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If you have sold or transferred all your shares in Chongqing Machinery & Electric Co., Ltd.*, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s).

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CQME

Chongqing Machinery & Electric Co., Ltd.*
重慶機電股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 2722)

CHANGE OF A SUPERVISOR
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING

The letter from the Board is set out on pages 2 to 5 of this circular.

A notice convening the first 2018 Extraordinary 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 Tuesday, 30 October 2018 at 9:30 a.m. is set out on pages 6 to 7 of this circular.

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular 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 Extraordinary General Meeting, you are requested to complete and return (i) the enclosed reply slip despatched on 14 September 2018 in accordance with the instructions printed thereon not later than Wednesday, 10 October 2018 and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Extraordinary 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 Extraordinary General Meeting and voting in person if you so wish.

14 September 2018

* For identification purposes only

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DEFINITIONS

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

“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 its securities listed on the Main Board of the Stock Exchange (stock code: 02722)
“Director(s)”	means the director(s) of the Company
“Extraordinary General Meeting” or “EGM”	means the first 2018 extraordinary 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 Tuesday, 30 October 2018 at 9:30 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the extraordinary general meeting which are set out on pages 6 to 7 of this circular, or any adjournment thereof
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	means shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

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. Wang Yuxiang (*Chairman*)
Ms. Chen Ping
Mr. Yang Quan

*Registered office and principal place
of business in the PRC:*

No. 60, Middle Section of Huangshan Avenue,
New North Zone, Chongqing City, the PRC.

Non-executive Directors

Mr. Huang Yong
Mr. Deng Yong
Mr. Dou Bo
Mr. Wang Pengcheng

Principal place of business in Hong Kong:

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

Independent Non-executive Directors

Mr. Lo Wah Wai
Mr. Ren Xiaochang
Mr. Jin Jingyu
Mr. Liu Wei

To the Shareholders

Dear Sir or Madam,

**CHANGE OF A SUPERVISOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

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

* For identification purposes only

LETTER FROM THE BOARD

2. CHANGE OF A SUPERVISOR

As disclosed by the announcement of the Company dated on 5 July 2018, the Company received a resignation letter from Mr. Xiang Hu, a supervisor and the chairman of the supervisory committee. Due to personal reasons, Mr. Xiang Hu has applied to resign from the positions as a supervisor and the chairman of the fourth supervisory committee of the Company. As the resignation of Mr. Xiang Hu has not led to the number of members of the fourth supervisory committee of the Company falling below the requirement of the statutory minimum number of members, and his resignation would not affect the normal operation of the supervisory committee of the Company, the resignation of Mr. Xiang Hu was immediately effective upon the delivery of his resignation letter to the supervisory committee. Mr. Xiang Hu has confirmed that he has no disagreement with the Company and there is no matter in relation to his resignation that needs to be brought to the attention of the shareholders. The Board would like to express its sincere gratitude to Mr. Xiang Hu for his valuable contributions to the Company during his tenure at the Company.

As nominated by Chongqing Machinery and Electronic Holding (Group) Co., Ltd., Shareholder of the Company, the Company recommended to appoint Mr. Sun Wenguang as the supervisor to fill in the vacancy upon Mr. Xiang Hu's resignation. Appointment of Mr. Sun Wenguang as the supervisor of the Company is subject to the approval by the Shareholders at the Extraordinary General Meeting. Meanwhile, Mr. Sun Wenguang will no longer serve as the vice general manager of the Company. The detailed biography of Mr. Sun Wenguang is as follows:

Mr. Sun Wenguang (孫文廣), aged 51, has been serving as the vice general manager of the Company since July 2016, and has been concurrently serving as the supervisor of Chongqing General Industry (Group) Co., Ltd. since August 2018. He concurrently served as the director of Chongqing Machine Tools (Group) Co., Ltd. from July 2016 to August 2018, concurrently served as the financial controller of Chongqing Power Transformer Co., Ltd. from July 2016 to November 2017, and concurrently served as the director of Precision Technologies Group (PTG) Limited, Precision Technologies Group Investment Development Company Limited and Chongqing ABB Power Transformer Co., Ltd. from February 2017 to August 2018. He served as the chief of the Reform and Property Rights Administration Division of Chongqing State-owned Assets Supervision and Administration Commission (Chongqing Enterprise Merger and Bankruptcy Office (重慶市企業兼併破產工作辦公室)) from July 2010 to June 2016. He served as the deputy chief of the Reform and Property Rights Administration Division of Chongqing State-owned Assets Supervision and Administration Commission (No. 2 corporate supervision department (企業監管二處)) from August 2005 to July 2010, and worked as the chairman and director of Chongqing Luzuofu Equity Fund Management Co., Ltd. (重慶盧作孚股權基金管理有限公司) from March 2010 to June 2016. He served as an assistant researcher of the Property Rights Administration Division of Chongqing State-owned Assets Supervision and Administration Commission (No. 2 corporate supervision department) from March 2004 to August 2005 and as a senior staff member of the Property Rights Administration Division of Chongqing State-owned Assets Supervision and Administration Commission (No. 2 corporate supervision department) from November 2003 to March 2004. He served as a senior staff member of the No. 2 corporate department of Chongqing Municipal Finance Bureau from January 1998 to March 2003. He worked as an office clerk, clerk and senior staff member of the No. 1 corporate department of Chongqing Municipal Finance Bureau from August 1987 to January 1998. Mr. Sun is an assistant accountant. He graduated from Sichuan Provincial Fiscal School majoring in Corporate and Finance in July 1987 with a technical secondary school education degree and

LETTER FROM THE BOARD

graduated with a bachelor's degree in economic management from the Correspondence School of Party School of the CPC Central Committee in December 1999, and from the MBA Institute of Chongqing University (重慶工商管理碩士學院) with a master's degree in 2009.

Save as disclosed above, Mr. Sun Wenguang did not have any directorship in any other listed companies in the last three years, nor did Mr. Sun Wenguang hold any other position in the Company or other members of the Group or have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company, or have any interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. If Mr. Sun Wenguang is appointed as the supervisor at the Extraordinary General Meeting, upon the appointment of Mr. Sun Wenguang as the supervisor, the Company will enter into a service contract with Mr. Sun Wenguang in connection with his appointment for a term commencing from the date of the Extraordinary General Meeting until the expiration of the current session of the Supervisory Committee.

Mr. Sun Wenguang is entitled to receive supervisor's fees, which will be determined according to the remuneration criteria for supervisor approved at the annual general meeting of 2015, subject to the approval of appointment of Mr. Sun Wenguang at the Extraordinary General Meeting.

Save as disclosed above, the Board is not aware of any matter which needs to be brought to the attention of the shareholders in respect of Mr. Sun Wenguang's proposed appointment, and there is also no other information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

3. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of Extraordinary General Meeting is set out on pages 6 to 7 of this circular. At the Extraordinary General Meeting, resolution will be proposed to approve, inter alia, change of a supervisor.

A form of proxy for use at the Extraordinary General Meeting is enclosed with 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 Extraordinary General Meeting, you are requested to complete and return (i) the reply slip despatched by the Company on 14 September 2018 in accordance with the instructions printed thereon not later than Wednesday, 10 October 2018 and (ii) the form of proxy enclosed herein in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Extraordinary 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 Extraordinary General Meeting and voting in person if you so wish.

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

4. PROCEDURES FOR VOTING AT THE EXTRAORDINARY GENERAL MEETING

According to the Listing Rule 13.39(4), any vote at the Extraordinary General Meeting must be taken by poll.

LETTER FROM THE BOARD

5. RECOMMENDATION

The Directors consider that the resolution proposed and approved by the Shareholders at the Extraordinary General Meeting is in the best interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend that all Shareholders vote in favor of the resolution proposed at the Extraordinary General Meeting in the notice of the Extraordinary General Meeting.

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

14 September 2018

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting in 2018 (the “EGM”) 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 Tuesday, 30 October 2018 at 9:30 a.m. for the purpose of considering and, if appropriate, approving the following resolution, with or without modification:

ORDINARY RESOLUTION

1. To consider and approve the change of a supervisor.

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

Chongqing, the PRC
14 September 2018

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 be a Member. A form of proxy for use at the meeting is enclosed herewith. In the case of the 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 notarially 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.

* For identification purposes only

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

3. For the identification of Members who are qualified to attend and vote at the meeting, the register of Members in Hong Kong will be closed from 30 September 2018 to 30 October 2018, 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 Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 28 September 2018 for register.
4. Whether or not the holders of H shares of the Company who intend to attend the meeting shall complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company's H share registrar Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by fax on or before Wednesday, 10 October 2018.
5. Whether or not holders of domestic shares of the Company can attend the meeting, please complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company's mailing address at No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC, or by fax on or before Wednesday, 10 October 2018.

As at the date of this notice, 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 Mr. Wang Pengcheng; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.