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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) PROPOSED ALIGNMENT IN THE PREPARATION OF  
FINANCIAL STATEMENTS IN ACCORDANCE WITH CHINA  
ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES  
(2) PROPOSED CHANGE OF EXTERNAL AUDITORS; AND  
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF  
ASSOCIATION**

**1. PROPOSED ALIGNMENT IN THE PREPARATION OF FINANCIAL  
STATEMENTS IN ACCORDANCE WITH CHINA ACCOUNTING  
STANDARDS FOR BUSINESS ENTERPRISES**

Since the date on which the H Shares of the Company became listed on the Stock Exchange, the Company has been preparing its financial statements under both the CASBE and the International Financial Reporting Standards.

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” 《(有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結)》 published by the Stock Exchange in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the CASBE and PRC audit firms approved by the MOF and the CSRC are allowed to audit these financial statements in accordance with the CASBE.

In order to improve the efficiency and reduce the cost of disclosure and audit expenses, the Board has passed a resolution to prepare only one set of financial statement for the Company under the CASBE (the

**“Proposed Change of Accounting Standard”**). The Proposed Change of Accounting Standard will be subject to the Shareholders’ approval for the proposed amendments to the Articles of Association as described in paragraph (3) below (**the “Proposed Amendments to the Articles of Association”**).

Subject to the approval of the Shareholders for the Proposed Amendments to the Articles of Association, it is expected that the interim results of the Company for the six months ending 30 June 2018 will be prepared in accordance with the CASBE. The Company believes that the Proposed Change of Accounting Standard will not have any material adverse effect on the publication of the Company’s interim results for the six months ending 30 June 2018.

## **2. PROPOSED CHANGE OF EXTERNAL AUDITORS**

According to the relevant regulations of the State-owned Assets Supervision and Administration Committee of Chongqing on the rotation of the accounting firms, the Company, PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (**“PwC Zhong Tian”**) and PricewaterhouseCoopers Limited (**“PwC”**) agreed on the matters regarding the non-renewal of their appointment with effect from the conclusion of the Annual General Meeting of the Company.

At the meeting of the Board of the Company held, the Board considered and approved the following resolutions in respect of the appointment of external auditors of the Company for the year 2018:

(1) The engagement of ShineWing Certified Public Accountants ( Special General Partnership ) (**“ShineWing”**) as the Company’s external auditing institutions in 2018 to provide relevant domestic and overseas auditing services according to CASBE was approved.

(2) The authorisation to the Company's management to determine the fees for the Company's mid-year financial review and annual financial auditing in 2018 and to sign the relevant service agreements with ShineWing was approved.

PwC Zhong Tian and PwC have confirmed in writing that there is no matter relating to their retirement that needs to be brought to the attention of the Shareholders of the Company. The Board of the Company confirmed that there is no matter relating to the proposed change of external auditors that needs to be brought to the attention of the Shareholders of the Company. The Board has also confirmed that there are no disagreements or outstanding matters between the Company and PwC Zhong Tian and PwC.

The proposed change of external auditors of the Company is subject to the consideration and approval by the Shareholders of the Company at the Annual General Meeting. A circular which includes, among other things, the proposed change of external auditors of the Company and a notice convening the Annual General Meeting will be despatched to the Shareholders of the Company in due course.

The Board would like to extend its sincere gratitude to PwC Zhong Tian and PwC for their professional services provided to the Company in previous years.

### 3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

ShineWing, the Company's PRC auditors, is a PRC auditing firm approved by the MOF and the CSRC to provide auditing services in accordance with the CASBE to PRC incorporated issuers.

In light of the proposed alignment in the preparation of financial statements in accordance with CASBE, the Board has passed a resolution, proposing to amend the Articles of Association. Please refer to the appendix to this announcement for the full text of the Proposed Amendments to the Articles of Association.

The Proposed Amendments to the Articles of Association are subject to the approval of the Shareholders by passing a special resolution at the Annual General Meeting. Save for the amendments as set out in the Proposed Amendments to the Articles of Association, the other provisions of the amended Articles of Association will remain unchanged. The Proposed Amendments to the Articles of Association will become effective upon the approval by the Shareholders at the Annual General Meeting. A circular which includes, among other things, the Proposed Amendments to the Articles of Association and a notice convening the Annual General Meeting will be despatched to the Shareholders of the Company in due course.

#### DEFINITIONS

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

“Annual General Meeting”	the 2017 annual general meeting to be convened by the Company to approve the Proposed Amendments to the Articles of Association and proposed change of external auditors
“Articles of Association” time	the articles of association of the Company, as amended from time to time
“Board”	the board of directors of the Company
“CASBE”	the China Accounting Standards for Business Enterprises (中國企業會計準則)
“Company”	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, the shares of which are listed on the Stock Exchange (Stock Code: 02722)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)

“Director(s)”	the director(s) of the Company
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOF”	Ministry of Finance of the PRC (中國財政部)
“PRC”	the People’s Republic of China; for the purposes of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan region of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Chongqing, the PRC  
14 May 2018

*As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Deng Yong, Mr. Dou Bo and Ms. He Xiaoyan; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.*

\* *For identification purposes only*

## APPENDIX – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

### Original Provisions

#### *Article 157*

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where the shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be made in the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

### Amended Provisions

#### *Article 157*

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that recognised by the stock exchange of the overseas place where the shares are listed. If there is material difference between the financial statements prepared respectively in accordance with the two accounting standards (if any), explanations shall be made in the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements (if any) shall be adopted.

#### *Article 158*

Any interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place where the shares are listed.

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Any interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that recognised by the stock exchange of the overseas place where the shares are listed.