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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)

(Stock Code: 2722)

- (1) COMPLIANCE WITH CONDITIONS FOR PROPOSED ISSUE OF
CORPORATE BONDS;**
(2) PROPOSED ISSUE OF CORPORATE BONDS IN THE PRC
(3) CHANGE OF AN EXECUTIVE DIRECTOR; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING
-

A notice convening the first extraordinary general meeting in 2015 of Chongqing Machinery & Electric Co., Ltd.* to be held at the Conference Room, 13/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Tuesday, 8 December 2015 at 9:30 a.m. is set out on pages 9 to 10 of this circular.

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 Wednesday, 18 November 2015 and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the 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.

23 October 2015

* For identification purposes only

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DEFINITIONS

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

“Articles”	means the articles of association of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of Directors of the Company
“Company”	means Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司)
“Corporate Bonds”	means the bonds of the Company proposed to be issued in the PRC
“Director(s)”	means the director(s) of the Company
“Domestic Share(s)”	means ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid up in RMB
“Extraordinary General Meeting”	means the first extraordinary general meeting in 2015 of the Company to be held at the Conference Room, 13/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Tuesday, 8 December 2015 at 9:30 a.m.
“Group”	means the Company and its associates
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“H Shares”	means overseas-listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on The Stock Exchange of Hong Kong Limited
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	means 20 October 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“PRC”	means the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and the Taiwan region
“RMB”	means Renminbi, the lawful currency of the PRC
“Shares”	means the Domestic Shares and/or the H Shares
“Shareholders”	means holder(s) of the Shares

LETTER FROM THE BOARD



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: 2722)

Executive Directors:

Mr. Wang Yuxiang

Mr. Yu Gang

Mr. Ren Yong

Mr. Xiang Hu

Non-executive Directors:

Mr. Huang Yong

Mr. Wang Jiyu

Mr. Yang Jingpu

Mr. Deng Yong

Independent Non-executive Directors:

Mr. Lo Wah Wai

Mr. Ren Xiaochang

Mr. Jin Jingyu

Mr. Liu Wei

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

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

*Principal place of business
in Hong Kong:*

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

23 October 2015

To the Shareholders

Dear Sir or Madam,

**(1) COMPLIANCE WITH CONDITIONS FOR PROPOSED ISSUE OF
CORPORATE BONDS;**

(2) PROPOSED ISSUE OF CORPORATE BONDS IN THE PRC

(3) CHANGE OF AN EXECUTIVE DIRECTOR; AND

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

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

* For identification purposes only

LETTER FROM THE BOARD

2. COMPLIANCE WITH CONDITIONS FOR 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”.

3. PROPOSED ISSUE OF CORPORATE BONDS IN THE PRC

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.
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.

LETTER FROM THE BOARD

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.

To ensure successful completion of the issue and listing of the Corporate Bonds, it will be proposed 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;

LETTER FROM THE BOARD

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 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;
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, the issuance of the Corporate Bonds by the Company is subject to the approval from the Shareholders at the general meeting.

4. CHANGE OF AN EXECUTIVE DIRECTOR

The Board announces that, given that Mr. Ren Yong, being an executive Director, has no longer worked in the Company, he will resign as an executive Director, with effect from the appointment of new executive Director. Mr. Ren Yong has confirmed that he has no disagreement with the Board and that there are no matters relating to his resignation that need to be brought to the attention of the Shareholders. The Board would like to express its sincere gratitude to Mr. Ren Yong for his contribution to the Company during his tenure of office.

LETTER FROM THE BOARD

In place of Mr. Ren Yong after his resignation, the Board proposes to appoint Mr. Yang Quan as an executive Director to hold office until the expiry of the term of the third session of the Board. The appointment of Mr. Yang Quan shall be subject to the approval of the Shareholders at the Extraordinary General Meeting. The biographical details of Mr. Yang Quan are as follows:

Mr. Yang Quan, aged 50, vice general manager of the Company, has served as a vice general manager of the Company since May 2012. He has been a director of Chongqing Youyan Smelting New Material Co., Ltd. (重慶有研重冶新材料有限公司) since July 2014. He concurrently serves as a director of Chongqing Hongyan Fangda Automotive Suspension Co., Ltd. (重慶紅岩方大汽車懸架有限公司) from June 2013 up to now and a director of Precision Technology Investment and Development Co., Ltd. (精密技術投資發展有限公司) from April 2012 up to now, a director of Chongqing Huahao Smelting Co., Ltd. (重慶華浩冶煉有限公司) and Chongqing Gas Compressor Factory Co., Ltd. (重慶氣體壓縮機廠有限責任公司) from December 2011 up to now, and an executive director and general manager of Chongqing Shengpu Materials Co., Ltd. (重慶盛普物資有限公司) from December 2011 up to now. Mr. Yang has over 20 years of experience in enterprise management, once served as the manager of the business management department and assistant to general manager of the Company from August 2007 to May 2012, the head of the economic operation department and head of the business management department of the securities work steering team of Chongqing Machinery and Electronics Holding (Group) Co., Ltd. (重慶機電控股(集團)公司) from March 2004 to August 2007, the party branch secretary of the foundry workshop, deputy director of the “five-initiative” reform office, secretary and deputy director of the hot plate workshop, chief of the equipment division, managing factory director, and chief economist of Chongqing No. 2 Machine Tools Factory (重慶第二機床廠) from July 1987 to March 2004. Mr. Yang is an engineer; graduated from the College of Mechanical Engineering of Sichuan University with a bachelor’s degree in foundry in July 1987, and studied for EMBA in Xiamen University from November 2011.

Save as disclosed above, Mr. Yang Quan 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. Yang Quan does not have any relationship with the Directors, senior management, substantial or controlling Shareholders of the Company, nor have any interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. As at the Latest Practicable Date, Mr. Yang Quan does not hold any Shares of the Company.

If Mr. Yang Quan is appointed as an executive Director at the Extraordinary General Meeting, the Company will enter into a service contract with him in connection with his appointment, for a term commencing from the date of the Extraordinary General Meeting till the expiry of the term of the third session of the Board.

Mr. Yang Quan is entitled to Director’s emolument and his remuneration will be determined by the Board with reference to remuneration standards for executive Directors as approved at the 2012 annual general meeting, which is subject to the approval of the appointment of Mr. Yang Quan at the Extraordinary General Meeting.

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

LETTER FROM THE BOARD

5. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Extraordinary General Meeting is set out on pages 9 to 10 of this circular. At the Extraordinary General Meeting, resolutions will be proposed to approve, inter alia, (i) compliance with conditions for proposed issue of Corporate Bonds; (ii) proposed issue of Corporate Bonds in the PRC; and (iii) change of an executive Director.

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.com.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 Wednesday, 18 November 2015; and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the 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.

6. PROCEDURES FOR VOTING ON THE EXTRAORDINARY GENERAL MEETING

According to the Listing Rule 13.39(4), any vote at the Extraordinary General Meeting must be taken by poll.

7. RECOMMENDATION

The Directors consider such resolutions proposed for (i) compliance with conditions for proposed issue of Corporate Bonds; (ii) proposed issue of Corporate Bonds in the PRC; and (iii) change of an executive Director are in the interests of the Company and its Shareholders as a whole, and accordingly, recommend that the Shareholders of the Company should vote in favour of the resolutions in respect of those matters to be proposed at the Extraordinary General Meeting.

Proposed issue of 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.

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

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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: 2722)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting in 2015 (the “**EGM**”) 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 Tuesday, 8 December 2015 at 9:30 a.m. for the purpose of considering and, if appropriate, approving following resolutions, with or without modification:

ORDINARY RESOLUTIONS

1. To consider and approve Mr. Ren Yong's resignation as an executive director;
2. To consider and approve the appointment of Mr. Yang Quan as an executive director of the Company to hold office from the date of the EGM until expiry of the term of the third session of the board of directors (the “**Board**”) and to authorize the Board to fix the remuneration of Mr. Yang Quan pursuant to the director remuneration standard passed at the 2012 Annual 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;

SPECIAL RESOLUTIONS

3. To consider and approve the proposal in respect of the compliance with the conditions for issue of corporate bonds by the Company;
4. To consider and approve the issue of corporate bonds with an aggregate nominal value of up to RMB1.5 billion (inclusive) in the PRC; and

* For identification purposes only

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

5. To consider and approve the authorization to the Board, and the Board to further authorize 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 principles considered and passed at the EGM.

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

23 October 2015

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 any adjournment thereof or the time appointed for passing the resolutions. 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. For the identification of Members who are qualified to attend and vote at the meeting, the register of Members in Hong Kong will be closed from 8 November 2015 to 8 December 2015, both days inclusive, during which period no transfer of H shares of the Company will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 6 November 2015 for register.
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 Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or by fax on or before Wednesday, 18 November 2015.
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 Wednesday, 18 November 2015.

As at the date of this notice, the executive Directors are Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Ren Yong and Mr. Xiang Hu; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Deng Yong; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.