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CQME

Chongqing Machinery & Electric Co., Ltd.*

重慶機電股份有限公司

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

(Stock Code: 02722)

PROPOSED ISSUE OF CORPORATE BONDS IN THE PRC

The board (the “**Board**”) of directors (“**Directors**”) of Chongqing Machinery and Electric Co., Ltd. (the “**Company**”) wishes to announce that since the 5-year corporate bonds with an aggregate nominal value of RMB1 billion (“**11 Chong Ji Zhai**”) issued by the Company on August 2011 are falling due, and to repay the 11 Chong Ji Zhai and satisfy the Company’s capital needs for principal operations, the Company will seek to issue corporate bonds with an aggregate nominal value of up to RMB1.5 billion (inclusive) in the PRC, the particulars of which are set out as follows:

1. Size of issue: an aggregate nominal value of up to RMB1.5 billion (inclusive), in one tranche.
2. Issue target: the corporate bonds will be offered to qualified investors as provided under the “Administrative Measures for the Issue and Trading of Corporate Bonds” without any preferential placement to shareholders of the Company.
3. Maturity of bonds: not exceeding 5 years (inclusive) and may have single or multiple maturities, which will be determined in accordance with the Company’s needs and market conditions.
4. Par value and issue price: the bonds will be issued at par with a nominal value of RMB100 each.
5. Determination of annual coupon rate: it will be determined with reference to the market conditions and the capital needs of the Company prior to the issue.
6. Use of proceeds: including but not limited to repaying the 11 Chong Ji Zhai, replenishing the liquidity of the Company, repaying bank debts and adjusting debt structure.

* *For identification purposes only*

7. Validity period of the resolution: within 12 months after the date of considering and passing the resolutions at the extraordinary general meeting.
8. Listing arrangements: subject to the satisfaction of the relevant listing requirements, the Company will apply for listing of the corporate bonds on a domestic stock exchange as approved by the relevant PRC regulatory authorities.
9. Guarantee provisions: The extraordinary general meeting shall authorise the Board to determine the arrangements for providing a guarantee for the proposed issue of corporate bonds.

Pursuant to the relevant requirements under laws, regulations and normative documents, including the “Company Law of the People's Republic of China”, the “Securities Law of the People's Republic of China” and the “Administrative Measures for the Issue and Trading of Corporate Bonds”, and after self-assessment, the Board is of the opinion that the Company has been in compliance with the existing relevant policies and provisions for the issue of corporate bonds and has met the conditions for the public issuance of corporate bonds to qualified investors as provided under the “Administrative Measures for the Issue and Trading of Corporate Bonds”.

To ensure successful completion of the issue and listing of the corporate bonds, the Board will propose at the extraordinary general meeting to authorize the Board to delegate two directors namely Mr. Yu Gang and Mr. Xiang Hu to jointly deal with, at their full discretion, all matters relating to the issue of corporate bonds within the framework and principle as approved by the extraordinary general meeting, including but not limited to:

1. So far as permitted by laws and regulations and taking into account the specific condition of the Company and the market, to confirm all matters relating to the issue of the corporate bonds, including but not limited to, the specific plan of the issue and the revision or adjustments to the terms of the issue, including but not limited to arrangements including the size of issue, the actual aggregate amount, the issue price, the interest rate of bonds or its basis of determination, the timing of issuance, any repurchase or redemption provisions, the arrangement of rating, guarantee, the repayment of principal and interest, guarantee measures for debt repayment and listing, as well as specific arrangements relating to the use of proceeds within the scope approved at the extraordinary general meeting;
2. To take all such steps as necessary for the issue and the application for listing of the corporate bonds (including but not limited to: the signing of all requisite legal documentation; selecting and appointing intermediary institutions to be involved; confirming underwriting arrangements, preparing and submitting any relevant application documents to the regulatory authorities; obtaining any approvals from the regulatory authorities; selecting the trustee for the corporate bonds to be issued; signing entrusting agreements and formulating the rules of procedure for bondholders’ meeting; handling other matters relating to the issue of the corporate bonds; determining and dealing with any issues relating to the listing and trading of the Corporate Bonds to be issued after completion of the issue pursuant to the related rules of the stock exchange; and making any necessary information disclosure in accordance with applicable

regulatory rules), and to approve, confirm and ratify the aforementioned steps taken for the issue and listing of the corporate bonds to the extent that any of them have already been taken by the Board;

3. To adjust the specific plan and other related matters relating to the issue of the corporate bonds as appropriate in accordance with the opinion of the regulatory authorities (if any), or to consider whether to continue the issue of the corporate bonds in the event there are any changes in policies of regulatory authorities or market conditions, save and except any matters which are required to be re-approved at the general meetings in accordance with relevant laws, regulations and the Articles;
4. In the event that the Company expects that it is unable or fails to repay the principal and interest relating to the issue of the corporate bonds, to carry out the guarantee measures for debt repayment according to the PRC laws and regulations as well as requirements of relevant regulatory authorities, including but not limited to:
 - 1) cancellation of dividend distribution to shareholders; 2) suspension of implementation of projects that incur capital expenses such as substantial external investments, acquisitions and mergers; 3) adjustment, reduction or cessation of payment of salary and bonus to directors and senior management; and 4) prohibition of job reallocation of persons who are principally responsible, etc.;
5. Validity period of the mandate for the issue of the corporate bonds and the matters related to the listing: within 12 months after the date of considering and approving at the extraordinary general meeting;
6. To handle reporting matters with the relevant PRC regulatory authorities for approving the issue of the domestic corporate bonds and make appropriate adjustments to the specific plan of the issue of bonds in accordance with the feedback (if any) from the relevant PRC regulatory authorities;
7. To take all necessary actions to determine or deal with all other matters relating to the issue and listing of the domestic corporate bonds, including exercising discretion to delay or temporarily suspend the implementation of the issue of the domestic corporate bonds in case of force majeure or other circumstances that could make the implementation of the issue of domestic corporate bonds difficult or unavailing to the Company even if it could be implemented, and authorize the Board to make corresponding adjustments to the specific plan of the issue of the corporate bonds and other relevant matters in accordance with the opinion of the regulatory authorities; and
8. Subject to the approval and authorization of above items 1 to 7 at the extraordinary general meeting, to approve the Board to deal with all such matters relating to the issue and listing of the corporate bonds within the scope of the aforementioned authorization and with immediate effect.

Pursuant to the Articles of the Company, the issuance of the corporate bonds by the Company is subject to the approval from the shareholders at the general meeting.

The extraordinary general meeting will be held to approve the proposed issue of the corporate bonds by the Company in the PRC. A circular containing, among other things, details of the proposed issue of the corporate bonds in the PRC and a notice of the extraordinary general meeting will be despatched to the shareholders in due course.

Proposed issue of the corporate bonds is subject to, among other things, the approval of shareholders at the extraordinary general meeting and approval of relevant regulatory authorities, and depending on market conditions, may or may not proceed. Therefore, shareholders and investors should exercise caution when dealing in shares of the Company.

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

Chongqing, the PRC
20 October 2015

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. Liu Wei.