
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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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)

- (1) REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN 2022;**
- (2) REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY IN 2022;**
- (3) AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF THE COMPANY AND ITS SUBSIDIARIES IN 2022;**
- (4) 2022 ANNUAL FINAL REPORT OF THE COMPANY;**
- (5) PROFIT APPROPRIATION PROPOSAL FOR THE YEAR OF 2022 OF THE COMPANY;**
- (6) 2023 ANNUAL BUDGET REPORT OF THE COMPANY;**
- (7) APPOINTMENT OF THE COMPANY'S AUDITOR IN 2023;**
- (8) CONTINUOUS APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS WHO HAVE SERVED MORE THAN NINE YEARS;**
- (9) PROVISION OF GUARANTEE BY THE GROUP FOR THE FINANCING OF ITS SUBSIDIARIES;**
- (10) PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES OF THE COMPANY; AND**
- (11) NOTICE OF THE ANNUAL GENERAL MEETING OF THE COMPANY**

The letter from the Board of the Company is set out on pages 5 to 17 of this circular.

Notice convening the 2022 Annual 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, 21 June 2023 at 9:00 a.m. is set out on pages 18 to 21 of this circular.

A form of proxy for use at the Annual General Meeting has been despatched on 29 May 2023 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 Annual General Meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Annual 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 Annual General Meeting and voting in person if you so wish.

29 May 2023

* 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:

“Annual General Meeting” or “AGM”	means the 2022 annual 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, 21 June 2023 at 9:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the annual general meeting which are set out on pages 18 to 21 of this circular, or any adjournment thereof
“Articles of Association” or “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
“CBIRC”	means China Banking and Insurance Regulatory Commission
“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
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company
“Domestic Share(s)”	means ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid up in RMB
“General Mandate”	means the proposed general mandate to allot, issue and otherwise deal with additional Shares representing up to the limit of 20% of the Shares in issue on the date of the passing of the relevant resolution
“Group”	means the Company and its associates
“H Shares”	means the overseas-listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Holroyd”	means Holroyd Precision Ltd., a wholly-owned subsidiary of PTG and a limited company incorporated in the United Kingdom

DEFINITIONS

“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	means an independent committee of the Board composed of independent non-executive Directors of the Company, namely Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei
“Independent Shareholder(s)”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to the Company means the Shareholders other than Parent Company and its associates
“Latest Practicable Date”	means 22 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Parent Company”	means Chongqing Machinery and Electronic Holding (Group) Co., Ltd. (重慶機電控股(集團)公司), a limited liability company established in the PRC on 25 August 2000 and owned by the Chongqing State-owned Assets Supervision and Administration Commission, being one of the Promoters of the Company
“Parent Group”	means Parent Company and its associates, excluding the Group
“PBOC”	means the People’s Bank of China, the central bank of the PRC
“PRC”	means the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region and the Taiwan region
“Promoter”	has the meaning ascribed to it under the Listing Rules
“Prospectus”	means the prospectus dated 30 May 2008 issued by the Company
[PTG]	Precision Technologies Group Limited, a wholly-owned subsidiary of the Company and a limited company incorporated in the United Kingdom
[PCL]	Precision Components Ltd., a wholly-owned subsidiary of PTG and a limited company incorporated in the United Kingdom

DEFINITIONS

“Relevant Period”	means the period from the date of passing the resolution until the earlier of: (a) the conclusion of the next annual general meeting of the Company following the passing of the relevant resolution, unless, by a special resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or (b) the expiry of the period within which the next annual general meeting is required by the Articles or any applicable law to be held; or (c) the passing of a special resolution of the Company at a general meeting revoking or varying the authority set out in the resolution approving the General Mandate
“Rights Issue”	means the allotment or issue of Shares or other securities of the Company to all Shareholders of the Company who are entitled to the offer (excluding, as the Board may decide, for such purpose any shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place, entitled to such offer, pro rata, in spite of fractional entitlements) pursuant to the offer
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Chongqing General”	means Chongqing General Industry (Group) Co., Ltd., a wholly-owned subsidiary of the Company
“Chengfei Company”	Jilin Chongtong Chengfei New Material Co., Ltd., a subsidiary controlled by the Company
“Chengfei Jiangsu Company”	Chongtong Chengfei Wind Power Equipment Jiangsu Co., Ltd., a wholly-owned subsidiary of Chengfei Company
“Chengfei Gansu Company”	Chongtong Chengfei Wind Power Equipment Gansu Co., Ltd., a wholly-owned subsidiary of Chengfei Company
“Chongqing Water Company”	means Chongqing Water Turbine Works Co., Ltd., a wholly-owned subsidiary of the Company
“Chongqing Machine Tools Group”	means Chongqing Machine Tools (Group) Co., Ltd., a wholly-owned subsidiary of the Company
“Shuanghuan Transmission”	Shuanghuan Transmission (Chongqing) Precision Technology Co., Ltd., a subsidiary of Chongqing Machine Tools Group who held 35% of its shares
“Shares”	means the Domestic Shares and the H Shares

DEFINITIONS

“Shareholder(s)”	means the holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	has the meaning ascribed to it under the Company Law of the PRC and the Listing Rules
“GBP”	means Pound Sterling, the lawful currency of the United Kingdom
“RMB”	means Renminbi, the lawful currency of the PRC
“USD”	means U.S. dollars, the lawful currency of the United States of America

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. Zhang Fulun
Mr. Yue Xiangjun
Mr. Yang Quan

Non-executive Directors:

Mr. Huang Yong
Ms. Zhu Ying
Mr. Dou Bo
Mr. Cai Zhibin

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
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

29 May 2023

* For identification purposes only

LETTER FROM THE BOARD

To the Shareholders

Dear Sir or Madam,

- (1) REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN 2022;**
- (2) REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY IN 2022;**
- (3) AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF THE COMPANY AND ITS SUBSIDIARIES IN 2022;**
- (4) 2022 ANNUAL FINAL REPORT OF THE COMPANY;**
- (5) PROFIT APPROPRIATION PROPOSAL FOR THE YEAR OF 2022 OF THE COMPANY;**
- (6) 2023 ANNUAL BUDGET REPORT OF THE COMPANY;**
- (7) APPOINTMENT OF THE COMPANY'S AUDITOR IN 2023;**
- (8) CONTINUOUS APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS WHO HAVE SERVED MORE THAN NINE YEARS;**
- (9) PROVISION OF GUARANTEE BY THE GROUP FOR THE FINANCING OF ITS SUBSIDIARIES;**
- (10) PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES OF THE COMPANY; AND**
- (11) NOTICE OF THE ANNUAL GENERAL MEETING OF THE COMPANY**

1. INTRODUCTION

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

2. REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN 2022

Details are set out in "Report of the Board of Directors" within the Company's 2022 Annual Report issued by the Company on the website of the Stock Exchange on 14 April 2023.

3. REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY IN 2022

Details are set out in "Report of the Supervisory Committee" within the Company's 2022 Annual Report issued by the Company on the website of the Stock Exchange on 14 April 2023.

LETTER FROM THE BOARD

4. AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF THE COMPANY AND ITS SUBSIDIARIES IN 2022

Details are set out in "Independent Auditor's Report", "Consolidated Balance Sheet", "Consolidated Statement of Income", "Consolidated Statement of Changes in Equity", "Consolidated Statement of Cash Flows" and "Notes to the Consolidated Financial Statements" in the Company's 2022 Annual Report issued by the Company on the website of the Stock Exchange on 14 April 2023.

5. 2022 ANNUAL FINAL REPORT OF THE COMPANY

Details are set out in "Management's Discussion and Analysis", "Consolidated Balance Sheet", "Consolidated Statement of Income", "Consolidated Statement of Changes in Equity", "Consolidated Statement of Cash Flows" and "Notes to the Consolidated Financial Statements" within the Company's 2022 Annual Report issued by the Company on the website of the Stock Exchange on 14 April 2023.

6. PROFIT APPROPRIATION PROPOSAL FOR THE YEAR OF 2022 OF THE COMPANY

The Board has recommended the payment of a final dividend of RMB0.03 per share (tax inclusive) for the year ended 31 December 2022, which is calculated based on the total share capital of 3,684,640,154 Shares for the year ended 31 December 2022, totaling RMB110,539,204.62. Subject to approval by Shareholders at the Annual General Meeting to be convened on 21 June 2023, the proposed final dividend will be paid on 27 July 2023 to Shareholders whose names appear on the register of members of the Company on 30 June 2023 (the "**Record Date**").

In order to ascertain the entitlements of the Shareholders to receive the final dividend, the register of members of the Company will be closed from Wednesday, 28 June 2023 to Wednesday, 5 July 2023 (both days inclusive), during which period no transfer of shares will be registered. All transfer documents accompanied by share certificates must be lodged at our H Share Registrar at Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 27 June 2023.

7. 2023 ANNUAL BUDGET REPORT OF THE COMPANY

In 2023, the Company's operating expenses are expected to be approximately RMB287.1 million.

8. APPOINTMENT OF THE COMPANY'S AUDITOR IN 2023

ShineWing Certified Public Accountants LLP is the PRC accountant of the Company engaged in 2022. During their engagement, they fully performed their duties to present unqualified audited report of 2022 for the Company which are objective and fair in accordance with independent accounting standards.

LETTER FROM THE BOARD

The Company proposed to reappoint ShineWing Certified Public Accountants LLP as the auditor of the Company in 2023. The review and audit fees are approximately RMB2.6 million for the 2023 interim financial report and annual financial report.

9. CONTINUOUS APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS WHO HAVE SERVED MORE THAN NINE YEARS

According to Appendix 14 to the Listing Rules, it is recommended that serving more than nine years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than nine years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders.

Mr. Lo Wah Wai has been appointed as an independent non-executive Director since 10 January 2008 and should he be re-elected at the AGM, he may continue to serve the Company for more than nine years. The Company has received from Mr. Lo the confirmation of independence according to Rule 3.13 of the Listing Rules. Following an assessment conducted by the Board through the Nomination Committee, the Board viewed that Mr. Lo is committed to his responsibilities as a Director of the Company and remains objective and independent participating in deliberations and decision-makings of the Board, notably in fulfilling his responsibilities as the chairman of the Audit and Risk Management Committee. His professional expertise in the audit and finance sector, his knowledge in corporate governance and regulatory matters and his experience in the business of the Company and its subsidiaries will continue to contribute to the effective functioning of the Board, thereby safeguarding the interests of the Shareholders of the Company. In view thereof, the Board considered that, though Mr. Lo has served more than nine years for the Company, he is an independent individual within the meaning of the Listing Rules, thus it is recommended that Mr. Lo shall continue to act as an independent non-executive Director.

Mr. Ren Xiaochang has been appointed as an independent non-executive Director since 27 July 2007 and should he be re-elected at the AGM, he may continue to serve the Company for more than nine years. The Company has received from Mr. Ren the confirmation of independence according to Rule 3.13 of the Listing Rules. Following an assessment conducted by the Board through the Nomination Committee, the Board viewed that Mr. Ren is committed to his responsibilities as a Director of the Company and remains objective and independent participating in deliberations and decision-makings of the Board, notably in fulfilling his responsibilities as the chairman of the Remuneration Committee. His good insight on the Group's operation and management, his knowledge in corporate governance and smart manufacturing and his experience in the business of the Company and its subsidiaries for a long time will continue to contribute to the effective functioning of the Board, thereby safeguarding the interests of the Shareholders of the Company. In view thereof, the Board considered that, though Mr. Ren has served more than nine years for the Company, he is an independent individual within the meaning of the Listing Rules, thus it is recommended that Mr. Ren shall continue to act as an independent non-executive Director.

LETTER FROM THE BOARD

Mr. Jin Jingyu has been appointed as an independent non-executive Director since 18 June 2012 and should he be re-elected at the AGM, he may continue to serve the Company for more than nine years. The Company has received from Mr. Jin the confirmation of independence according to Rule 3.13 of the Listing Rules. Following an assessment conducted by the Board through the Nomination Committee, the Board viewed that Mr. Jin is committed to his responsibilities as a Director of the Company and remains objective and independent participating in deliberations and decision-makings of the Board. His knowledge in capital operation and corporate governance and his experience in the business of the Company and its subsidiaries for a long time will continue to contribute to the effective functioning of the Board, thereby safeguarding the interests of the Shareholders of the Company. In view thereof, the Board considered that, though Mr. Jin has served more than nine years for the Company, he is an independent individual within the meaning of the Listing Rules, thus it is recommended that Mr. Jin shall continue to act as an independent non-executive Director.

Any Shareholder who wishes to nominate a person to stand for election as a Director of the Company at the AGM must lodge with the Company at its principal place of business in Hong Kong at Room 1204-06, The Chinese Bank Building, 61 Des Voeux Road Central, Central, Hong Kong within the period from Tuesday, 30 May 2023 to Monday, 12 June 2023, both days inclusive, (i) his written nomination of the candidate, (ii) written confirmation from such nominated candidate of his willingness to be elected as Director and (iii) the biographical details of such nominated candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company.

10. PROVISION OF GUARANTEE BY THE GROUP FOR THE FINANCING OF ITS SUBSIDIARIES

10.1 Provision of Guarantee by the Company for Comprehensive Financing of PTG or Holroyd or PCL of GBP38.00 million (or USD equivalent)

PTG or Holroyd or PCL jointly requested the Company to provide guarantee for their comprehensive financing totaling GBP38.00 million (or USD equivalent) (the “**Comprehensive Financing of Holroyd and PTG Group**”). Holroyd and PCL are wholly-owned subsidiaries of PTG, which is a wholly-owned subsidiary of the Company.

Reasons for and Benefits of the Provision of Guarantee for the Comprehensive Financing of Holroyd and PTG Group

Considering the optimistic business prospect of PTG, Holroyd and PCL, their continuous and stable development will facilitate the Company’s expansion into overseas markets.

LETTER FROM THE BOARD

Terms of the Guarantee

The guarantee for the Comprehensive Financing of Holroyd and PTG Group is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by PTG, Holroyd and PCL, and shall be specified based on the actual term of the contract. The Board is of the opinion that the terms of provision of guarantee for the Comprehensive Financing of Holroyd and PTG Group are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

PTG, Holroyd and PCL are not connected persons of the Group and the guarantee to be provided for PTG or Holroyd or PCL does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapters 14 and 14A of the Listing Rules. However, as the gearing ratios of PTG, Holroyd and PCL exceed 70%, the provision of guarantee by the Company for PTG or Holroyd or PCL is subject to consideration and approval at the general meeting according to requirements of the Articles.

10.2 Provision of Guarantee by the Company for Comprehensive Financing of PTG or Holroyd or PCL of USD39.50 million (or GBP equivalent)

PTG or Holroyd or PCL jointly requested the Company to provide guarantee for their comprehensive financing totaling USD39.50 million (or GBP equivalent) (“**Comprehensive Financing of PTG Group**”). Holroyd and PCL are wholly-owned subsidiaries of PTG, which is a wholly-owned subsidiary of the Company.

Reasons for and Benefits of the Provision of Guarantee for the Comprehensive Financing of PTG Group

Considering the optimistic business prospect of PTG, Holroyd and PCL, their continuous and stable development will facilitate the Company’s expansion into overseas markets.

Terms of the Guarantee

The guarantee for the Comprehensive Financing of PTG Group is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by PTG, Holroyd and PCL, and shall be specified based on the actual term of the contract. The Board is of the opinion that the terms of provision of guarantee for the Comprehensive Financing of PTG Group are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

LETTER FROM THE BOARD

PTG, Holroyd and PCL are not connected persons of the Group and the guarantee to be provided for PTG or Holroyd or PCL does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapters 14 and 14A of the Listing Rules. However, as the gearing ratios of PTG, Holroyd and PCL exceed 70%, the provision of guarantee by the Company for PTG or Holroyd or PCL is subject to consideration and approval at the general meeting according to requirements of the Articles.

10.3 Provision of Guarantee by the Company for Comprehensive Financing of Chongqing Water Company of RMB580.00 million

Chongqing Water Company requested the Company to provide guarantee for its comprehensive financing totaling RMB580.00 million (“**Financing of Chongqing Water Company**”). Chongqing Water Company is a wholly-owned subsidiary of the Company.

Reasons for and Benefits of the Provision of Guarantee for the Financing of Chongqing Water Company

The Company is of the view that the prospect of hydropower business of Chongqing Water Company will be promising in the future, its continuous and stable development will facilitate the Company’s further improvement of operation quality.

Terms of the Guarantee

The guarantee for the Financing of Chongqing Water Company is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chongqing Water Company, and shall be specified based on the actual term of the contract. The Board is of the opinion that the terms of provision of guarantee for the Financing of Chongqing Water Company are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chongqing Water Company is not a connected person of the Group and the guarantee to be provided for the Financing of Chongqing Water Company does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratio of Chongqing Water Company exceeds 70%, the provision of guarantee for the Financing of Chongqing Water Company is subject to consideration and approval at the general meeting according to requirements of the Articles.

LETTER FROM THE BOARD

10.4 Provision of Guarantee by the Company for Comprehensive Financing of Chengfei Company of RMB451.93 million

Chengfei Company requested the Company to provide guarantee for its comprehensive financing totaling RMB451.93 million (“**Chengfei Financing I**”). Chengfei Company is a subsidiary controlled by the Company.

Reasons for and Benefits of the Provision of Guarantee for the Chengfei Financing I

The Company is of the view that the prospect of wind power businesses of Chengfei Company will be promising in the future, its continuous and stable development will facilitate Company’s further improvement of operation quality.

Terms of the Guarantee

The guarantee for the Chengfei Financing I is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chengfei Company, and shall be specified based on the actual term of the contract. The Board is of the opinion that the terms of provision of guarantee for the Chengfei Financing I are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chengfei Company is not a connected person of the Group and the guarantee to be provided for the Chengfei Financing I does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratio of Chengfei Company exceeds 70%, the provision of guarantee by the Company for the financing of Chengfei Company is subject to consideration and approval at the general meeting according to requirements of the Articles.

10.5 Provision of Guarantee by Chongqing General for Comprehensive Financing of Chengfei Company of RMB408.07 million

Chengfei Company requested Chongqing General to provide guarantee for its comprehensive financing totaling RMB408.07 million (“**Chengfei Financing II**”). Chongqing General is a wholly-owned subsidiary of the Company. Chengfei Company is a subsidiary controlled by the Company.

Reasons for and Benefits of the Provision of Guarantee for the Chengfei Financing II

The Company is of the view that the prospect of wind power businesses of Chengfei Company will be promising in the future, its continuous and stable development will facilitate Company’s further improvement of operation quality.

LETTER FROM THE BOARD

Terms of the Guarantee

The guarantee for the Chengfei Financing II is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chengfei Company, and shall be specified based on the actual term of the contract. The Board is of the opinion that the terms of provision of guarantee for the Chengfei Financing II are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chengfei Company is not a connected person of the Group and the guarantee to be provided for the Chengfei Financing II does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratio of Chengfei Company exceeds 70%, the provision of guarantee by Chongqing General for the Chengfei Financing II is subject to consideration and approval at the general meeting according to requirements of the Articles.

10.6 Provision of Guarantee by Chengfei Company for Comprehensive Financing of Chengfei Jiangsu Company of RMB70.00 million

Chengfei Jiangsu Company requested Chengfei Company to provide guarantee for its comprehensive financing totaling RMB70.00 million (“**Financing of Chengfei Jiangsu Company**”). Chengfei Company is a subsidiary controlled by the Company. Chengfei Jiangsu Company is a wholly-owned subsidiary of Chengfei Company.

Reasons for and Benefits of the Provision of Guarantee for the Financing of Chengfei Jiangsu Company

The Company is of the view that the prospect of wind power businesses of Chengfei Jiangsu Company will be promising in the future, its continuous and stable development will facilitate Company’s further improvement of operation quality.

Terms of the Guarantee

The guarantee for the Financing of Chengfei Jiangsu Company is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chengfei Jiangsu Company, and shall be specified based on the actual term of the contract. The Board is of the opinion that the terms of provision of guarantee by Chengfei Company for the Financing of Chengfei Jiangsu Company are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chengfei Company and Chengfei Jiangsu Company are not connected persons of the Group and the guarantee to be provided by Chengfei Company for the Financing of Chengfei Jiangsu Company does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratios of Chengfei Company and Chengfei Jiangsu Company

LETTER FROM THE BOARD

exceed 70%, the provision of guarantee by Chengfei Company for the Financing of Chengfei Jiangsu Company is subject to consideration and approval at the general meeting according to requirements of the Articles.

10.7 Provision of Guarantee by Chengfei Company for Comprehensive Financing of Chengfei Gansu Company of RMB50.00 million

Chengfei Gansu Company requested Chengfei Company to provide guarantee for its comprehensive financing totaling RMB50.00 million (“**Financing of Chengfei Gansu Company**”). Chengfei Company is a subsidiary controlled by the Company. Chengfei Gansu Company is a wholly-owned subsidiary of Chengfei Company.

Reasons for and Benefits of the Provision of Guarantee for the Financing of Chengfei Gansu Company

The Company is of the view that the prospect of wind power businesses of Chengfei Gansu Company will be promising in the future, its continuous and stable development will facilitate Company’s further improvement of operation quality.

Terms of the Guarantee

The guarantee for the Financing of Chengfei Gansu Company is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chengfei Gansu Company, and shall be specified based on the actual term of the contract. The Board is of the opinion that the terms of provision of guarantee by Chengfei Company for the Financing of Chengfei Gansu Company are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chengfei Company and Chengfei Gansu Company are not connected persons of the Group and the guarantee to be provided by Chengfei Company for the Financing of Chengfei Gansu Company does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratios of Chengfei Company and Chengfei Gansu Company exceed 70%, the provision of guarantee by Chengfei Company for the Financing of Chengfei Gansu Company is subject to consideration and approval at the general meeting according to requirements of the Articles.

10.8 Provision of Guarantee by Chongqing Machine Tools Group for Comprehensive Financing of Shuanghuan Transmission of RMB27.30 million

Shuanghuan Transmission requested Chongqing Machine Tools Group to provide guarantee for its comprehensive financing totaling RMB27.30 million (“**Financing of Shuanghuan Transmission**”). Chongqing Machine Tools Group is a wholly-owned subsidiary of the Company. Shuanghuan Transmission is a subsidiary of Chongqing Machine Tools Group who held 35% of its shares.

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Reasons for and Benefits of the Provision of Guarantee for the Financing of Shuanghuan Transmission

The Company is of the view that the prospect of the automobile parts businesses of Shuanghuan Transmission will be promising in the future, its continuous and stable development will facilitate Company's further improvement of operation quality.

Terms of the Guarantee

The guarantee for the Financing of Shuanghuan Transmission is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Shuanghuan Transmission, and shall be specified based on the actual term of the contract. The Board is of the opinion that the terms of provision of guarantee by Chongqing Machine Tools Group for the Financing of Shuanghuan Transmission are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chongqing Machine Tools Group and Shuanghuan Transmission are not connected persons of the Group and the guarantee to be provided by Chongqing Machine Tools Group for the Financing of Shuanghuan Transmission does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratios of Shuanghuan Transmission exceed 70%, the provision of guarantee by Chongqing Machine Tools Group for the Financing of Shuanghuan Transmission is subject to consideration and approval at the general meeting according to requirements of the Articles.

11. PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES OF THE COMPANY

To increase the flexibility and efficiency in operation and to give discretion to the Board in the event that it becomes desirable to issue any Shares, the Company proposes to obtain Shareholders' approval for the General Mandate to allot, issue and otherwise deal with additional Shares up to the limit of 20% of the Shares in issue on the date of the passing of the relevant resolution. The Board has no present plan to issue new Shares pursuant to the General Mandate.

Any exercise of the power by the Directors under the General Mandate shall comply with the relevant requirements of the Listing Rules, the Articles and the applicable laws and regulations of the PRC and be subject to the following conditions:

- (a) the General Mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;

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- (b) the aggregate number of the Domestic Shares and H Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board (otherwise than pursuant to any scrip dividend scheme (or similar arrangement providing for the allotment and issue of shares in lieu of the whole or any part of a dividend), any share option scheme, a Rights Issue or any separate approval of the shareholders of the Company) shall not exceed:
 - (i) 20% of the aggregate number of the Domestic Shares in issue; and
 - (ii) 20% of the aggregate number of the H Shares in issue, respectively, in each case as at the date of passing of the resolution for General Mandate by the shareholders; and
- (c) the Board will only exercise its power under the General Mandate in accordance with the Company Law of the PRC and the Listing Rules (as each of them may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant government authorities in the PRC are obtained.

In addition, conditional on the Board resolving to exercise the General Mandate, the Company proposes to obtain shareholders' approval to authorise the Board to:

- (a) approve, execute and do, and/or procure to be executed and done all such documents, deeds and matters which it may consider necessary in connection with the exercise of the General Mandate and/or the issue of Shares, including but not limited to the time, price, quantity and place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);
- (b) determine the use of proceeds and to make all necessary filings and registration with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate);
- (c) increase the registered capital of the Company and make all necessary amendments to the Articles to reflect such increase and to register the increased capital with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate) so as to reflect the new capital and/or share capital structure of the Company.

As at the Latest Practicable Date, the Company had 3,684,640,154 Shares in issue. Subject to the passing of the proposed resolution for the approval of the General Mandate and in accordance with the terms therein, the Company will be allowed to allot, issue and deal with up to a maximum of 736,928,030 Shares on the basis that no additional Shares will be issued by the Company prior to the Annual General Meeting.

12. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 18 to 21 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, (1) report of the Board of Directors of the Company in 2022; (2) report of the Supervisory Committee of the Company in 2022;

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(3) audited financial statements and auditor's report of the Company and its subsidiaries in 2022; (4) 2022 annual final report of the Company; (5) profit appropriation proposal for the year of 2022 of the Company; (6) 2023 annual budget report of the Company; (7) appointment of the Company's auditor in 2023; (8) continuous appointment of independent non-executive Directors who have served more than nine years; (9) provision of guarantee by the Group for the financing of its subsidiaries; and (10) proposed granting of general mandate to issue new shares of the Company.

The form of proxy for use at the Annual General Meeting has despatched on 29 May 2023, 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 Annual General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Annual 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 Annual General Meeting and voting in person if you so wish.

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

13. PROCEDURES FOR VOTING AT THE ANNUAL GENERAL MEETING

According to Rule 13.39(4) of the Listing Rules, any vote at a general meeting must be taken by poll.

14. RECOMMENDATION

The Directors consider that all resolutions to be proposed for consideration and approval by the Shareholders at the Annual General Meeting are in the best interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the resolutions to be proposed at the Annual General Meeting as set out in the notice of the Annual General Meeting.

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

* For identification purposes only

**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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the “**Meeting**” or “**AGM**”) 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, 21 June 2023 at 9:00 a.m. (or any adjournment thereof) for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company (the “**Board**”) for the year ended 31 December 2022;
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2022;
3. To consider and approve the audited financial statements of the Company and its subsidiaries and the auditor’s report for the year ended 31 December 2022;
4. To consider and approve the final report of the Company for the year ended 31 December 2022;
5. To consider and approve the profit appropriation proposal of the Company for the year ended 31 December 2022 and the declaration of the final dividend of RMB0.03 per share (tax inclusive);
6. To consider and approve the 2023 annual budget report of the Company;
7. To consider and approve the appointment of ShineWing Certified Public Accountants LLP as the auditor of the Company for the year 2023 to hold office until the conclusion of the next annual general meeting and the total review and audit fees of RMB2.60 million for the Company’s 2023 interim financial report and 2023 annual financial report;
8. To consider and approve continuous appointment of independent non-executive Directors who have served more than nine years;
9. To consider and approve the provision of guarantee by the Group for the financing of its subsidiaries;

* *For identification purposes only*

SPECIAL RESOLUTION

10. To give a general mandate to the Board to allot, issue and deal with additional Domestic Shares and/or the H Shares and to make or grant offers, agreements and/or options in respect thereof (the “**General Mandate**”), subject to the following conditions:

“**THAT**

- (A) (a) the General Mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
- (b) the aggregate number of the Domestic Shares and the H Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board (otherwise than pursuant to any scrip dividend scheme (or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend), any share option scheme, rights issue or any separate approval of the shareholders of the Company) shall not exceed:
- (i) 20% of the aggregate number of the Domestic Shares in issue; and
- (ii) 20% of the aggregate number of the H Shares in issue, respectively, in each case as at the date of passing of this resolution; and
- (c) the Board will only exercise its power under the General Mandate in accordance with the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as each of them may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant government authorities in the PRC are obtained;

and, for the purposes of this resolution:

“Domestic Share(s)” mean domestic ordinary share(s) in the share capital of the Company which are subscribed and/or paid for in Renminbi;

“H Share(s)” mean overseas listed foreign invested shares (being ordinary shares) in the share capital of the Company which are subscribed and/or paid for in Hong Kong dollars or foreign currency other than Renminbi;

“Relevant Period” means the period from the date of passing this resolution until the earlier of: (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution, unless, by special resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or (b) the expiry of the period within which the next annual general meeting is required by the Articles of Association of the Company or any applicable laws to be held; or (c) the passing of a special resolution of the Company at a general meeting revoking or varying the authority set out in this resolution;

“Rights Issue” means the allotment or issue of shares or other securities of the Company which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding, as the Board may decide, for such purpose any shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place) entitled to such offer, pro rata (apart from fractional entitlements) to their then existing holdings of shares; and

- (B) contingent on the Board resolving to exercise the General Mandate and/or issue shares pursuant to paragraph (a) of this resolution, the Board be and is hereby authorised:
- (a) to approve, execute and do, and/or procure to be executed and done all such documents, deeds and matters which it may consider necessary in connection with the exercise of the General Mandate and/or the issue of shares, including but not limited to the time, price, quantity and place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);
 - (b) to determine the use of proceeds and to make all necessary filings and registration with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate); and
 - (c) to increase the registered capital of the Company and make all necessary amendments to the Articles of Association to reflect such increase and to register the increased capital with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate) so as to reflect the new capital and/or share capital structure of the Company.”

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

Chongqing, the PRC
29 May 2023

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 to be a Member. A form of proxy for use at the Meeting is enclosed herewith. Where two or more persons are registered as 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 shares registrar Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, 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 the time appointed for passing the resolutions or any adjournment thereof. 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. In order to determine the Members who are entitled to attend and vote at the Meeting, the register of Members will be closed from 16 June 2023 to 21 June 2023, 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 must be lodged with the Company’s H share registrar Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 15 June 2023.
4. In order to ascertain the shareholders who are entitled to receive the final dividend, the register of members of the Company will be closed from Wednesday, 28 June 2023 to Wednesday, 5 July 2023, both days inclusive, during which period no transfer of shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged at our H Share registrar Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 27 June 2023.

As at the date of the notice, the executive Directors are Mr. Zhang Fulun, Mr. Yue Xiangjun and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Ms. Zhu Ying, Mr. Dou Bo and Mr. Cai Zhibin; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.