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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)

**CONTINUING CONNECTED TRANSACTIONS
PARENT GROUP FINANCIAL SERVICES FRAMEWORK
SUPPLEMENTAL AGREEMENT**

PARENT GROUP FINANCIAL SERVICES FRAMEWORK SUPPLEMENTAL AGREEMENT

On 13 May 2016, the Parent Company and the Finance Company entered into a financial services framework supplemental agreement (“**Parent Group Financial Services Framework Supplemental Agreement**”) to amend the annual cap of maximum daily amount of the guarantee services (including corresponding guarantee expenses) under the 2017 – 2019 Parent Group Financial Services Framework Agreement entered into on 7 April 2016.

IMPLICATIONS UNDER THE LISTING RULES

As 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 (at least two) 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 all the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the guarantee services will exceed 0.1% but will not exceed 5%, such transactions are subject to the reporting, annual review 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.

Reference is made to the announcement of the Company dated 7 April 2016 (the “**Announcement**”), in relation to the 2017-2019 Master Sales Agreement, 2017-2019 Master Supplies Agreement, 2017-2019 Master Leasing Agreement, 2017-2019 Group Financial Services Framework Agreement and 2017-2019 Parent Group Financial Services Framework Agreement and the proposed annual cap amount of the continuing connected transactions contemplated under those Agreements for the three years ended 31 December 2017, 2018 and 2019. Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

PARENT GROUP FINANCIAL SERVICES FRAMEWORK SUPPLEMENTAL AGREEMENT

On 13 May 2016, the Parent Company and the Finance Company entered into a financial services framework supplemental agreement to amend the annual cap of maximum daily amount of the guarantee services (including corresponding guarantee expenses) under the 2017 – 2019 Parent Group Financial Services Framework Agreement entered into on 7 April 2016, the principal terms of which are set out below:

Date:

13 May 2016

Parties:

- (i) the Parent Company; and
- (ii) the Finance Company

ANNUAL CAP OF MAXIMUM DAILY AMOUNT OF THE GUARANTEE SERVICES (INCLUDING CORRESPONDING GUARANTEE EXPENSES):

	For the year ended 31 December 2017		For the year ended 31 December 2018		For the year ended 31 December 2019	
	<i>RMB in million</i>		<i>RMB in million</i>		<i>RMB in million</i>	
	Before amendment	After amendment under Parent Group Financial Services Framework Supplemental Agreement	Before amendment	After amendment under Parent Group Financial Services Framework Supplemental Agreement	Before amendment	After amendment under Parent Group Financial Services Framework Supplemental Agreement
Proposed annual cap of maximum daily amount under 2017-2019 Parent Group Financial Services Framework Agreement (including corresponding guarantee expenses)	600.0	100.0	600.0	100.0	600.0	100.0

Except as amended by the Parent Group Financial Services Framework Supplemental Agreement, all terms and conditions under the 2017-2019 Parent Group Financial Services Framework Supplemental Agreement shall remain in full force and effect and shall continue to be binding upon the parties thereto.

REASONS FOR THE PARENT GROUP FINANCIAL SERVICES FRAMEWORK SUPPLEMENTAL AGREEMENT

After taking due consideration into the historical transaction records of guarantee services for the period from 2013 to 31 March 2016, and in combination with the business development of the Finance Company in the next three years, the acceptance of the guarantee market for the guarantee service provided by the Finance Company, and the Parent Group's demand for the guarantee service provided by the Finance Company for the next three years, it is anticipated that there will be no increase in the amount of guarantee services provided to the Parent Group by the Finance Company for the three years from 2017 to 2019. Therefore, both parties agreed to adjust the annual cap of maximum daily amount (including corresponding guarantee expenses).

IMPLICATIONS UNDER THE LISTING RULES

As 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 (at least two) 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 all the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the guarantee

services will exceed 0.1% but will not exceed 5%, such transactions are subject to the reporting, annual review 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 Company will not dispatch a circular or convene and hold a general meeting for the guarantee services. The Company will still propose resolutions at the annual general meeting to seek the permission from Independent Shareholders for the 2017-2019 Master Sales Agreements, the transactions contemplated under the deposit services under 2017-2019 Group Financial Service Framework Agreement and the loan services under 2017-2019 Parent Group Financial Services Framework Agreement and their respective proposed annual cap for the three years ended 31 December 2019.

Shareholders of the Company and potential investors are advised to exercise caution in dealing with the shares of the Company.

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

Chongqing, the PRC
13 May 2016

As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Mr. Xiang Hu and Mr. Yang Quan; 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.

* *For identification purposes only*