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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)

**INSIDE INFORMATION
PHASE II OF THE OFFSHORE WINDPOWER BLADE
INDUSTRIALIZATION PROJECT**

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

Reference is made to the announcement of the Company dated 29 September 2014 in relation to the offshore windpower blade industrialization project.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 11 May 2016, the Board has approved phase II of the offshore windpower blade industrialization project of Jilin Chongtong ChengFei New Materials Co., Ltd. (“**Chongtong Chengfei**”), an indirect subsidiary of the Company, to expand a new factory in Rudong, Jiangsu, the PRC (the “**Project**”). Chongtong Chengfei is a direct subsidiary of Chongqing General Industry (Group) Co., Ltd.* (重慶通用工業(集團)有限責任公司) (“**Chongtong Group**”), a direct wholly-owned subsidiary of the Company.

Phase I project will be completed and put into operation in June 2016, and the existing production capacity could not meet the requirement of existing and potential orders. In order to efficiently satisfy the demands from Middle-East and Southern market, overseas export market and domestic offshore windpower market, the Board has decided to invest the project. The total investment for the Project is RMB296.03 million, of which RMB196.03 million will be fixed asset investment and RMB100 million will be working capital. All funds of investment will be settled by Chongtong Chengfei through debt financing and other means.

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

Chongqing, the PRC
11 May 2016

As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Mr. Xiang Hu and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Deng Yong; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.

* *For identification purposes only*