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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 with limited liability)

(Stock Code: 02722)

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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, Chongqing Machinery & Electric Co., Ltd.* (the “**Company**”) proposes to revise the articles of association (the “**Articles of Association**”) of the Company. 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.”

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 91500006635841156.**”

- (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,**

* *For identification purposes only*

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:

- (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;
 - (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 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.

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;**
- (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;**
- (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 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."

- (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.

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.”

The proposed amendments to the Articles of Association are subject to the approval of the shareholders of the Company by passing a special resolution at the extraordinary general meeting to be held. A circular which includes, among other things, the proposed amendments to the Articles of Association and a notice convening the extraordinary general meeting will be despatched to the shareholders of the Company in due course.

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
7 July 2020

As at the date of the announcement, 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.