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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) RENEWAL OF  
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS  
AND  
(2) REVISION OF THE EXISTING ANNUAL CAP UNDER  
THE EXISTING MASTER SUPPLIES AGREEMENT**

**(1) RENEWAL OF NON-EXEMPT CONTINUING CONNECTED  
TRANSACTIONS**

Reference is made to the Prospectus in relation to the Existing Master Agreements which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Existing Master Agreements will expire on 31 December 2010 and shall be subjected to compliance of the relevant requirements applicable to continuing connected transactions under the Listing Rules.

The Existing Master Sales Agreement is valid for a period of three years from the date of the agreement and renewable for another three years by either party giving at least three months' written notice prior to the expiry of the initial term. The Existing Master Sales Agreement may be terminated by either party giving at least three months' written notice. The Company wishes to renew the Existing Master Sales Agreement with the Parent Company under the same terms.

The Existing Master Supplies Agreement is valid for a period of three years from the date of the agreement, and renewable at our option for another three years by giving at least three months' written notice prior to the expiry of the initial term. The Existing Master Supplies Agreement may be terminated as a whole, or the supply of one or more of the Supplies contemplated under the Existing Master Supplies Agreement may be terminated individually, by either party giving at least three months' written notice. The Company wishes to renew the Existing Master Supplies Agreement with the Parent Company under the same terms.

The Master Leasing Agreement has been entered into in good faith and negotiated between the parties at arm's length. Under the terms of the Master Leasing Agreement, the Parent Company has agreed with us that the Parent Group would lease the Properties to our Group based on the terms and conditions of the Master Leasing Agreement.

The Parent Company has warranted that the Properties are suitable for our Group's intended use, legally owned by the Parent Company and/or its associates and had been leased in accordance with the applicable laws of the PRC. The Parent Company has further warranted that our Group is entitled to the exclusive use of the Properties (for such purposes as stated in the leases) in accordance with the terms and conditions therein and such Properties are free from any defects in title, encumbrances and third party claims.

The Parent Company is one of the Promoters of the Company. The Parent Company along with its associates holds 52.22% interest in the Company, and is therefore a connected person of the Company under the Listing Rules. The renewal of each of the Existing Master Agreements (except for the renewal of the Existing Master Leasing Agreement) constituted non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules, and were subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules. Accordingly, the renewal of the Existing Master Agreements would be subject to the compliance of the Listing Rules and (except for the renewal of the Existing Master Leasing Agreement) the Independent Shareholders' approval.

Since the applicable percentage ratios in respect of the renewal of the Existing Master Leasing Agreement exceeds 0.1% but is lower than 2.5%, the renewal of the Existing Master Leasing Agreement is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules, but is exempt from the independent shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

## **(2) REVISION OF THE EXISTING ANNUAL CAP UNDER THE EXISTING MASTER SUPPLIES AGREEMENT**

At the time of listing of the Shares on the Stock Exchange, the Company obtained from the Stock Exchange a waiver from strict compliance with the requirements under the Listing Rules in respect of the Existing Master Agreements and an annual cap stated in the Existing Master Agreements for each of the three financial years ended 31 December 2008, 2009 and 2010. For details please refer to the Prospectus under the section “Connected Transaction”. The Company revised the existing annual cap in the Existing Master Agreements on 25 June 2009, for details please refer to the circular of the Company dated 6 May 2009.

The Group believes that the economic growths in the PRC will stimulate the demands for commercial vehicle parts and components, power equipment, general machinery and CNC machine tools, the sale performance of the Group will increase steadily in the coming years. As such, the Company considers that it is necessary to enter into the Supplemental Master Supplies Agreement to revise upwards the annual cap stated in the Existing Master Supplies Agreement initially.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Cap will be more than 2.5% and more than HK\$10,000,000, accordingly the Supplemental Master Supplies Agreement and the Revised Annual Cap are subject to reporting and announcement requirements in accordance to Rule 14A.35(3) of the Listing Rules, and Independent Shareholders’ approval requirement under Rule 14A.35(4) of the Listing Rules.

## **(1) RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Prospectus in relation to the Existing Master Agreements which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Existing Master Agreements will be expired on 31 December 2010 and shall be subjected to compliance of the relevant requirements applicable to continuing connected transactions under the Listing Rules.

On 16 May, 2008, the Company entered into Existing Master Sales Agreement with the Parent Company pursuant to which the Group has agreed to sell certain products such as the control valves and parts for steering systems, gears and clutch assemblies and the BV series of electric cables (the “Products”) to the Parent Company and its associates.

The Existing Master Sales Agreement is valid for a period of three years from and renewable for another three years by either party giving at least three months' written notice prior to the expiry of the initial term. The Existing Master Sales Agreement may be terminated by either party giving at least three months' written notice. The Company wishes to renew the Existing Master Sales Agreement with the Parent Company under the same terms.

On 16 May, 2008, the Company entered into the Existing Master Supplies Agreement with the Parent Company pursuant to which the Parent Company and its associates have agreed to supply the Group with parts and raw materials such as gears, component parts, YB2 series engines, electricity, water, gas and electrolytic copper (the "Supplies").

The Existing Master Supplies Agreement is valid for a period of three years from the date of the agreement, and renewable at our option for another three years by giving at least three months' written notice prior to the expiry of the initial term. The Existing Master Supplies Agreement may be terminated as a whole, or the supply of one or more of the Supplies contemplated under the Existing Master Supplies Agreement may be terminated individually, by either party giving at least three months' written notice. The Company wishes to renew the Existing Master Supplies Agreement with the Parent Company under the same terms.

On 16 May, 2008, the Company entered into the Existing Master Leasing Agreement with the Parent Company for the leasing of land and buildings from the Parent Company and its associates to the Group as offices, production facilities, workshops and staff quarters. The Existing Master Leasing Agreement provides for the terms and conditions for the leasing of certain land and buildings (the "Properties") by the Parent Company and its associates to the Group as defined in the Existing Master Leasing Agreement.

The Properties are leased from the Parent Group instead of being transferred to the Group because these Properties, being land that has been administratively allocated, are not easily transferable and, even if they are transferable, it is not necessarily commercially sound for the purposes of the Group and/or the Parent Group because of the substantial amount of the land premium required to be paid which may put a strain on financial resources the Group.

Under the Existing Master Leasing Agreement, the Company has the right of first refusal for the renewal of the leases relating to the Properties. The Company renewed the leasing agreement and signed the Master Leasing Agreement.

The Parent Company is one of the Promoters of the Company. The Parent Company along with its associates holds 52.22% interest in the Company, and is therefore a connected person of the Company under the Listing Rules. The renewal of each of the Existing Master Agreements (except for the renewal of the Existing Master Leasing Agreement) constituted non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules, and were subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules. Accordingly, the renewal of the Existing Master Agreements would be subject to the compliance of the Listing Rules and (except for the renewal of the Existing Master Leasing Agreement) the Independent Shareholders' approval.

## **PROPOSED ANNUAL CAPS**

The proposed annual caps for each of the three years ending 31 December 2013 under the Master Sales Agreement and the Master Supplies Agreement are set out below:-

	<b>For the year ending 31 December</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
Master Sales Agreement	140	160	190
Master Supplies Agreement	300	360	450

## **PRICING BASIS FOR THE MASTER SALES AGREEMENT**

The Master Sales Agreement would be entered into in the ordinary and usual course of business of the Group. The terms of the Master Sales Agreement are negotiated in an arm's length basis and on normal commercial terms. The pricing or consideration of the Master Sales Agreement will be determined with reference to:-

- (i) according to the price set by the PRC Government (including the municipal government and other regulatory bodies which govern such transactions); or
- (ii) if no such price is set by the PRC Government, not lower than the guide prices set by the PRC Government for such transactions; or

- (iii) if there is no set price and no guide prices set by the PRC Government, not lower than such open market price between independent parties on normal commercial terms in comparable locality, or if there are no comparable localities, not lower than such open market price between independent parties on normal commercial terms in the PRC generally; or
- (iv) if there is no set price and no guide prices set by the PRC Government and there is no open market for such transactions, the parties are to negotiate on normal commercial terms for such transactions based on the actual or reasonable costs of such transactions (whichever is lower) together with a reasonable profit. A “reasonable profit” is a profit that is agreed between the parties as being no more than 10% of the actual costs or reasonable cost incurred.

### **PRICING BASIS FOR THE MASTER SUPPLIES AGREEMENTS**

The Master Supplies Agreements were entered into in the ordinary and usual course of business of the Group. The terms of the Master Supplies Agreements were negotiated in an arm’s length basis and on normal commercial terms. The pricing or consideration of the Master Supplies Agreements will be determined with reference to:-

- (i) according to the price set by the PRC Government (including the municipal government and other regulatory bodies which govern such transactions); or
- (ii) if no such price is set by the PRC Government, not higher than the guide prices set by the PRC Government for such transactions; or
- (iii) if there is no set price and no guide prices set by the PRC Government, not higher than such open market price between independent parties on normal commercial terms in comparable locality, or if there are no comparable localities, not higher than such open market price between independent parties on normal commercial terms in the PRC generally; or
- (iv) if there is no set price and no guide prices set by the PRC Government and there is no open market for such transactions, the parties are to negotiate on normal commercial terms for such transactions based on the actual or reasonable costs of such transactions (whichever is lower) together with a reasonable profit. A “reasonable profit” is a profit that is agreed between the parties as being no more than 10% of the actual costs or reasonable cost incurred.

The Directors (including the independent non-executive Directors) are of the opinion that the proposed annual caps are fair and reasonable and that the transactions contemplated under the Master Agreements are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Master Agreements are fair and reasonable and in the interest of the Shareholders as a whole.

## **REASONS AND BENEFITS FOR THE TRANSACTIONS UNDER THE MASTER AGREEMENTS**

The Group has been purchasing from the Parent Group parts and raw materials such as gears, component parts, YB2 series engines, electricity, water, gas and electrolytic copper from time to time. As a result of the Group's long-term business relationship with the Parent Group, the Parent Group is familiar with the Group's product specifications and has been able to respond quickly and in a cost efficient manner to any new requirements that the Group may request.

In addition, from the perspective of the Group, the sales of the Products to the Parent Company and its associates would provide a reliable customer base, a stable income and timely payment for the Products sold.

## **RENEWAL OF MASTER LEASING AGREEMENT**

On 16 May, 2008, the Company entered into the Master Leasing Agreement with the Parent Company for the leasing of land and buildings from the Parent Company and its associates to the Group as offices, production facilities, workshops and staff quarters. The Existing Master Leasing Agreement provides for the terms and conditions for the leasing of Properties by the Parent Company and its associates to the Group.

The Properties are leased from the Parent Group instead of being transferred to the Group because these Properties, being land that has been administratively allocated, are not easily transferable and, even if they are transferable, it is not necessarily commercially sound for the purposes of the Group and/or the Parent Group because of the substantial amount of the land premium required to be paid which may put a strain on the financial resources the Group.

Under the Existing Master Leasing Agreement, the Company has the right of first refusal for the renewal of the leases relating to the Properties. The Company renewed the leasing agreement and signed the Master Leasing Agreement.

## **ANNUAL CAP**

For each of the three years ended 31 December 2009, an aggregate of RMB7,757,915, RMB8,773,441 and RMB12,720,868 were paid to the Parent Group respectively for the leasing of land and buildings under the Existing Master Leasing Agreement. Upon renewal of the Master Leasing Agreement, proposed annual caps for the three years ended 31 December 2013 were RMB22,000,000, RMB22,000,000 and RMB22,000,000 respectively. The pricing basis of the renewal of the Master Leasing Agreement was determined in the ordinary and usual course of business of the Group. The terms of the renewal of the Master Leasing Agreement are negotiated in an arm's length basis and on normal commercial terms, with reference to:

- (i) the appraised value of the buildings;
- (ii) the prices of comparable buildings in the market and the leasing of land;
- (iii) due consideration of the actual situations of the site of the leased buildings and land;
- (iv) consensus reached and confirmed upon negotiations between the parties on good faith.

## **REASONS AND BENEFITS FOR RENEWAL OF MASTER LEASING AGREEMENT**

The Properties are leased from the Parent Group instead of being transferred to the Group because these Properties, being land that has been administratively allocated, are not easily transferable and, even if they are transferable, it is not necessarily commercially sound for the purposes of the Group and/or the Parent Group because of the substantial amount of the land premium required to be paid which may put a strain on the financial resources the Group.

The Directors (including the independent non-executive Directors) are of the view that the renewal of the continuing connected transactions under the Master Leasing Agreement is entered into in the ordinary and usual course of business of the Company, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Parent Company is one of the Promoters of the Company. The Parent Company along with its associates holds 52.22% interest in the Company, and is therefore a connected person of the Company. Since the Annual Caps under the Master Agreements exceed 2.5% of the highest applicable percentage ratios as set out under Chapter 14A of the Listing rules, each of the Master Agreements constitutes a non-exempted continuing connected transaction of the Group under Rule 14A.35 of the Listing Rules and are subject to the report, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

Since each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the renewal of the Master Leasing Agreement exceeds 0.1% but is lower than 2.5%, the transaction is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules, but is exempt from the independent shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

### **(2) REVISION OF THE EXISTING ANNUAL CAPS UNDER THE EXISTING MASTER SUPPLIES AGREEMENT**

At the time of listing of the Shares on the Stock Exchange, the Company obtained from the Stock Exchange a waiver from strict compliance with the requirements under the Listing Rules in respect of the Existing Master Agreements and an annual cap stated in the Existing Master Agreements for each of the three financial years ended 31 December 2008, 2009 and 2010. For details please refer to the Prospectus under the section "Connected Transaction".

The Supplemental Master Supplies Agreement for financial year ended 31 December 2010 would be entered into on 16 June 2010 between the Company and Parent Company, to revise upwards the annual cap stated in the Existing Master Supplies Agreement initially.

All existing terms and conditions of the Existing Master Supplies Agreement will remain unchanged with revision made only to annual cap of the Existing Master Supplies Agreement as listed below:

**annual cap for financial  
year ending 31 December 2010**

<i>RMB millions</i>	<i>RMB millions</i>
Current	Revised

Existing Master Supplies Agreement	140	220
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In view of the anticipated growth in sales of the Group and the broadened scope of the connected parties, the Board proposes a revision to the annual cap stated the Supplemental Master Supplies Agreement. If the proposed Revised Annual Cap is not approved, the Group will have to incur extra time to source the Supplies and the sales volume between the Parent Group and the Group will be severely affected, which in turn will affect the profits of the Group. The historical transaction received under the Existing Master Supplies Agreement for the period from 1 January 2010 to 31 March 2010 is approximately RMB35,500,000.

The Group will continue to try to locate prospective purchasers and source the Supplies from other suppliers. However, considering the effective costs of such sourcing, the additional time required and the inconvenience arisen, it would not be commercially viable, which would inevitably erode the profit margin of the Group.

Save and except for the Revised Annual Cap, all the terms and conditions of the Existing Master Supplies Agreement shall remain unchanged and effective. In light of the aforesaid, the Directors considered that the Revised Annual Cap and the terms and conditions of the Supplemental Master Supplies Agreement are fair and reasonable and on normal commercial terms, and that it is in the interests of the Group and its Shareholders as a whole to continue with the Existing Master Supplies Agreements and to enter into the Supplemental Master Supplies Agreement with the Parent Group.

## **REASONS AND BENEFITS FOR THE SUPPLEMENTAL MASTER SUPPLIES AGREEMENT**

The Group has been purchasing the Supplies from the Parent Group and selling control valves and parts for steering systems, gears and clutch assemblies and the BV series of electric cables to the Parent Group. As a result of the Group's long-term business relationship with the Parent Group, the Parent Group is familiar with the Group's product specifications and has been able to respond quickly and in a cost efficient manner to any new requirements that the Group may request.

## **PRICING BASIS FOR THE SUPPLEMENTAL MASTER SUPPLIES AGREEMENT**

The Supplemental Master Supplies Agreement was entered into in the ordinary and usual course of business of the Company. The terms of the Supplemental Master Supplies Agreement were negotiated on an arm's length basis and on normal commercial terms. The pricing or consideration of the Supplemental Master Supplies Agreement has been, and will be, determined with reference:-

- (i) according to the price set by the PRC Government (including the municipal government and other regulatory bodies which govern such transactions); or
- (ii) if no such price is set by the PRC Government, not higher than the guide prices set by the PRC Government for such transactions; or
- (iii) if there is no set price and no guide prices set by the PRC Government, not higher than such open market price between independent parties on normal commercial terms in comparable locality, or if there are no comparable localities, not higher than such open market price between independent parties on normal commercial terms in the PRC generally; or
- (iv) if there is no set price and no guide prices set by the PRC Government and there is no open market for such transactions, the parties are to negotiate on normal commercial terms for such transactions based on the actual or reasonable costs of such transactions (whichever is lower) together with a reasonable profit. A "reasonable profit" is a profit that is agreed between the parties as being no more than 10% of the actual costs or reasonable cost incurred.

The Directors (including the independent non-executive Directors), after reviewing the basis, are of the view that the terms of the Supplemental Master Supplies Agreement are on normal commercial terms, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Parent Company is one of the Promoters of the Company. The Parent Company along with its associates holds 52.22% interest in the Company, and is therefore a connected person of the Company. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Cap will be more than 2.5% and more than HK\$10,000,000, accordingly the Supplemental Master Supplies Agreement and the Revised Annual Cap are subject to reporting and announcement requirements in accordance to Rule 14A.35(3) of the Listing Rules, and Independent Shareholders' approval requirement under Rule 14A.35(4) of the Listing Rules.

The Independent Board Committee (comprising all the independent non-executive Directors of the Company) will be established to advise Independent Shareholders with respect to the renewal of non-exempt continuing connected transactions, the Annual Caps, the Master Agreements, the Supplemental Master Supplies Agreement and the Revised Annual Cap.

The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of non-exempt continuing connected transactions, the Annual Caps, the Master Agreements and the Revised Annual Cap.

A circular containing, among other things, further details of the renewal of non-exempt continuing connected transactions, the Annual Caps, the Master Agreements, the Supplemental Master Suppling Agreement and the Revised Annual Cap, the recommendation from the Independent Board Committee in relation to the renewal of non-exempt continuing connected transactions, and the Annual Caps, the Master Agreements, the Supplemental Master Supplies Agreement and the Revised Annual Cap, the opinion from the independent financial adviser and a notice of the AGM will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## **GENERAL INFORMATION RELATING TO THE GROUP**

The Group is principally engaged in manufacturing and sales of commercial vehicle parts and components, general machinery, CNC machine tools and power equipment.

## GENERAL INFORMATION RELATING TO THE PARENT COMPANY

The Parent Company is principally engaged in automobiles and ancillary automobile business (including special purpose vehicles, compartments and transmission axle), electronic information business and other business.

### DEFINITIONS

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

- “Annual Caps” means the proposed annual caps for the year 2011, 2012, 2013 for the Master Sales Agreement and the proposed Annual Caps for the year 2011, 2012 and 2013 the Master Supplies Agreement
- “Annual General Meeting” or “AGM” means an annual general meeting of the Company to be held at Grand Metropark Hotel Chongqing, No. 1598 Jinkai Road, North New Zone, Yubei District, Chongqing, the PRC on Tuesday, 15 June 2010 at 9:30 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the annual general meeting or any adjournment thereof
- “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), a joint stock limited company incorporated in the PRC with limited liability
- “Director(s)” means the director(s) of the Company
- “Domestic Share(s)” means 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

“Existing Master Agreements”	means the Existing Master Sales Agreement, Existing Master Supplies Agreement and the Existing Master Leasing Agreement
“Existing Master Sales Agreement”	means the master sales agreement entered into between the Company and the Parent Company on 16 May 2008, pursuant to which the Group has agreed to sell certain products such as the control valves and parts for steering systems, gears and clutch assemblies and the BV series of electric cables to the Parent Group
“Existing Master Supplies Agreement”	means the master supplies agreement entered into between the Company and the Parent Company on 16 May 2008, pursuant to which the Parent Group agreed to supply to the Group with parts and raw materials such as gears, component parts, YB2 series engines, electricity, water, gas and electrolytic copper
“Existing Master Leasing Agreement”	means the master leasing agreement entered into between the Company and the Parent Company on 16 May 2008 for the leasing of land and buildings from the Parent Company and its associates to our Group as offices, production facilities, workshops and staff quarters
“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
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	means an independent committee of the Board composed of all independent non-executive Directors, namely Mr. Lo Wah Wai, Mr. Ren Xiaochang and Mr. Kong Weiliang to advice on the renewal of non-exempt continuing connected transactions, the Annual Caps and the Revised Annual Cap
“Independent Financial Adviser”	means the independent financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the renewal of non-exempt continuing connected transactions, the Annual Caps and the Revised Annual Cap
“Independent Shareholder(s)”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to the Company means the Shareholders other than Parent Company and its associates
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreements”	means the Master Sales Agreement and the Master Supplies Agreement
“Master Sales Agreement”	means the agreement to be made between the Company and the Parent Company on 16 June 2010, pursuant to which the Group has agreed to sell certain products such as the control valves and parts for steering systems, gears and clutch assemblies and the BV series of electric cables to the Parent Group

“Master Supplies Agreement”	means the agreement to be made between the Company and the Parent Company on 16 June 2010, pursuant to which the Parent Group agreed to supply to the Group with the Supplies
“PRC”	means the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Parent Company”	means Chongqing Machinery and Electronic Holding (Group) Co., Ltd. (重慶機電控股(集團)公司), a limited liability company established in the PRC on 25 August 2000 and owned by the Chongqing State-owned Assets Supervision and Administration Commission, being one of the Promoters of the Company
“Parent Group”	means Parent Company and its associates, excluding the Group
“Promoter”	has the meaning ascribed to it under the Listing Rules
“Prospectus”	means the prospectus of the Company dated 30 May 2008
“RMB”	means Renminbi, the lawful currency of the PRC

“Revised Annual Cap”	means the revised annual cap pursuant to the Supplemental Master Supplies Agreement for the financial year ending 31 December 2010 and subject to the approval of the Independent Shareholders at the AGM as more particularly set out in the circular
“Shares”	means the Domestic Shares and/or the H Shares
“Shareholders”	means holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Supplemental Master Supplies Agreement”	means a supplemental agreement made between the Company and the Parent Company in relation to the Existing Master Supplies Agreement for a term from the date the independent Shareholders’ approval is obtained to 31 December 2010

By Order of the Board  
**Chongqing Machinery & Electric Co., Ltd.\***  
**Xie Hua Jun**  
*Executive Director, Chairman*

Chongqing, the PRC  
28 April 2010

*As at the date of this announcement, the executive Directors are Mr. Xie Hua Jun, Mr. He Yong, Mr. Liao Shaohua and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Yu Gang, Mr. Yang Jingpu and Mr. Wu Jian; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang and Mr. Kong Weiliang.*