
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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) CHANGE OF AN EXECUTIVE DIRECTOR;
(2) PROPOSED AMENDMENTS TO THE ARTICLES; AND
(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

The letter from the Board of the Company is set out on pages 3 to 16 of this circular.

A notice convening the 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 Wednesday, 26 August 2020 at 9:00 a.m. is set out on pages 17 to 18 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 10 July 2020 in accordance with the instructions printed thereon not later than Monday, 10 August 2020 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.

10 July 2020

* For identification purposes only

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DEFINITIONS

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

“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 with limited liability
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive Director”	has the meaning ascribed to it under the Company Law of the PRC and the Listing Rules
“Extraordinary General Meeting” or “EGM”	means the first 2020 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 Wednesday, 26 August 2020 at 9:00 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 17 to 18 of this circular, or any adjournment thereof
“Group”	the Company and its associates
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	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 of the PRC
“Promoter”	has the meaning ascribed to it under the Listing Rules
“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

DEFINITIONS

“Shares”	the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	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:

Ms. Chen Ping
Mr. Yang Quan

Non-executive Directors:

Mr. Huang Yong
Mr. Zhang Yongchao
Mr. Dou Bo
Mr. Wang Pengcheng

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 of
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

10 July 2020

To the Shareholders

Dear Sir or Madam,

**(1) CHANGE OF AN EXECUTIVE DIRECTOR;
(2) PROPOSED AMENDMENTS TO THE ARTICLES; AND
(3) NOTICE OF THE 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 certain resolutions to be proposed at the Extraordinary General Meeting to enable you to make an informed decision on whether to vote for or against those resolutions at the Extraordinary General Meeting.

* For identification purposes only

LETTER FROM THE BOARD

2. CHANGE OF AN EXECUTIVE DIRECTOR

As disclosed by the announcement of the Company dated on 7 July 2020, the Company received a resignation letter from Mr. Wang Yuxiang, the Executive Director and chairman. Due to work arrangements, he has applied to resign from the positions as an Executive Director, the chairman of the fifth session of the Board, chairman of the strategy committee and chairman of the nomination committee of the Company. As the resignation of Mr. Wang Yuxiang would neither result in the number of members of the fifth session of the Board of the Company falling below the required minimum quorum, nor affect the normal operation of the Board of the Company, the resignation of Mr. Wang Yuxiang would take immediate effect from the delivery of his resignation letter to the Board. Mr. Wang Yuxiang 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. Wang Yuxiang for his valuable contributions to the Company during his tenure.

According to the provisions of Article 105 of the Articles of the Company, if the chairman is unable or fails to perform his/her duties, a Director jointly elected by more than half members of the Board shall perform the duties of the chairman. A Board meeting was convened by the Company on 7 July 2020 and Ms. Chen Ping was jointly elected by more than half members of the Board to perform the duties of the chairman until the election of a new chairman of the Company.

As nominated by Chongqing Machinery and Electronic Holding (Group) Co., Ltd., the Controlling Shareholder of the Company, the Company recommended to appoint Mr. Zhang Fulun as an Executive Director to fill in the vacancy upon Mr. Wang Yuxiang's resignation. The appointment of Mr. Zhang Fulun as an Executive Director of the Company is subject to the approval by the Shareholders at the Extraordinary General Meeting. The detailed biography of Mr. Zhang Fulun is as follows:

Mr. Zhang Fulun, aged 50, has been the chairman of Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd., the chairman of Chongqing Mengxun Technology Co., Ltd. and the general manager of Chongqing Machinery & Electronic Equipment Technology Research Academy Co., Ltd. since August 2019; Mr. Zhang is currently a senior engineer. He served as the chairman of Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd., the chairman of Chongqing Mengxun Technology Co., Ltd., the general manager of Chongqing Machinery & Electronic Equipment Technology Research Academy Co., Ltd. and the deputy general manager of Chongqing Mechanical & Electrical Engineering Technology Co., Ltd. from June 2018 to August 2019; he served as the chairman and the general manager of Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd., the chairman of Chongqing Mengxun Technology Co., Ltd., the general manager of Chongqing Machinery & Electronic Equipment Technology Research Academy Co., Ltd., the deputy general manager of Chongqing Mechanical & Electrical Engineering Technology Co., Ltd. from November 2017 to June 2018. He served as the general manager of Chongqing Machinery & Electronic Intelligent Manufacturing Co., Ltd., the chairman of Chongqing Mengxun Technology Co., Ltd., the general manager of Chongqing Machinery & Electronic Equipment Technology Research Academy Co., Ltd. and the deputy general manager of Chongqing Mechanical & Electrical Engineering Technology Co., Ltd. from August 2016 to November 2017; he served as the general manager of Chongqing Mechanical & Electrical Engineering Technology Co., Ltd. and Chongqing Machinery & Electronic Equipment Technology Research Academy Co., Ltd. from September 2015 to August 2016. He served as the office director and the head of the overseas business department of Chongqing Machinery and Electronics Holding (Group) Co., Ltd. (重慶機電控股(集團)公司) from

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February 2014 to September 2015; he served as the deputy director of the Foreign Economic Affairs and Liaison Service Division of the Chongqing State-owned Assets Supervision and Administration Commission from July 2010 to February 2014; he served as a researcher of the Reform Division of the Chongqing State-owned Assets Supervision and Administration Commission from February 2008 to July 2010; he served as a researcher at the Complaints and Appeal Division of the Chongqing State-owned Assets Supervision and Administration Commission from December 2007 to February 2008; he served as the team leader of the Second Team of Postgraduate Management Team of Logistics Engineering College of PLA from March 2006 to July 2007; he successively served as a teaching assistant, engineer and deputy director of the Education and Security Department of the Logistics Engineering College of the PLA from January 1995 to March 2006; he successively served as a technician, teaching assistant and assistant engineer in the Oil Storage and Transportation Teaching and Research Section of the Oil Machinery Engineering Department of Logistics Engineering College of the PLA from July 1991 to January 1995; Mr. Zhang studied at the Oil Depot Automation Department of the Logistics Engineering College of the PLA from September 1987 to July 1991 and obtained a bachelor's degree in engineering; he studied in the Oil and Gas Storage and Transportation Engineering Major at the Logistics Engineering College of the PLA from September 2006 to June 2012, and obtained a doctorate degree in engineering.

Save as disclosed above, Mr. Zhang Fulun did not have any directorship in any other listed companies in the last three years, nor did he 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. Zhang Fulun as an Executive Director, the Company will enter into a service contract with Mr. Zhang Fulun 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 Board. Mr. Zhang Fulun is entitled to receive Director's remuneration, which will be determined according to the remuneration criteria for 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. Zhang Fulun or other information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

3. PROPOSED AMENDMENTS TO THE ARTICLES

In accordance with the spirit and principles of relevant laws and regulations and the relevant provisions of the "Guidelines for the Constitution of Chongqing's State-owned Enterprises" (Yu Guo Zi Dang Fa [2019] No. 11), and in order to improve and optimize the corporate governance structure, the Company proposes to revise the Articles. Details are as follows:

- (1) The original Article 1 of the Articles: "The Company was established by way of promotion on 27 July 2007. It was registered with the Administration for Industry and Commerce of Chongqing Municipality on the same day and was granted the business license for corporate entities with its registration number being 500000000000311."

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being revised as follows: “The Company was established by way of promotion on 27 July 2007. It was registered with the Administration for Industry and Commerce of Chongqing Municipality on the same day and was granted the business license for corporate entities **with its unified social credit code being 915000006635841156.**”

- (2) newly adding Article 2 of the Articles: **“In accordance with the Company Law and the Constitution of the Communist Party of China, the Company shall establish a committee for the Communist Party of China (“CPC”) and a discipline inspection committee to carry out CPC activities. The Party Committee is an organic composition of the corporate governance structure of the Company, and plays a leading role. The Company persists in unifying the strengthening of the Party’s leadership and improving corporate governance to build a modern state-owned enterprise system with Chinese characteristics. The Company persists in simultaneous planning of the Party’s construction and enterprise reforms, simultaneous establishment of party organizations and working organs, simultaneous allocation of person in charge of the Party organization and staff for Party affairs as well as simultaneous proceeding of work, so as to make clear the duties and manner of work of the Party organization in respect of decision-making, implementation and supervision, to allow docking between mechanisms, systems, regimes and work, and to promote the Party Committee in playing a leading role in an organized, institutionalized and concrete way.”**
- (3) merging the original Articles 2 and 3 of the Articles into Article 3: **“The registered name of the Company (in Chinese): 重慶機電股份有限公司 (abbreviated as 重慶機電). English name: Chongqing Machinery and Electric Co., Ltd. (abbreviated as CQME)**

The Company’s legal residence: No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City

Telephone: 023-63075707

Fax: 023-63076969

Postcode: 401123”

- (4) newly adding Article 11 **“The Company implements the leadership system of “Dual Entry and Cross Appointment”. Eligible members of the Party organization of the leading group may be appointed to join the Board of Directors, the Board of Supervisors and the management through legal procedures, and eligible Party members in the Board of Directors, the Board of Supervisors and the management may be appointed to join the leading group of the Party organization in accordance with the relevant regulations and procedures.”**
- (5) merging the original Articles 16 and 17 of the Articles into Article 17

“As approved by the companies approving department authorized by the State Council, the number of ordinary shares which issued by the Company totalled 3,684,640,154 shares, of which:

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- (1) 2,679,740,154 shares were issued to the promoters at the time of the Company's establishment;
- (2) 1,100,187,470 overseas listed foreign-invested shares under the initial public offering upon its inception, among which 1,004,900,000 are new shares and 95,287,470 shares are state-owned shares.

The shareholding structure of the Company is as follows: The total number of ordinary shares is 3,684,640,154 shares, of which, 1,100,187,470 shares held by shareholders of overseas listed foreign-invested shares, accounting for 29.86% of the Company's total ordinary shares; 2,584,452,684 shares are domestic RMB common shares, accounting for 70.14% of the Company's total ordinary shares."

- (6) the original Article 28: "The Company shall notify its creditors within ten days from the date of the Company's resolution on reduction of registered capital and shall publish an announcement in the newspaper at least three times within thirty days from the date of such resolution."

being revised as follows: "The Company shall notify its creditors within ten days from the date of the Company's resolution on reduction of registered capital and shall publish an announcement in the **media** at least three times within thirty days from the date of such resolution."

- (7) the original Article 29: "In the following circumstances, the Company may repurchase its issued shares in accordance with the procedures provided in the Articles of Association and with the approval of relevant governing authorities of the PRC:
 - (1) to reduce the Company's capital;
 - (2) to merge with another company that holds shares in the Company;
 - (3) to grant shares to employees of the Company as incentives;
 - (4) to acquire shares held by shareholders (upon their request) who vote against any resolution proposed in any general meeting on the merger or demerger of the Company;
 - (5) other circumstances as permitted by laws and administrative regulations."

being revised as follows: "In the following circumstances, the Company may repurchase its issued shares in accordance with the procedures provided in the Articles of Association and with the approval of relevant governing authorities of the PRC:

- (1) to reduce the Company's **registered** capital;
- (2) to merge with another company that holds shares in the Company;

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- (3) to grant shares **for its employee stock ownership plan or equity incentives;**
 - (4) to acquire shares held by shareholders (upon their request) who vote against any resolution proposed in any general meeting on the merger or demerger of the Company;
 - (5) **be necessary for the protection of corporate value and shareholders' interests;**
 - (6) other circumstances as permitted by laws and administrative regulations.”
- (8) the original Article 45: “Transfers may not be entered in the register of shareholders within thirty (30) days prior to the date of a shareholders’ general meeting or within five (5) days before the record date set by the Company for the purpose of distribution of dividends.”

being revised as follows: **“Provided that if the laws, regulations and the listing rules of the stock exchange where the Company has its shares listed have any provisions in respect of the period of closure of the register of members prior to a shareholders’ general meeting or the benchmark date set by the Company for the purpose of distribution of dividends, such provisions shall prevail.”**

- (9) “Chapter 8 General Meeting” of the Articles

being revised as follows: **“Chapter 8 General Meeting of the Company”**

- (10) the original Article 57: “As the authority of the Company, the general meeting exercises its powers under the laws.”

being revised as follows: “As the **highest** authority of the Company, the general meeting exercises its powers under the laws.”

- (11) the original Article 61: “A forty-five days’ written notice convening the general meeting shall be given to notify shareholders whose names appear in the register of shareholders of the matters proposed to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall serve the written reply slip to the Company twenty days prior to the date of the meeting.”

being revised as follows: **“A twenty days’ written notice convening the annual general meeting or a fifteen days’ written notice convening the extraordinary general meeting shall be given to notify shareholders whose names appear in the register of shareholders of the matters proposed to be considered and the date and place of the meeting.”**

- (12) deleting the original Article 64: “The Company shall, based on the written replies received 20 days before the date of the general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of shares with voting rights represented by the shareholders who intend to attend the meeting reaches one half or more of the Company’s total voting shares, the Company may hold the meeting; Otherwise, the

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Company shall within 5 days notify the shareholders, again by way of a public announcement, of the matters to be considered at, and the place and date for, the meeting. The Company may then proceed to hold the meeting.”

- (13) the original Article 66: “The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority of the State Council within forty-five to fifty days before the date of the meeting. Once the announcement is made, the holders of domestic-invested shares shall be deemed to have received the notice of the relevant general meeting. The Chinese and English versions of such announcements shall be published respectively in a major Chinese newspaper and an English newspaper in Hong Kong on the same date.”

being revised as follows: “The announcement referred to in the preceding paragraph shall be published in one or more national **medias** designated by the securities regulatory authority of the State Council **according to the time limit stipulated in the Article 63**. Once the announcement is made, the holders of domestic-invested shares shall be deemed to have received the notice of the relevant general meeting. The Chinese and English versions of such announcements shall be published respectively in a major Chinese **media** and an English **media** in Hong Kong on the same date.”

- (14) the original Article 98: “A 45 days’ written notice convening a class meeting shall be given to shareholders whose names appear on the register of shareholders of such class, specifying the matters proposed to be considered and the date and place of the meeting. The shareholders who intend to attend the meeting shall serve the written reply to the Company 20 days prior to the date of the meeting. The quorum for a class meeting (other than an adjourned meeting) to consider a variation of the rights of any class shares shall be at least one third of the holders of the issued shares of such class.”

being revised as follows: “**A written notice** convening a class meeting shall be given to shareholders whose names appear on the register of shareholders of such class **according to the time limit stipulated in the Article 63**, specifying the matters proposed to be considered and the date and place of the meeting. The quorum for a class meeting (other than an adjourned meeting) to consider a variation of the rights of any class shares shall be at least one third of the holders of the issued shares of such class.”

- (15) **Newly adding “Chapter 10 Party Committee of the Company**

Article 101

The Party Committee and discipline inspection committee of the Company shall perform their duties in accordance with the Constitution of the Communist Party of China and the relevant regulations of the Party and shall each serve a term of five years, which shall be re-elected on time upon expiry of its term of office.

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Article 102

The organizational structure of the Party Committee and discipline inspection committee of the Company and its staffing shall be incorporated into the administrative organs and the establishment of the Company. The Company shall provide necessary conditions for the activities of the Party organization. The working funds for the Party organization that are included in management fee are generally allocated at 1% of total staff salaries of the Company for the previous year, for which the Party Committee of the Company shall prepare a usage plan based on the principle of economy at the beginning of each year, and the amount shall be incorporated into the annual budget of the Company and be arranged according to the prescribed scope of use.

Article 103

The Party Committee of the Company shall play a leading role, supervising the Company's direction of development, monitoring the whole picture and ensuring implementation, discussing and making decisions on significant matters of the Company in accordance with the regulations. The main responsibilities are:

- (1) to enhance the political construction of the Party in the Company, adhere to and implement the fundamental system, basic system and important system of socialism with Chinese characteristics as well as educate and guide all the Party members to maintain a high degree of consistency with the Party Central Committee with Comrade Xi Jinping as the core in the political stance, political direction, political principles and political path;
- (2) to thoroughly study and implement Xi Jinping's Socialism Ideology with Chinese characteristics in the new era, learn and propagate the Party's theory, thoroughly implement the Party's line, principles and policies as well as supervise and guarantee the implementation of major strategy deployments of the Party Central Committee as well as the resolutions of the Party organization at a higher level in the Company;
- (3) to investigate and discuss the significant operation and management matters of the Company and support the shareholders, the Board of Directors, the Supervisory Committee and the management to exercise their rights and perform their duties in accordance with the laws;
- (4) to strengthen the leadership and gatekeeping role in the process of selection and appointment of personnel of the Company, and the building of the leading team, cadre and talents team of the Company;

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- (5) to undertake the main responsibility in improving the Party's conduct and upholding integrity, lead and support discipline inspection institutions to fulfil their supervisory and disciplining responsibilities as well as exercise strict administrative discipline and political rules and promote the Party's self-governance fully and with rigor into the grassroots level;
- (6) to strengthen the building of grassroot Party organizations and teams of Party members, unite and lead officials and employees to devote themselves into the reform and development of the Company;
- (7) to lead the Company's ideological and political work, the spirit and civilization progress, the united front work and lead mass organizations such as the Labour Union, Communist Youth League and Women's Organization of the Company.

Article 104

The Party Committee meeting of the Company shall be convened and chaired by the secretary of the Party Committee. If the secretary cannot attend the meeting, he/she may commission the deputy secretary to convene and preside the meeting. The Party Committee meeting of the Company is generally convened twice a month, and may be convened at any time in material circumstances. The agenda of the meeting proposed by the secretary of the Party Committee or the proposal made by other members of the Party Committee shall be determined by the secretary after taking comprehensive consideration.

The Party Committee meeting of the Company can only be held when more than half of the members of the Party Committee are present, and any decision shall be made with the consent of more than half of the members of the Party Committee present. More than two-thirds of members of the Party Committee shall be present at the meeting to discuss personnel appointment and removal, reward and punishment.

When the Party Committee meeting involves legal issues, the person in charge of legal affairs shall attend the meeting and provide legal opinions on such matters.

Article 105

The Party Committee shall consider and make important decisions on the followings:

- (1) major measures in carrying out the directions and policies of the Party by the Company and important decisions made by Party organizations of a higher level;
- (2) political construction, ideological construction, organization construction, work style construction, discipline construction, system construction, anti-corruption work and other aspect of Party of the Company;

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- (3) confirming personnel appointment and removal, reward and punishment of the Company within the administrative authority, or recommending candidates to the Board or general manager according to certain procedures, considering and providing opinions and advice on the nominated candidates;
- (4) important matters in relation to supervision and rectification, inspection and audit;
- (5) important matters in relation to the Party's management of talents, united front work and mass organization;
- (6) important matters to be consulted with and reported to the higher Party organizations of a higher level;
- (7) other matters to be considered and decided by the Party Committee.

Article 106

The Party Committee shall conduct preliminary studies and discussion on the following material matters:

- (1) thorough implementation of the decisions and deployments of the Party Central Committee and important measures of national development strategies;
- (2) the development strategies, mid to long term development plans and important reform proposals of the Company;
- (3) principal and directional matters in respect of the asset restructuring, asset transfer, capital operation and significant investment of the Company;
- (4) the establishment of and adjustment to the Company's organizational structure and the formulation and modification of the Company's important rules and regulations;
- (5) important matters regarding the Company's safe production, maintenance of stability, interests of staff and social responsibilities;
- (6) other material matters required to be studied and decided by the Party Committee.

Article 107

Major procedures for the Party Committee to conduct preliminary studies and discussion:

- (1) Prior consideration by the Party Committee. The Party Committee shall convene meetings of the Party Committee to provide opinions and advice on the matters requiring preliminary studies and discussion. In the event that the Party

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Committee finds the matters proposed to be considered and decided by the Board of Directors and the management are not in conformity with the policies of the Party and the State's laws and regulations, or which may undermine the interests of the State and the public or the legitimate interests of the Company and its employees, it shall suggest withdrawing or suspending the proposed matters. If the Party Committee considers that other material matters are required to be decided by the Board of Directors and the management, such material matters may be proposed to the Board of Directors and the management by the Party Committee.

- (2) **Communication before the meeting.** Members of the Party Committee who also serve as members of the Board of Directors and the management (especially the Chairman of the Board of Directors or the general manager) shall communicate with other members of the Board of Directors and the management regarding the relevant advice and recommendations of the Party Committee before submitting the proposals to the Board of Directors or general manager's office.
- (3) **Expression during the meeting.** Members of the Party Committee who also serve as members of the Board of Directors and the management shall fully express their advice and recommendations to the Party Committee during the decision-making process of the Board of Directors and the management.
- (4) **Reporting after the meeting.** Members of the Party Committee who also serve as members of the Board of Directors and the management shall report to the Party Committee in respect of the decisions of the Board of Directors and the management in a timely manner.

Article 108

The Party Committee of the Company shall implement the Company's material decisions and arrangements, play a leading role in complying with various rules and regulations of the Company, conduct promotion, motivation and explanation of the implementation of the Company's material decisions, organize and lead all the Party members and staff to focus their mind and action on the strategic goal of development and implementation of material decisions of the Company and facilitate the reform and development of the Company.

Article 109

The Party Committee shall establish a supervision system for the implementation of the Company's material decisions and conduct regular supervision and inspection. For the Company's practices which are not in compliance with the Party's directional policies, the PRC laws and regulations and the requirements of the Party central committee and municipal Party Committee, the Party Committee shall provide advice for rectification in a timely manner and report to Party organizations of a higher level in the event of failure to carry out immediate rectifications."

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- (16) “Chapter 10 The Board” of the Articles
- being revised into “**Chapter 11 The Board of the Company**”
- (17) adding to the original Article 102: “**Provided that the resignation of a director during his/her term of office shall not result in the Board of Directors of the Company being less than the minimum quorum, the resignation of the director shall take effect from the date of resignation being delivered to the Board of Directors of the Company.**”
- (18) newly adding Article 115: “**Subject to applicable laws and regulations, when the chairman of the Board is unable to convene a Board meeting in time in case of material emergency or force majeure, he/she shall exercise special powers of discretion and disposal under the authority of the Board of Directors that are in line with the interests of the State and the Company and report to the Board for rectification by a supplementary resolution within seven days afterwards; If any major error or issue is found in the temporary decision during the supplementary resolution, it shall be rectified or amended in time. Matters under special discretion and disposal within the scope of the preliminary studies and discussion of the Party Committee should also be reported to the Party Committee in time and performed relevant procedures.**”
- (19) “Chapter 13 Supervisory Committee” of the Articles
- being revised into “**Chapter 14 Supervisory Committee of the Company**”
- (20) the original Article 148 of the Articles: “A loan guarantee provided by the Company in breach of Article 146 (1) shall be unenforceable against the Company, provided that:”
- being revised as follows: “A loan guarantee provided by the Company in breach of Article **156** (1) shall be unenforceable against the Company, provided that:”
- (21) newly adding “**Chapter 19 Labor Employment**
- Article 189**
- The Company shall establish labor union organization and carry out work in accordance with the Company Law and the Labor Union Law of the People’s Republic of China to safeguard the legitimate rights and interests of its employees. The Company shall lay down conditions which are prerequisite for the activities of the labor union of the Company.**
- Article 190**
- The Company shall comply with the Labor Contract Law of the People’s Republic of China and other laws and regulations and establish a labor employment system according to the laws and regulations.**

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Article 191

The Company shall implement the relevant policies by complying with the relevant national and local labor protection laws and regulations. The employees of the Company shall be subject to social insurance contribution plans according to the relevant national regulations.”

(22) newly adding “Article 214

Any matters not covered by the Articles shall be performed in accordance with relevant laws and regulations. If there is any conflict with national laws and regulations, the Party regulations in these Articles, the national laws and regulations, the Party regulations shall prevail.”

4. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of Extraordinary General Meeting is set out on pages 17 to 18 of this circular. At the Extraordinary General Meeting, resolutions will be proposed to approve, inter alia, change of an Executive Director and amendments to the Articles.

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 10 July 2020 in accordance with the instructions printed thereon not later than Monday, 10 August 2020 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.

5. PROCEDURES FOR VOTING AT THE EXTRAORDINARY GENERAL MEETING

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

6. RECOMMENDATION

The Directors consider that the resolutions proposed and approved by the Shareholders at the Extraordinary 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 Shareholders vote in favor of the resolutions 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.*
Chen Ping
General Manager
(performing duties and powers of the chairman of 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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**” or “**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 Wednesday, 26 August 2020 at 9:00 a.m. or any adjournment thereof for the purpose of considering and approving the following resolutions:

ORDINARY RESOLUTION

1. To consider and approve the change of an Executive Director;

SPECIAL RESOLUTION

2. Proposed amendments to the Articles.

By Order of the Board

Chongqing Machinery & Electric Co., Ltd.***Chen Ping***General Manager**(performing duties and powers of the chairman of the Board)*

Chongqing, the PRC

10 July 2020

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

** For identification purposes only*

APPENDIX I NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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. 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 27 July 2020 to 26 August 2020, 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 26 July 2020 for register.
4. Whether or not the holders of H shares of the Company can attend the meeting, they 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, on 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by fax on or before Monday, 10 August 2020.
5. Whether or not holders of domestic shares of the Company can attend the meeting, they shall 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 Monday, 10 August 2020.

As at the date of this notice, the executive Directors are Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Zhang Yongchao, 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.