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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. (the “Company”), you should at once hand this circular to the purchaser or the transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(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) REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN 2020;**
- (2) REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY IN 2020;**
- (3) AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF THE COMPANY AND ITS SUBSIDIARIES IN 2020;**
- (4) PROFIT APPROPRIATION PROPOSAL FOR THE YEAR OF 2020 OF THE COMPANY;**
- (5) 2021 ANNUAL BUDGET REPORT OF THE COMPANY;**
- (6) APPOINTMENT OF THE COMPANY'S AUDITOR IN 2021;**
- (7) CHANGE OF TWO NON-EXECUTIVE DIRECTORS;**
- (8) PROVISION OF GUARANTEE BY THE COMPANY FOR COMPREHENSIVE FINANCING OF HOLROYD OF GBP21.00 MILLION (USD EQUIVALENT);**
- (9) PROVISION OF GUARANTEE BY THE COMPANY FOR COMPREHENSIVE FINANCING OF PTG OR PTG HONG KONG OR HOLROYD OF USD97.00 MILLION (GBP EQUIVALENT);**
- (10) PROVISION OF GUARANTEE BY THE COMPANY FOR LOANS OF CHONGQING GENERAL OF RMB110.00 MILLION;**
- (11) PROVISION OF GUARANTEE BY CHONGQING GENERAL FOR COMPREHENSIVE FINANCING OF CHONGTONG CHENGFEI OF RMB880.00 MILLION;**
- (12) PROVISION OF GUARANTEE BY CHONGTONG CHENGFEI FOR COMPREHENSIVE FINANCING OF CHONGTONG CHENGFEI JIANGSU COMPANY OF RMB20.00 MILLION;**
- (13) PROVISION OF GUARANTEE BY THE COMPANY FOR COMPREHENSIVE FINANCING OF CHONGQING WATER COMPANY OF RMB625.06 MILLION;**
- (14) PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES OF THE COMPANY; AND**
- (15) NOTICE OF THE ANNUAL GENERAL MEETING OF THE COMPANY**

The letter from the Board of the Company is set out on pages 4 to 15 of this circular.

Notice convening the 2020 Annual General Meeting of Chongqing Machinery & Electric Co., Ltd.* to be held at the Conference Room, 16/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Thursday, 24 June 2021 at 9:00 a.m. are set out on pages 23 to 27 of this circular.

Enclosed is the form of proxy for use at the Annual General Meeting 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 Annual General Meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Annual 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 Annual General Meeting and voting in person if you so wish.

2 June 2021

* For identification purposes only

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DEFINITIONS

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

“Annual General Meeting” or “AGM”	means the 2020 annual general meeting of the Company to be held at the Conference Room, 16/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Thursday, 24 June 2021 at 9:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the annual general meeting which are set out on pages 23 to 27 of this circular, or any adjournment thereof
“Articles of Association” or “Articles”	means the articles of association of the Company currently in force
“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), a joint stock limited company incorporated in the PRC
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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
“General Mandate”	means the proposed general mandate to allot, issue and otherwise deal with additional Shares representing up to the limit of 20% of the Shares in issue on the date of the passing of the relevant resolution
“Group”	means the Company and its associates
“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
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Holroyd”	means Holroyd Precision Ltd., a wholly-owned subsidiary of PTG and a limited company incorporated in the United Kingdom
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Latest Practicable Date”	means 26 May 2021, 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
“PRC”	means the People’s Republic of China, which, for the purpose of this circular, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and the Taiwan region
“Promoter”	has the meaning ascribed to it under the Listing Rules
“Prospectus”	means the prospectus dated 30 May 2008 issued by the Company
“PTG”	means Precision Technologies Group Limited, a wholly-owned subsidiary of the Company and a limited company incorporated in the United Kingdom
“PTG Hong Kong”	means PTG Investment Development Company Ltd., a wholly-owned subsidiary of PTG and a limited company incorporated in Hong Kong
“Relevant Period”	means the period from the date of passing the resolution until the earlier of: (a) the conclusion of the next annual general meeting of the Company following the passing of the relevant resolution, unless, by a special resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or (b) the expiry of the period within which the next annual general meeting is required by the Articles or any applicable law to be held; or (c) the passing of a special resolution of the Company at a general meeting revoking or varying the authority set out in the resolution approving the General Mandate
“Rights Issue”	means the allotment or issue of Shares in the Company or other securities to all Shareholders of the Company who are entitled to the offer (excluding, as the Board may decide, for such purpose any shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place, entitled to such offer, pro rata, in spite of fractional entitlements)
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

DEFINITIONS

“Chongqing General”	means Chongqing General Industry (Group) Co., Ltd., a wholly-owned subsidiary of the Company
“Chongtong Chengfei”	means Jilin Chongtong Chengfei New Material Co., Ltd., a subsidiary controlled by Chongqing General
“Chongtong Chengfei Jiangsu Company”	means Chongtong Chengfei Wind Power Equipment Jiangsu Co., Ltd., a wholly-owned subsidiary of Chongtong Chengfei
“Chongqing Water Company”	means Chongqing Water Turbine Works Co., Ltd., a wholly-owned subsidiary of the Company
“Share(s)”	means domestic share(s) and H share(s)
“Shareholder(s)”	means the holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	has the meaning ascribed to it under the Company Law of the PRC and the Listing Rules
“GBP”	means British pound sterling, the lawful currency of the United Kingdom
“RMB”	means Renminbi, the lawful currency of the PRC
“USD”	means US dollars, the lawful currency of the United States

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. Zhang Fulun
Ms. Chen Ping
Mr. Yang Quan

Non-executive Directors:

Mr. Huang Yong
Mr. Dou Bo

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
Huangshan Avenue,
New North Zone,
Chongqing City, the PRC

*Principal place of business in
Hong Kong:*

Room 1204-06, 12th Floor,
The Chinese Bank Building,
61 Des Voeux Road Central,
Central, Hong Kong

2 June 2021

To the Shareholders

Dear Sir or Madam,

- (1) REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN 2020;**
- (2) REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY IN 2020;**
- (3) AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF THE COMPANY AND ITS SUBSIDIARIES IN 2020;**
- (4) PROFIT APPROPRIATION PROPOSAL FOR THE YEAR OF 2020 OF THE COMPANY;**
- (5) 2021 ANNUAL BUDGET REPORT OF THE COMPANY;**
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- (14) PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES OF THE COMPANY; AND**
- (15) NOTICE OF THE ANNUAL GENERAL MEETING OF THE COMPANY**

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LETTER FROM THE BOARD

1. INTRODUCTION

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

2. REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN 2020

Details are set out in “Report of the Board of Directors” within the Company’s 2020 Annual Report issued by the Company on the website of the Stock Exchange on 15 April 2021.

3. REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY IN 2020

Details are set out in “Report of the Supervisory Committee” within the Company’s 2020 Annual Report issued by the Company on the website of the Stock Exchange on 15 April 2021.

4. AUDITED FINANCIAL STATEMENTS AND AUDITOR’S REPORT OF THE COMPANY AND ITS SUBSIDIARIES IN 2020

Details are set out in “Independent Auditor’s Report”, “Consolidated Balance Sheet”, “Consolidated Income Statement”, “Consolidated Statement of Changes in Equity”, “Consolidated Statement of Cash Flows” and “Notes to the Consolidated Financial Statements” within the Company’s 2020 Annual Report issued by the Company on the website of the Stock Exchange on 15 April 2021.

5. PROFIT APPROPRIATION PROPOSAL FOR THE YEAR OF 2020 OF THE COMPANY

The Board has recommended the payment of a final dividend of RMB0.01 per share (tax inclusive) for the year ended 31 December 2020, which is calculated based on the total share capital of 3,684,640,154 Shares for the year ended 31 December 2020, totaling RMB36,846,401.54. Subject to approval by Shareholders at the Annual General Meeting to be convened on 24 June 2021, the proposed final dividend will be paid on 28 July 2021 to Shareholders whose names appear on the register of members of the Company on 8 July 2021 (the “**Record Date**”).

In order to ascertain the entitlements of the Shareholders to receive the final dividend, the register of members of the Company will be closed from Wednesday, 30 June 2021 to Thursday, 8 July 2021 (both days inclusive), during which period no transfer of shares will be registered. All transfer documents accompanied by share certificates must be lodged at our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 29 June 2021.

LETTER FROM THE BOARD

6. 2021 ANNUAL BUDGET REPORT OF THE COMPANY

In 2021, the Company's operating expenses are expected to be approximately RMB318 million, among which, approximately RMB244.03 million is for the clean energy equipment segment, approximately RMB71.7749 million is for the high-end smart equipment segment, and approximately RMB1.96 million for the industrial service segment.

7. APPOINTMENT OF THE COMPANY'S AUDITOR IN 2021

ShineWing Certified Public Accountants (Special General Partnership) is the PRC accountant of the Company engaged in 2020. During its engagement, it fully performed its duties to present unqualified audited report of 2020 for the Company which are objective and fair in accordance with independent auditing standards.

The Company proposed to reappoint ShineWing Certified Public Accountants (Special General Partnership) as the auditor of the Company in 2021. The review and audit fees are approximately RMB2.60 million for the 2021 interim financial report and annual financial report.

8. CHANGE OF TWO NON-EXECUTIVE DIRECTORS

As disclosed in the announcement of the Company dated 12 April 2021, the Company received resignation letters from Mr. Zhang Yongchao and Mr. Wang Pengcheng, the non-executive directors, respectively. Due to work adjustments, Mr. Zhang Yongchao and Mr. Wang Pengcheng would respectively resign from the position as a non-executive director of the fifth session of the Board of the Company. As the resignation of Mr. Zhang Yongchao and Mr. Wang Pengcheng would neither lead to the number of members of the fifth session of the Board of the Company falling below the requirement of the statutory quorum, nor affect the normal operation of the Board of the Company, the resignation of Mr. Zhang Yongchao and Mr. Wang Pengcheng would take immediate effect upon the delivery of their resignation letters to the Board. Mr. Zhang Yongchao and Mr. Wang Pengcheng have confirmed that they have no disagreement with the Company and there are no matters in relation to their resignation that need to be brought to the attention of the Shareholders. The Board would like to express its sincere gratitude to Mr. Zhang Yongchao and Mr. Wang Pengcheng for their contributions to the Company during their tenure.

As nominated by Chongqing Yufu Capital Operation Group Co., Ltd., a Shareholder of the Company, the Company recommended to appoint Mr. Ma Aijun as a non-executive Director to fill in the vacancy upon Mr. Zhang Yongchao's resignation. As nominated by China Huarong Asset Management Co., Ltd., a Shareholder of the Company, the Company recommended to appoint Mr. Cai Zhibin as a non-executive Director to fill in the vacancy upon Mr. Wang Pengcheng's resignation. The appointment of Mr. Ma Aijun and Mr. Cai Zhibin as non-executive Directors of the Company is subject to the approval by the Shareholders at the 2020 Annual General Meeting. The detailed biographies of Mr. Ma Aijun and Mr. Cai Zhibin are as follows:

Mr. Ma Aijun, aged 41, has been the deputy general manager of the business management department of Chongqing Yufu Holding Group Co., Ltd. since October 2020 up to now. He served as the manager of the research and development department of Chongqing Yufu Holding Group Co., Ltd. (planning management position) from April 2020 to October 2020, and the manager of the research and development

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department of Chongqing Yufu Assets Management Group Co., Ltd. (planning management position) from July 2019 to April 2020; he successively served as staff, head and senior supervisor of the research and development department of Chongqing Yufu Assets Management Group Co., Ltd. (planning management position) from September 2014 to July 2019; he was a cadre of Rural Economic System and Operation Management Office of Chongqing Municipal Agriculture Committee (重慶市農業委員會) from August 2013 to September 2014; he successively served as a cadre and deputy chief of Service Sector Development Department of Chongqing Shapingba District Development and Reform Commission (重慶市沙坪壩區發改委) from September 2009 to August 2013; he was an administrator of Marine and Chemical Industry Park in Weifang Binhai Economic and Technological Development Zone, Shangdong and was entitled to remuneration package of deputy chief from July 2008 to September 2009; he worked as a staff in Qingdao Laoshan Scenic Area Administration Committee from July 2001 to September 2005. Mr. Ma studied in the Regional Economics Major at the School of Geographical Sciences, SWU from September 2005 to July 2008, and obtained a master's degree in economics. He studied in the Mechanical and Electronic Engineering Major at the College of Mechanical Engineering of Shandong University of Science and Technology from September 1997 to July 2001 and obtained a bachelor's degree in engineering.

Mr. Cai Zhibin, aged 48, has been the assistant to general manager at the Chongqing office of China Huarong Asset Management Co., Ltd. since May 2020 up to now. He has been concurrently the member of the Party Committee of the Chongqing office of China Huarong Asset Management Co., Ltd. since December 2019 up to now. Mr. Cai is a senior economist and engineer. He served as the senior manager of planning and finance department and risk management department of the Anhui office of China Huarong Asset Management Co., Ltd. from December 2017 and December 2019. He successively served as the senior manager of planning and finance department of the Anhui office of China Huarong Asset Management Co., Ltd. from August 2016 to December 2017; the senior manager of planning and finance department and office deputy director of the Anhui office of China Huarong Asset Management Co., Ltd. from November 2014 to August 2016; the deputy senior management of planning and finance department and office deputy director of the Anhui office of China Huarong Asset Management Co., Ltd. from September 2013 to November 2014; and the office deputy director of the Anhui office of China Huarong Asset Management Co., Ltd. from October 2012 to September 2013. Mr. Cai successively acted as the deputy manager of No. 4 Asset Operation Division, manager of the leasing affairs department, office manager and office deputy director of the Hefei Office of China Huarong Asset Management Co., Ltd. from September 2005 to October 2012; he worked in Dazhonglou Sub-branch, Hefei Branch, China Merchants Bank from June 2005 to August 2005; he acted as a clerk of Saobagou Office, Tongling Sub-branch, ICBC and science and technology division, Tongling Branch, ICBC and deputy general manager of Business Department of Tonglong Branch, ICBC from July 1993 to May 2005. Mr. Cai graduated from the Electronic Engineering and Information Technology Department of Anhui University majoring in Radio Technology with a bachelor's degree in engineering in July 1993.

Save as disclosed above, Mr. Ma Aijun and Mr. Cai Zhibin did not have any directorship in any other listed companies in the last three years, nor did they have any interest relationship with 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.

Upon the appointment of Mr. Ma Aijun and Mr. Cai Zhibin as non-executive Directors, the Company will enter into service contracts with Mr. Ma Aijun and Mr. Cai Zhibin in connection with their appointments for a term commencing from the date of the 2020 Annual General Meeting until the expiration

LETTER FROM THE BOARD

of the current session of the Board. Mr. Ma Aijun and Mr. Cai Zhibin are entitled to receive Board's remuneration, which will be determined according to the remuneration criteria for non-executive Directors approved at the annual general meeting of 2018.

Save as disclosed above, there are currently no other matters which need to be brought to the attention of the Shareholders of the Company in respect of the election of Mr. Ma Aijun and Mr. Cai Zhibin or other information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

9. PROVISION OF GUARANTEE BY THE COMPANY FOR COMPREHENSIVE FINANCING OF HOLROYD OF GBP21.00 MILLION (USD EQUIVALENT)

Holroyd requested the Company to provide guarantee for its comprehensive financing totaling GBP21.00 million (the "**Comprehensive Financing of Holroyd**"). Holroyd is a wholly-owned subsidiary of PTG, which in turn is a wholly-owned subsidiary of the Company.

Reasons for and Benefits of the Provision of Guarantee for the Comprehensive Financing of Holroyd

Considering the optimistic business prospect of Holroyd, its continuous and stable development will facilitate the Company's expansion into overseas markets.

Terms of the Guarantee

The guarantee for the Comprehensive Financing of Holroyd is for a term of two years commencing from the date of approval by the Shareholders and completion of relevant formalities by Holroyd. The Board is of the opinion that the terms of provision of guarantee for the Comprehensive Financing of Holroyd are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Holroyd is not a connected person of the Group and the guarantee to be provided for Holroyd does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapters 14 and 14A of the Listing Rules. However, as the gearing ratio of Holroyd exceeds 70%, the provision of guarantee by the Company for Holroyd is subject to consideration and approval at the general meeting according to requirements of the Articles.

Pursuant to the Articles, the provision of guarantee by the Company for Holroyd is subject to approval by the Shareholders at the general meeting.

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10. PROVISION OF GUARANTEE BY THE COMPANY FOR COMPREHENSIVE FINANCING OF PTG OR PTG HONG KONG OR HOLROYD OF USD97.00 MILLION (GBP EQUIVALENT)

PTG, PTG Hong Kong and Holroyd jointly requested the Company to provide guarantee for their comprehensive financing totaling USD97.00 million (“**Co-financing**”). PTG Hong Kong and Holroyd are wholly-owned subsidiaries of PTG, which in turn is a wholly-owned subsidiary of the Company.

Reasons for and Benefits of the Provision of Guarantee for the Co-financing

Considering that PTG Hong Kong represents an important platform of the Company in Hong Kong as well as the optimistic business prospect of Holroyd, their continuous and stable development will facilitate the Company’s expansion into overseas markets.

Terms of the Guarantee

The guarantee for the Co-financing is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by PTG. The Board is of the opinion that the terms of provision of guarantee for the Co-Financing are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

PTG Hong Kong and Holroyd are not connected persons of the Group and the guarantee to be provided for the Co-financing does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the respective gearing ratio of PTG, PTG Hong Kong and Holroyd exceeds 70%, the provision of guarantee for the Co-financing is subject to consideration and approval at the general meeting according to requirements of the Articles.

Pursuant to the Articles, the provision of guarantee by the Company for the Co-financing is subject to approval by the Shareholders at the general meeting.

11. PROVISION OF GUARANTEE BY THE COMPANY FOR LOANS OF CHONGQING GENERAL OF RMB110.00 MILLION

Chongqing General requested the Company to provide guarantee for its loans totalling RMB110.00 million (the “**Loans of Chongqing General**”). Chongqing General is a wholly-owned subsidiary of the Company.

Reasons for and Benefits of the Provision of Guarantee for the Loans of Chongqing General

Considering that the future industrial fan business of Chongqing General continues to improve, its continuous and stable development will facilitate the Company’s further improvement of management quality.

LETTER FROM THE BOARD

Terms of the Guarantee

The guarantee for the Loans of Chongqing General is for a term of three years commencing from the date of approval by the Shareholders and completion of relevant formalities by Chongqing General. The Board is of the opinion that the terms of provision of guarantee for the Loans of Chongqing General are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chongqing General is not a connected person of the Group and the guarantee to be provided for the Loans of Chongqing General does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratio of Chongqing General exceeds 70%, the provision of guarantee for the Loans of Chongqing General is subject to consideration and approval at the general meeting according to requirements of the Articles.

Pursuant to the Articles, the provision of guarantee by the Company for the Loans of Chongqing General is subject to approval by the Shareholders at the general meeting.

12. PROVISION OF GUARANTEE BY CHONGQING GENERAL FOR COMPREHENSIVE FINANCING OF CHONGTONG CHENGFEI OF RMB880.00 MILLION

Chongtong Chengfei requested Chongqing General to provide guarantee for its comprehensive financing totalling RMB880.00 million (“**Comprehensive Financing of Chongtong Chengfei**”). Chongqing General is a wholly-owned subsidiary of the Company, and Chongtong Chengfei is a holding subsidiary of Chongqing General.

Reasons for and Benefits of the Provision of Guarantee for the Loans of Chongtong Chengfei

Considering the future wind turbine business of Chongtong Chengfei continues to improve, its continuous and stable development will facilitate the Company’s further improvement of management quality.

Terms of the Guarantee

The guarantee for the Loans of Chongtong Chengfei is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chongtong Chengfei. The Board is of the opinion that the terms of provision of guarantee for the Loans of Chongtong Chengfei are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chongtong Chengfei is not a connected person of the Group and the guarantee to be provided for Chongtong Chengfei does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing

LETTER FROM THE BOARD

Rules. However, as the gearing ratio of Chongtong Chengfei reaches 70%, the provision of guarantee for Chongtong Chengfei is subject to consideration and approval at the general meeting according to requirements of the Articles.

Pursuant to the Articles, the provision of guarantee by Chongqing General for Chongtong Chengfei is subject to approval by the Shareholders at the general meeting.

13. PROVISION OF GUARANTEE BY CHONGTONG CHENGFEI FOR COMPREHENSIVE FINANCING OF CHONGTONG CHENGFEI JIANGSU COMPANY OF RMB20.00 MILLION

Chongtong Chengfei Jiangsu Company requested Chongtong Chengfei to provide guarantee for its comprehensive financing of RMB20.00 million (the “**Comprehensive Financing of Chongtong Chengfei Jiangsu Company**”). Chongqing General is a wholly-owned subsidiary of the Company, while Chongtong Chengfei is a holding subsidiary of Chongqing General and Chongtong Chengfei Jiangsu Company is a wholly-owned subsidiary of Chongtong Chengfei.

Reasons for and Benefits of the Provision of Guarantee for the Comprehensive Financing of Chongtong Chengfei Jiangsu Company

Considering the future wind turbine business of Chongtong Chengfei Jiangsu Company continues to improve, its continuous and stable development will facilitate the Company’s further improvement of management quality.

Terms of the Guarantee

The guarantee of Chongtong Chengfei Jiangsu Company is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chongtong Chengfei Jiangsu Company. The Board is of the opinion that the terms of provision of guarantee for Chongtong Chengfei Jiangsu Company are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chongtong Chengfei Jiangsu Company is not a connected person of the Group and the guarantee to be provided for Chongtong Chengfei Jiangsu Company does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratio of Chongtong Chengfei Jiangsu Company exceeds 70%, the provision of guarantee for Chongtong Chengfei Jiangsu Company is subject to consideration and approval at the general meeting according to requirements of the Articles.

Pursuant to the Articles, the provision of guarantee by Chongtong Chengfei for Chongtong Chengfei Jiangsu Company is subject to approval by the Shareholders at the general meeting.

LETTER FROM THE BOARD

14. PROVISION OF GUARANTEE BY THE COMPANY FOR THE COMPREHENSIVE FINANCING OF CHONGQING WATER COMPANY OF RMB625.06 MILLION

Chongqing Water Company requested the Company to provide guarantee for its comprehensive financing of RMB625.06 million (“**Comprehensive Financing of Chongqing Water Company**”). Chongqing Water Company is a wholly-owned subsidiary of the Company.

Reasons for and Benefits of the Provision of Guarantee for the Comprehensive Financing of Chongqing Water Company

Considering the optimistic business prospect of Chongqing Water Company, its continuous and stable development will facilitate the Company’s further improvement of management quality.

Terms of the Guarantee

The Comprehensive Financing of Chongqing Water Company is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chongqing Water Company. The Board is of the opinion that the terms of provision of guarantee for Chongqing Water Company are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chongqing Water Company is not a connected person of the Group and the guarantee to be provided for Chongqing Water Company does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapters 14 and 14A of the Listing Rules. However, as the gearing ratio of Chongqing Water Company reaches 70%, the provision of guarantee by the Company for Chongqing Water Company is subject to consideration and approval at the general meeting according to requirements of the Articles.

Pursuant to the Articles, the provision of guarantee by the Company for Chongqing Water Company is subject to approval by the Shareholders at the general meeting.

15. PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES OF THE COMPANY

To increase the flexibility and efficiency in operation and to give discretion to the Board in the event that it becomes desirable to issue any Shares, the Company proposes to seek for the Shareholders’ approval for the General Mandate to allot, issue and otherwise deal with additional Shares up to the limit of 20% of the Shares in issue on the date of the passing of the relevant resolution. The Board has no present plan to issue new Shares pursuant to the General Mandate.

LETTER FROM THE BOARD

Any exercise of the power by the Directors under the General Mandate shall comply with the relevant requirements of the Listing Rules, the Articles and the applicable laws and regulations of the PRC and be subject to the following conditions:

- (a) the General Mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
- (b) the aggregate par value of the Domestic Shares and H Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board (otherwise than pursuant to any scrip dividend scheme (or similar arrangement providing for the allotment and issue of shares in lieu of the whole or any part of a dividend), any share option scheme, a Rights Issue or any separate approval of the Shareholders of the Company) shall not exceed:
 - (i) 20% of the aggregate par value of the Domestic Shares in issue; and
 - (ii) 20% of the aggregate par value of the H Shares in issue, respectively, in each case as at the date of passing of the resolution for General Mandate by the Shareholders; and
- (c) the Board will only exercise its power under the General Mandate in accordance with the Company Law of the PRC and the Listing Rules (as each of them may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant government authorities in the PRC are obtained.

In addition, conditional on the Board resolving to exercise the General Mandate, the Company proposes to obtain Shareholders' approval to authorise the Board to:

- (a) approve, execute and do, and/or procure to be executed and done all such documents, deeds and matters which it may consider necessary in connection with the exercise of the General Mandate and/or the issue of Shares, including but not limited to the time, price, quantity and place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);
- (b) determine the use of proceeds and to make all necessary filings and registration with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate);
- (c) increase the registered capital of the Company and make all necessary amendments to the Articles to reflect such increase and to register the increased capital with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate) so as to reflect the new capital and/or share capital structure of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had 3,684,640,154 Shares in issue. Subject to the passing of the proposed resolution for the approval of the General Mandate and in accordance with the terms therein, the Company will be allowed to allot, issue and deal with up to a maximum of 736,928,030 Shares on the basis that no additional Shares will be issued by the Company prior to the Annual General Meeting.

16. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 23 to 27 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, (i) the report of the Board for the year ended 31 December 2020; (ii) the report of the Supervisory Committee for the year ended 31 December 2020; (iii) the audited financial statements and the auditor's report of the Company and its subsidiaries for the year ended 31 December 2020; (iv) the profit appropriation proposal for the year of 2020; (v) budget report for the year of 2021; (vi) the appointment of the Company's auditor in 2021; (vii) change of two non-executive directors; (viii) provision of guarantee by the Company for Comprehensive Financing of Holroyd of GBP21.00 million (USD equivalent); (ix) provision of guarantee by the Company for Comprehensive Financing of PTG or PTG Hong Kong or Holroyd of USD97.00 million (GBP equivalent); (x) provision of guarantee by the Company for Loans of Chongqing General of RMB110.00 million; (xi) provision of guarantee by Chongqing General for comprehensive financing of Chongtong Chengfei of RMB880.00 million; (xii) provision of guarantee by Chongtong Chengfei for Comprehensive Financing of Chongtong Chengfei Jiangsu Company of RMB20.00 million; (xiii) provision of guarantee by the Company for Comprehensive Financing of Chongqing Water Company of RMB625.06 million and (xiv) granting of General Mandate to issue new shares of the Company.

The form of proxy for use at the Annual General Meeting is enclosed in this circular, and such form of proxy is also published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.chinacqme.com). Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Annual 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 Annual General Meeting and voting in person if you so wish.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the Directors or Shareholders has a material interest in the resolutions to be proposed at the Annual General Meeting and no Shareholder is required to abstain from voting on any of the resolutions at the Annual General Meeting.

17. PROCEDURES FOR VOTING AT THE ANNUAL GENERAL MEETING

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

18. RECOMMENDATION

The Directors consider that all resolutions to be proposed for consideration and approval by the Shareholders at the Annual General Meeting are in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the resolutions to be proposed at the Annual General Meeting as set out in the notice of the Annual General Meeting.

Yours faithfully,
By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Zhang Fulun
Executive Director and Chairman

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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 INTEREST

As at the Latest Practicable Date, none of the Directors, chief executive officers 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 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.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as the Directors are aware, 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:

Long position in domestic shares and H Shares of RMB1.00 each of the Company

Name of Shareholders	Number of		Capacity	Note	Percentage of	Percentage of	Percentage of
	shares	Categories			domestic shares	total issued H Shares	total issued shares
					(%)	(%)	(%)
Chongqing Machinery and Electronic Holding (Group) Co., Ltd.	1,924,225,189	Domestic shares	Beneficial owner	(1)	74.46 (L)	-	52.22
	92,670,000	H Shares	Beneficial owner	(1)	-	8.42 (L)	2.52
Chongqing Yufu Capital Operation Group Co., Ltd.	232,132,514	Domestic shares	Beneficial owner	(1)	8.98 (L)	-	6.30
Chongqing Construction Engineering Group Co., Ltd. (重慶建工集團股份有限公司)	232,132,514	Domestic shares	Beneficial owner	(2)	8.98 (L)	-	6.30
China Huarong Asset Management Co., Ltd.	195,962,467	Domestic shares	Beneficial owner	(3)	7.58 (L)	-	5.32
State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government	2,388,490,217	Domestic shares	Interest in controlled corporation	(1)	92.42 (L)	-	64.82
	92,670,000	H Shares	Interest in controlled corporation	(1)	-	8.42 (L)	2.52
Ministry of Finance of the PRC	195,962,467	Domestic shares	Interest in controlled corporation	(3)	7.58 (L)	-	5.32

(L) Long Position

H Shares of RMB1.00 each of the Company

Name of Shareholders	Number of shares	Capacity	Note	Percentage of	Percentage of
				total issued H Shares	total issued shares
				(%)	(%)
The Bank of New York Mellon (formerly known as “The Bank of New York”)	87,276,000 (L)	Storekeeper		7.93 (L)	2.37 (L)
				0 (P)	0 (P)
The Bank of New York Mellon Corporation	87,276,000 (L) 87,276,000 (P)	Corporate interest under the control of major shareholders	(4)	7.93 (L)	2.37 (L)
				7.93 (P)	2.37 (P)

(L) Long position
(S) Short position
(P) Lending Pool

Notes:

1. As Chongqing Machinery and Electronic Holding (Group) Co., Ltd. and Chongqing Yufu Capital Operation Group Co. Ltd. are wholly owned by the State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government, the State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government is deemed to be interested in 1,924,225,189 domestic shares, 92,670,000 H 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 76.53% by the State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government through its wholly-owned Chongqing Construction Investment Holding Co., Ltd. Therefore, the State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government is 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 directly held as to 63.36% by the Ministry of Finance of the People's Republic of China and indirectly held as to 4.22% by it through its wholly-owned China Life Insurance (Group) Company, 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 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 H Shares of the Company.

Save as disclosed above, the Directors 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 2020, 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 CONTRACT

None of the Directors has a service contract with the Company which is not determinable 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 and his associates was interested in any business, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. LITIGATION

As at the Latest Practicable Date, the Company or any other members of the Group were engaged in material litigation or arbitration with details below:

- (i) In respect of the failure of Chongqing General Trading Chemical Co., Ltd. (重慶商社化工有限公司) (“**General Trading Chemical**”) to make payment to PTG Hong Kong as agreed for the rubber purchased. Considering that PTG Hong Kong is an overseas subsidiary, to facilitate litigation, the Company has transferred all creditors' rights of PTG Hong Kong over General Trading Chemical to Chongqing Shengpu Materials Co., Ltd. (重慶盛普物資有限公司) (“**Shengpu Company**”), a wholly-owned subsidiary of the Company, through legal procedures. Each of the Company and Shengpu Company has filed a litigation with the Chongqing First Intermediate People's Court to claim General Trading Chemical for the principal of the borrowing amounting to approximately RMB287.5 million and the relevant interest payments and default penalty. The cases were accepted on 6 November 2020. For details, please refer to the announcement of the Company dated 6 November 2020.
- (ii) On 18 December 2020, the Chongqing No. 5 Intermediate People's Court made a first trial judgment on the dispute over trademark infringement and unfair competition brought by Chongqing Pigeon Electric Wires & Cable Co., Ltd. (“**Pigeon Company**”), a wholly-owned subsidiary of the Company, against Chongqing Gehuang Electric Wires & Cable Group Co., Ltd. (重慶鴿皇電線電纜集團有限公司) (“**Gehuang Company**”). The judgment stated that Gehuang Company shall stop the infringement and compensate Pigeon Company for its economic losses, totaling RMB10 million. For details, please refer to the announcement of the Company dated 7 January 2021.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or operation position of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being a contract entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and are, or may be material:

- (i) On 20 April 2018, the Company and the Parent Company entered into the Master Sales Supplemental Agreement, proposing to increase the annual caps of 2018 and 2019 by RMB170 million and RMB170 million from RMB180 million and RMB190 million, respectively. The annual caps of 2018 and 2019 after adjustment will be RMB350.0 million and RMB360.0 million, respectively.
- (ii) On 1 April 2019, the Company entered into the 2020-2022 Master Sales Agreement with Parent Company (for details please refer to the announcement of the Company dated 1 April 2019), pursuant to which the annual caps of total amount of sales for the years of 2020 to 2022 were RMB344.7 million, RMB330.0 million and RMB336.2 million, respectively.
- (iii) On 1 April 2019, the Company entered into the 2020-2022 Master Supplies Agreement with the Parent Company (for details please refer to the announcement of the Company dated 1 April 2019), pursuant to which the annual cap of total amount of supplies for each year of 2020 to 2022 was RMB100.0 million.
- (iv) On 1 April 2019, the Company entered into the 2020-2022 Group Financial Services Framework Agreement with Finance Company (for details please refer to the announcement of the Company dated 1 April 2019), the proposed annual caps for deposit service thereunder for three years ending 31 December 2022 were RMB3,155.0 million, RMB3,313.0 million and RMB3,479.0 million, respectively.
- (v) On 1 April 2019, Parent Company entered into the 2020-2022 Group Financial Services Framework Agreement with Finance Company (for details please refer to the announcement of the Company dated 1 April 2019), the proposed annual caps for loan service thereunder for three years ending 31 December 2022 were RMB2,350.0 million, RMB2,474.0 million and RMB2,754.0 million, respectively.
- (vi) On 6 January 2020, Chongqing Jiulongyuan High-Tech Industry Group Company Limited (“**High-Tech Group**”) entered into the Overall Relocation Project of Chongqing ABB – Acquisition Agreement for the Land of Yuqing Temple and Aboveground Buildings in Jiulongpo District of Chongqing ABB Transformer Co., Ltd. with Chongqing ABB Transformer Co., Ltd. (“**Chongqing ABB**”), an associated company of the Company, for details please refer to the announcement of the Company dated 6 January 2020. Pursuant to the

agreement, Chongqing ABB shall transfer its land use rights of Yuqing Temple in Jiulongpo and the buildings (structures), attachments, ancillary facilities thereon to High-Tech Group. The area of land transferred is approximately 42,366m², and the consideration for the transfer of the target property is RENMINBI EIGHT HUNDRED AND FIFTY MILLION (RMB850,000,000.00).

- (vii) On 14 January 2020 and 21 January 2020, the Company entered into two beneficiary certificates subscription agreements with Southwest Securities Co., Ltd. (“SWSC”), pursuant to which the Company subscribed for beneficiary certificates from SWSC for RMB150 million in cash in total.
- (viii) On 15 July 2020, Chongqing ABB, an associated company of the Company, entered into the State-Owned Construction Land Use Right Transfer Contract with Chongqing Municipal Planning and Natural Resources Bureau, for details please refer to the announcement of the Company dated 15 July 2020. Pursuant to the contract, the land transferred is located at a land parcel (No. F22-1-1/04) in Zone F, Yuzui Group in Liangjiang New District, Chongqing, with a total area of 159,581.7m². The land transferred will be used for implementing the overall relocation for Chongqing ABB and the total consideration is RMB40,220,000.

10. MISCELLANEOUS

- (i) The registered office and the principal place of business in the PRC of the Company are at No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC.
- (ii) The principal place of business of the Company in Hong Kong is Room 1204-06, 12th Floor, the Chinese Bank Building, 61 Des Voeux Road Central, Central, Hong Kong.
- (iii) The Company’s H Share Registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (iv) The company secretary of the Company is Ms. Chiu Hoi Shan, who is a practicing solicitor of the High Court of Hong Kong.
- (v) Unless stated otherwise, in the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Co. (趙凱珊律師行) at Room 1204-06, 12th Floor, the Chinese Bank Building, 61 Des Voeux Road Central, Central, Hong Kong on any workday from the date of this circular up to and as at 24 June 2021:

- (i) the Articles;

- (ii) the annual reports of the Company for the two financial years ended 31 December 2019 and 2020;
- (iii) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix; and
- (iv) a copy of this circular.

**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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the “**Meeting**” or “**AGM**”) of Chongqing Machinery & Electric Co., Ltd.* (the “**Company**”) will be held at the Conference Room, 16/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Thursday, 24 June 2021 at 9:00 a.m. (or any adjournment thereof) for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company (the “**Board**”) for the year ended 31 December 2020;
2. To consider and approve the report of the Supervisory Committee for the year ended 31 December 2020;
3. To consider and approve the audited financial statements and the auditor’s report of the Company and its subsidiaries for the year ended 31 December 2020;
4. To consider and approve the profit appropriation proposal of the Company for the year ended 31 December 2020 and the declaration of the final dividend of RMB0.01 per share (tax inclusive);
5. To consider and approve the 2021 annual budget report of the Company;
6. To consider and approve the appointment of ShineWing Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year 2021 to hold office until the conclusion of the next annual general meeting and the total review and audit fees of RMB2.60 million for the Company’s 2021 interim financial report and 2021 annual financial report;
7. To consider and approve the change of two non-executive directors;
8. To consider and approve the provision of guarantee by the Company for comprehensive financing of Holroyd of GBP21.00 million (USD equivalent);

* For identification purposes only

9. To consider and approve the provision of guarantee by the Company for comprehensive financing of PTG or PTG Hong Kong or Holroyd of USD97.00 million (GBP equivalent);
10. To consider and approve the provision of guarantee by the Company for loans of Chongqing General of RMB110.00 million;
11. To consider and approve the provision of guarantee by Chongqing General for comprehensive financing of Chongtong Chengfei of RMB880.00 million;
12. To consider and approve the provision of guarantee by Chongtong Chengfei for comprehensive financing of Chongtong ChengFei Jiangsu Company of RMB20.00 million;
13. To consider and approve the provision of guarantee by the Company for comprehensive financing of Chongqing Water Company of RMB625.06 million.

SPECIAL RESOLUTION

14. To give a general mandate to the Board to allot, issue and deal with additional Domestic Shares and/or the H Shares and to make or grant offers, agreements and/or options in respect thereof (the “**General Mandate**”), subject to the following conditions:

“**THAT**

- (A) (a) the General Mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
- (b) the aggregate number of the Domestic Shares and the H Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board (otherwise than pursuant to any scrip dividend scheme (or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend), any share option scheme, rights issue or any separate approval of the Shareholders of the Company) shall not exceed:
 - (i) 20% of the aggregate number of the Domestic Shares in issue; and
 - (ii) 20% of the aggregate number of the H Shares in issue, respectively, in each case as at the date of passing of this special resolution; and
- (c) the Board will only exercise its power under the General Mandate in accordance with the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as each of them may

be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant government authorities in the PRC are obtained;

and, for the purposes of this resolution:

“Domestic Share(s)” mean domestic ordinary share(s) in the share capital of the Company which are subscribed and/or paid for in Renminbi;

“H Share(s)” mean overseas listed foreign invested shares (being ordinary shares) in the share capital of the Company which are subscribed and/or paid for in Hong Kong dollars or foreign currency other than Renminbi;

“Relevant Period” means the period from the date of passing this resolution until the earlier of: (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution, unless, by special resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or (b) the expiry of the period within which the next annual general meeting is required by the Articles of Association of the Company or any applicable laws to be held; or (c) the passing of a special resolution of the Company at a general meeting revoking or varying the authority set out in this resolution;

“Rights Issue” means the allotment or issue of shares or other securities of the Company which would or might require shares to be allotted and issued pursuant to an offer made to all the Shareholders of the Company (excluding, as the Board may decide, for such purpose any shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place) entitled to such offer, pro rata (apart from fractional entitlements) to their then existing holdings of shares; and

- (B) contingent on the Board resolving to exercise the General Mandate and/or issue shares pursuant to paragraph (a) of this resolution, the Board be and is hereby authorised:
- (a) to approve, execute and do, and/or procure to be executed and done all such documents, deeds and matters which it may consider necessary in connection with the exercise of the General Mandate and/or the issue of shares, including but

not limited to the time, price, quantity and place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);

- (b) to determine the use of proceeds and to make all necessary filings and registration with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate); and
- (c) to increase the registered capital of the Company and make all necessary amendments to the Articles of Association to reflect such increase and to register the increased capital with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate) so as to reflect the new capital and/or share capital structure of the Company.”

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

Chongqing, the PRC
2 June 2021

Notes:

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 to be a Member. A form of proxy for use at the Meeting is enclosed herewith. Where two or more persons are registered as 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 notorially 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. In order to determine the Members who are entitled to attend and vote at the Meeting, the register of Members will be closed from 19 June 2021 to 24 June 2021, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18 June 2021.
4. In order to ascertain the Shareholders who are entitled to receive the final dividend, the register of members of the Company will be closed from Wednesday, 30 June 2021 to Thursday, 8 July 2021 both days inclusive, during which period no transfer of shares will be effected. All transfer documents accompanied by the relevant share certificates must

be lodged at our H Share Registrar Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 29 June 2021.

As at the date of the notice, the executive Directors are Mr. Zhang Fulun, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong and Mr. Dou Bo; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.