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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: 02722)

ANNOUNCEMENT OF DIVIDEND POLICY

This announcement is made by Chongqing Machinery & Electric Co., Ltd.* (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that, the Board has approved and adopted the dividend policy on 20 March 2019 (the “**Dividend Policy**”). Under the Dividend Policy, provided that the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the shareholders of the Company (the “**Shareholders**”).

(I) The Company considers stable and sustainable returns to the Shareholders of the Company to be its goal. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account, among others:

1. financial performance, liquidity position, business condition and strategies of the Group;
2. actual and future operation and demands for liquidity of the Group;
3. expected future expansion plan of the Group;
4. gearing ratio, credit facilities and indebtedness level of the Group;
5. gains, losses, retained profits and distributable reserves of the Group;

* *For identification purposes only*

6. expectation of the Shareholders and investors and industrial practices;
 7. general market condition;
 8. any restrictions against declaration of dividends;
 9. any other relevant factors which the Board may deem appropriate.
- (II) In proposing or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future growth and its shareholding value. In accordance with the Memorandum and Articles of Association of the Company, all applicable regulations and factors above, the Board may, from time to time, pay interim dividends or special dividends to the Shareholders which the Board considers reasonable after taking into account of the financial condition and profit of the Company, and the Company may also announce final dividends in forms of any currencies at the general meeting, provided that any dividend must not exceed the amount proposed by the Board.

The Board will continue to review the Dividend Policy from time to time and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Shareholders and potential investors should exercise caution when dealing in the shares or other securities of the Company.

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

Chongqing, the PRC
21 March 2019

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. 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.