



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)

Terms of Reference of the Nomination Committee

Passed at the 2007 second extraordinary meeting of the first session of the
Board on 16 August 2007

Amended for the first time at the 2011 twelfth extraordinary meeting of the
second session of the Board on 25 November 2011

Amended for the second time at the 2012 fourth extraordinary meeting of the
second session of the Board on 11 July 2012

Article 1 Definitions

For the purpose of these terms of reference (the “**Terms of Reference**”):

“ Board ”	means	the board of Directors of the Company.
“ Company ”	means	Chongqing Machinery & Electric Co., Ltd.*

“Code”	means	the Code on Corporate Governance Practices under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Secretary of the Board”	means	secretary to the Board of the Company.
“Director(s)”	means	members of the Board.
“Listing Rules”	means	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time.

“Articles of Association”	of means	the Articles of Association of Chongqing Machinery & Electric Co., Ltd. *, as amended from time to time.
“Nomination Committee”	means	the nomination committee established by the Board according to the resolution which was approved under the article 2 of the Terms of Reference.
“Shareholder(s)”	means	person(s) or corporation(s) who holds shares of the Company.

Article 2 Constitution

The Board hereby resolves to establish a committee of the Board to be known as the Nomination Committee.

Article 3 Composition and Membership of the Nomination Committee

The Nomination Committee comprises the Chairman of the Board and four non-executive Directors. The Committee chairman is the Chairman of the Board. The Board may adjust the size of the Nomination Committee according to the needs of the Company, provided that adjustment is in compliance with relevant regulatory requirements and the Listing Rules. The majority of the Nomination Committee should be independent non-executive Directors.

Article 4 Term of Office

The term of office of the Nomination Committee shall be the same as that of the Board, and its members may be eligible for re-election or reappointment upon the expiry of their term of office. Any member who, during his term of office, ceases to be a non-executive Director shall automatically lose his membership on the Nomination Committee and a replacement shall be appointed by the Board to fill the vacancy in accordance with the Articles of Association and the Listing Rules.

In the event that a member submits his resignation which is then approved by more than half of the Board, or no longer serves as a non-executive Director, the Board may decide to terminate his term of office in advance.

Any change of the committee members shall be subject to the approval of a general meeting in accordance with the procedure for change of directors stipulated in the Articles of Association as well as announcement as required by regulatory requirements and the Listing Rules.

Article 5 Resignation of Members

(1) Should any member resign during his term of office, such member shall submit to the Board through the Secretary to the Board a resignation letter one month in advance, in which detailed explanations should be given.

(2) In the event that the number of the Nomination Committee is less than the quorum required or the minimum requirements of the Terms of Reference due to the resignation of member(s), such resignation shall not take effect until the replacement member(s) elected by the Company take office.

(3) For any member who automatically loses his membership due to his resignation as a non-executive Director, there is no need to apply the resignation procedure for members of the Nomination Committee. Such member shall automatically lose his membership on the date when he officially resigns from his position as an independent non-executive Director in accordance with the procedure for resignation of non-executive Directors of the Company. In the event that such automatic loss of membership may result in the number of the Nomination Committee falling below the quorum or the minimum requirements hereof, paragraph (2) of this Article shall apply as to when such loss of membership shall take effect.

Article 6 Meetings

The Nomination Committee should hold at least one regular meeting every year, and extraordinary meetings if necessary.

A Nomination Committee meeting may not be held unless more than half of the members are present. It may be held by telephone conferencing or video conferencing or other means.

Article 7 Meetings by Way of Written Proposals

The Nomination Committee may adopt written proposals and pass relevant resolutions by way of written resolutions instead of holding a physical meeting. A written resolution shall be effective when the meeting materials are delivered to all members and the number of members who sign their consent reach the quorum for passing such resolution.

Article 8 Convening and Chairing of Meetings

The meetings of the Nomination Committee shall be convened by its chairman with assistance from the Secretary to the Board who may authorize the office of the Board to help deal with the convening, preparation and relevant affairs of the meeting.

Notice of a Nomination Committee meeting should be delivered to every member at least ten days in advance. The meeting agenda and relevant documents should be delivered to every member at least five days in advance.

The meeting shall be presided over by the chairman of the committee.

Article 9 Resolutions of Meetings

Any resolution of a Nomination Committee meeting shall be subject to the approval of two-thirds or more of all members, with each member having one vote.

Voting at a Nomination Committee meeting may be taken by show of hands or by poll. Voting at an extraordinary meeting of the Nomination Committee may be taken via telecommunications.

Any resolution of a Nomination Committee meeting shall be in writing form and signed by each member present.

Article 10 Meeting Minutes

The complete and true meeting minutes shall be kept for each Nomination Committee meeting.

The office of the Board shall be in charge of taking the minutes of the Nomination Committee meetings. The draft versions of the minutes shall be delivered to all members for review and confirmation within a week from the close of the meeting. The original minutes shall be kept by the Secretary to the

Board.

Article 11 Non-voting Attendance

When it deems necessary, the Nomination Committee may invite the Company's Management and other Directors to attend its meeting as observers. Such attendees have no voting rights.

Article 12 Supporting Office of the Nomination Committee

The Nomination Committee may, with the authorization of the Board, seek external independent professional advice and invite outside experts with relevant experience and professional knowledge to attend the committee meetings as observers when deemed necessary. The Nomination Committee shall be fully responsible for formulating the procedure for selecting all externally-appointed nomination advisors, making specific appointment, and prescribing relevant terms of reference.

The office of the Board shall provide coordination and support for the routine operation of the Nomination Committee.

Article 13 Primary Duties of the Nomination Committee

The Nomination Committee should mainly discharge the following duties:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and make recommendations to the Board regarding any proposed changes;

(2) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(3) to extensively hunt for individuals qualified to become Board members and the General Manager;

(4) to assess the independence of independent non-executive Directors;

(5) to review and make recommendations on other senior management subject to appointment by the Board;

(6) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the General Manager;

(7) other matters authorized by the Board.

The Nomination Committee has the right to request the management of the Company to provide necessary documents and materials for its performance of duties or address its concerns.

Article 14 Obligations of the Committee Members

The obligations of Nomination Committee members shall include but not limited to the following:

(1) to faithfully perform their duties, and reasonably safeguard the best interests of the Company;

(2) to attend meetings of the Nomination Committee in person and on time, or, when failing to attend, appoint another member to attend on his behalf by power of attorney which shall state the scope of authorization;

(3) to carefully review and consider all documents and topics presented to the committee;

(4) to ensure energy devoted to the work of the Nomination Committee. The Nomination Committee members shall not take the same position in more than three domestic or overseas listed companies, unless otherwise approved by the Board.

Article 15 Remuneration of the Committee Members

The remuneration of the members of the Nomination Committee shall be determined and approved by the Board. Payment may be made in the form of cash, shares or options. The members shall not receive, whether directly or indirectly, any consulting fees, advisory fees or other compensation from the Company other than the following:

(1) remuneration received as a Director (including any allowances and other benefits paid to all Directors) or as an employee representative;

(2) remuneration for a position in any committee of the Board;

(3) pension or other deferred compensation for the services that have been rendered as a Director (provided that such compensation is not contingent upon the provision of any other services by such Director in the future).

Article 16 Funds of the Nomination Committee

The Nomination Committee shall have funds and other resources necessary for the performance of its duties, including:

(1) all expenses for engagement of any external professional advisors;

(2) all necessary or appropriate administrative expenses for the Committee to perform its duties.

Article 17 Availability of Terms of Reference

The Terms of Reference shall be made available upon request and published on the website of the Company by the Nomination Committee so as to expound its duties and powers authorized by the Board.

Article 18 Amendment to and Termination of the Terms of Reference

Any amendment hereto or the termination hereof is subject to the approval by the Board through resolutions.

(If there is any inconsistency or ambiguity between the English and Chinese versions of the Terms of Reference, the Chinese version shall prevail.)