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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)

RELOCATION PROJECT OF GAS COMPRESSOR COMPANY

This announcement is made by the Company pursuant to the Inside Information Provisions under Part XIVA of the SFO and Rule 13.09(2) of the Listing Rules.

The Board hereby announces that, on 20 December 2017, the Company approved the relocation project of Gas Compressor Company.

RELOCATION PROJECT OF GAS COMPRESSOR COMPANY

Reference is made to the announcement of the Company dated 29 June 2016 in relation to the land resumption by the Government. Subsequent to the relevant land resumption, the Board of the Company has approved the following relocation project of Gas Compressor Company:

(1) Site selection for the project

Science and Technology Industrial Park, University City, Shapingba District, Chongqing City.

(2) Investment and details of the project

The newly acquired land for the project is 65,857.98 square meters, with a site area of 52,424.63 square meters, to be completed in two phases. For Phase I, it is proposed that RMB142.00 million be invested in the construction of workshops and production support rooms with a total area of 15,200 square meters, R&D rooms and offices with a total area of 3,000 square meters. There is a land of 10,000 square meters reserved as the construction land for Phase II. Phase II of the project shall be implemented depending on market conditions and subject to the approval of the Board.

(3) Construction schedule for the project

The relevant preliminary works of the relocation project of Gas Compressor Company were commenced in December 2017 and the project will commence production upon completion in December 2019.

(4) Estimated investment and fundraising

(a) *Estimated investment:*

The total investment in the project amounts to approximately RMB142.00 million, with a total static investment in the project amounts to RMB142.00 million. On the principle of “overall planning and step-by-step implementation”, Phase I of the project will be implemented first. The total investment of Phase I is RMB142.00 million, of which the construction engineering cost is RMB52.846 million, equipment purchase cost is RMB26.53 million, installation cost is RMB17.85 million, construction land cost is RMB24.00 million and other and reserve expenses are RMB20.774 million. Phase II of the project shall be implemented depending on market conditions and subject to the approval of the Board.

(b) *Fund sources*

- i. Relocation compensation from the Government;
- ii. Internal financing;

(5) The reason for the project

Due to the needs for the construction of Expansion and Transformation Project of Zhongliangshan Tunnel at Chengdu-Chongqing Expressway (成渝高速中梁山隧道擴容改造項目) and Chongqing West Railway Station, the existing site of Gas Compressor Company has been zoned as the land resumption area. Gas Compressor Company takes this overall relocation as an opportunity to upgrade its production technology, adjust product structure and expand product areas, so as to further enhance the economic efficiency of the cooperation.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司), a joint stock limited company incorporated in the PRC, the shares of which are listed on the Stock Exchange (stock code: 02722)
“Gas Compressor Company”	Chongqing Gas Compressor Factory Co., Ltd. (重慶氣體壓縮機廠有限責任公司), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“Government” or “Shapingba District Government”	the People’s Government of Shapingba District, Chongqing (重慶市沙坪壩區人民政府)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Inside Information Provisions”	has the meaning ascribed to it under the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Shareholders”	the shareholders of the Company

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

Chongqing, the PRC
20 December 2017

As at the date of this announcement, the executive Directors are Mr. Wang Yuxiang, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Deng Yong, Mr. Dou Bo, and Ms. He Xiaoyan; 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*