "(14) to exercise any other powers specified in relevant laws and regulations or the Articles of Association or conferred by the shareholders at general meetings." under Article 103 in the Articles of Association

Be amended as "(15) to exercise any other powers specified in relevant laws and regulations or the Articles of Association or conferred by the shareholders at general meetings."

LETTER FROM THE BOARD

- (v) “Except for the Board’s resolutions in respect of the matters specified in the sub-paragraphs (6), (7) and (12) of this Article which shall be passed by two-thirds or more of the Directors, the Board’s resolutions in respect of all other matters shall be approved by not less than half of the directors.” under Article 103 in the Articles of Association

Be amended as “Except for the Board’s resolutions in respect of the matters specified in the sub-paragraphs (6), (7) and (12) of this Article which shall be passed by two-thirds or more of the Directors, the Board’s resolutions in respect of all other matters shall be approved by more than half of all directors.”

- (vi) “Board Meetings are subject to a quorum of not less than half of the number of the Directors (including such Directors who are delegated to attend in accordance with the Article).” under Article 112 in the Articles of Association

Be amended as “Board Meetings are subject to a quorum of more than half of the number of the Directors (including such Directors who are delegated to attend in accordance with the Article).”

- (vii) “The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.” under Article 159 in the Articles of Association

Be amended as “The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within two months after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within three months after the expiration of each fiscal year.”

LETTER FROM THE BOARD

(viii) “The creditors may declare their claims to the liquidation committee within 30 days of the receipt of the above notice or within 90 days after the first announcement is made if no such notice is received; and overdue claims shall be deemed as waived. They shall specify the items to which their rights relate and produce evidence to this effect. Claims shall be registered by the liquidation committee.” under Article 186 in the Articles of Association

Is amended as “The creditors may declare their claims to the liquidation committee within 30 days of the receipt of the above notice or within 45 days after the first announcement is made if no such notice is received; and overdue claims shall be deemed as waived. They shall specify the items to which their rights relate and produce evidence to this effect. Claims shall be registered by the liquidation committee.”

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

6. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Extraordinary General Meeting is set out on pages 16 to 18 of this circular. At the Extraordinary General Meeting, resolutions will be proposed to approve (i) change of a Director; (ii) change of two Supervisors; (iii) amendments to the remuneration standards for the third session of Directors; (iv) proposed amendments to the Articles of Association.

A form of proxy for use at the Extraordinary 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) and the Company (www.chinacqme.com). Whether or not you intend to attend the Extraordinary General Meeting, you are requested to complete and return (i) the enclosed reply slip in accordance with the instructions printed thereon not later than Monday, 8 September 2014 and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Extraordinary 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 Extraordinary General Meeting and voting in person if you so wish.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquires, no Director or Shareholder has a material interest on the resolutions proposed at the Extraordinary General Meeting, and no shareholder is required to abstain from voting on any of the resolutions at the Extraordinary General Meeting.

LETTER FROM THE BOARD

7. PROCEDURES FOR VOTING IN THE EXTRAORDINARY GENERAL MEETING

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

8. RECOMMENDATION

The Directors consider that all resolutions proposed for consideration and approval by the Shareholders at the Extraordinary General Meeting are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders of the Company should vote in favour of all the resolutions to be proposed at the Extraordinary General Meeting.

Yours faithfully,

By Order of the Board

Chongqing Machinery & Electric Co., Ltd.*

Wang Yuxiang

Executive Director and Chairman

15 August 2014

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors, chief executive or supervisors of the Company had any interests or short positions in the shares, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (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 of the Stock Exchange.

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 of, 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:

Domestic shares of RMB1.00 each of the Company

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

(L) Long Position

H shares of RMB1.00 each of the Company

Name of Shareholders	Number of		Note	Percentage	Percentage
	shares	Capacity		of total issued H shares	of total issued shares
				(%)	(%)
The Bank of New York Mellon (formerly known as “The Bank of New York”)	87,276,000(L) 0(P)	Custodian		7.93(L) 0(P)	2.37(L) 0(P)
The Bank of New York Mellon Corporation	87,276,000(L) 87,276,000(P)	Interest of Corporation controlled by substantial Shareholder	(4)	7.93(L) 7.93(P)	2.37(L) 2.37(P)
GE Asset Management Incorporated	75,973,334(L)	Investment manager		6.91(L)	2.06(L)
Templeton Asset Management Limited	66,104,000 (L)	Investment manager		6.01(L)	1.79(L)

(L) Long Position

(P) Lending Pool

Note:

- (1) As Chongqing Machinery and Electronic Holding (Group) Co., Ltd. and Chongqing Yufu Asset Management Co., Ltd. were wholly owned by State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government, State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government is deemed to be interested in 1,924,225,189 domestic shares and 232,132,514 domestic shares of the Company held by the two companies.
- (2) Chongqing Construction Engineering Group Co., Ltd. is held as to 96.18% by State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government through its three wholly-owned subsidiaries and as to 3.82% by the Ministry of Finance of the People’s Republic of China through China Huarong Asset Management Co., Ltd.*(中國華融資產管理股份有限公司), a wholly-owned subsidiary of the Ministry. Therefore, State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government and the Ministry of Finance of the People’s Republic of China are deemed to be interested in 232,132,514 domestic shares of the Company held by Chongqing Construction Engineering Group Co.,Ltd.
- (3) China Huarong Asset Management Co., Ltd.*(中國華融資產管理股份有限公司) is held as to 98.06% directly by the Ministry of Finance of the People’s Republic of China and as to 1.94% indirectly by the Ministry of Finance of the People’s Republic of China through China Life Insurance (Group) Company, a wholly-owned subsidiary of the Ministry. Therefore, the Ministry of Finance of the People’s Republic of China is deemed to be interested in 195,962,467 domestic shares of the Company held by China Huarong Asset Management Co., Ltd.

- (4) The Bank of New York Mellon Corporation holds 100% interest in The Bank of New York Mellon (formerly known as “The Bank of New York”), which holds 87,276,000 of H shares of the Company. The interest in 87,276,000 H shares relates to the same block of shares in the Company and includes a lending pool of 87,276,000 of H shares of the Company.

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

4. DIRECTORS’ AND SUPERVISORS’ INTERESTS IN ASSETS AND CONTRACTS

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

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

5. SERVICE CONTRACTS

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

6. COMPETING INTEREST

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

7. LITIGATION

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

8. MATERIAL ADVERSE CHANGE

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

9. MISCELLANEOUS

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

**Chongqing Machinery & Electric Co., Ltd.*****重慶機電股份有限公司***(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 02722)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2014 first Extraordinary General 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 Monday, 29 September 2014 at 9:30 a.m. for the following purposes:

ORDINARY RESOLUTIONS:

1. To approve Mr. Yang Zhimin’s resignation as a Director;
2. To approve the appointment of Mr. Liu Wei as an independent non-executive Director to hold office from the date of the Extraordinary General Meeting until expiry of the term of the session of the Board and to authorize the Board to fix the remuneration of Mr. Liu Wei pursuant to the remuneration standard passed at the 2012 Extraordinary General Meeting and to enter into a service agreement with him on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters;
3. To approve Mr. Liu Xing’s resignation as a Supervisor;
4. To approve the appointment of Ms. Wu Yi as a Supervisor to hold office from the date of the Extraordinary General Meeting until expiry of the term of the session of the Supervisory Committee and to authorize the Board to fix the remuneration of Ms. Wu Yi pursuant to the remuneration standard passed at the 2012 Extraordinary General Meeting and to enter into a service agreement with him on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters;

* For identification purposes only

5. To approve Mr. Du Chengrong's resignation as a Supervisor;
6. To approve the appointment of Mr. Huang Hui as a Supervisor to hold office from the date of the Extraordinary General Meeting until expiry of the term of the session of the Supervisory Committee and to authorize the Board to fix the remuneration of Mr. Huang Hui pursuant to the remuneration standard passed at the 2012 Extraordinary General Meeting and to enter into a service agreement with him on and subject to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters;
7. To approve the amendments to the remuneration standards of the third session of Directors;

SPECIAL RESOLUTIONS:

8. To approve the amendments to the Articles of Association of the Company by ways as stated in the circular dispatched to Shareholders by the Board of the Company and to authorize the Board to deal with all matters as required in respect of the amendments to the Articles of Association in accordance with any requirements under domestic or overseas laws (if any) and provisions of any stock exchange where the securities of the Company are listed.

By Order of the Board

Chongqing Machinery & Electric Co., Ltd.*

Wang Yuxiang

Executive Director and Chairman

15 August 2014

Note:

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 share 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 revoked.
3. The register of Members in Hong Kong will be closed from 30 August 2014 to 29 September 2014, both days inclusive, during which period no transfer of H shares of the Company will be effected. For the identification of Members who are qualified to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 29 August 2014.
4. Whether or not the holders of H shares of the Company who intend to attend the Meeting shall complete the enclosed reply slip for the Meeting and return it, by hand or by post, to the Company’s H share registrar Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or by fax on or before Monday, 8 September 2014.
5. Whether or not the holders of domestic shares of the Company who intend to attend to the Meeting shall complete the enclosed reply slip for the Meeting and return it, by hand or by post, to the Company’s mailing address at No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC, or by fax on or before Monday, 8 September 2014.

As at the date of the announcement, 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. Yang Zhimin.