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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)

AMENDMENT OF MAJOR TRANSACTION LAND RESUMPTION BY GOVERNMENT

References are made to the announcement (the “**Announcement**”) dated 20 February 2014 and the circular (the “**Circular**”) dated 30 April 2014 of Chongqing Machinery & Electric Co., Ltd.* (the “**Company**”) in connection with the land resumption by the government. Terms used herein shall have the same meaning as defined in the Announcement and the Circular unless otherwise specified.

As stated in the Circular, due to the implementation of environmental relocation by Chongqing Water Turbine Works and Chongqing Machine Tool, Chongqing Land Group, on behalf of the Chongqing Municipal People's Government, shall take over the original factory area by way of land acquisition, and has entered into the First Land Disposal Agreement and the Second Land Disposal Agreement (the “**Agreements**”) with the Group, pursuant to which the Group shall dispose of and Chongqing Land Group shall buy Disposal Land No. 1 and Disposal Land No. 2. The Land Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules; written approval on the Land Disposal has been obtained from Chongqing Machinery & Electronic Holding (Group) Co., Ltd. (the “**Parent Company**”) (as a substantial shareholder with more than 50% shareholding in the Company) pursuant to Rule 14.44 of the Listing Rules.

Subsequent to the approval of the Parent Company, the Land Disposal has been carried out in progress. As of the date of this announcement, Chongqing Land Group has paid RMB545,644,400 out of the original total consideration of RMB752,148,000 to the Group pursuant to the Second Land Disposal Agreement.

Due to the adjustment of the government's land resumption policy, Chongqing Land Group no longer performs the duty of land resumption, and Chongqing Land Reserve Coordination Centre will be assigned to continue the resumption of the rest of the Disposal Land No. 2. Accordingly, Chongqing

* *For identification purposes only*

Land Group, the Group and Chongqing Land Reserve Coordination Centre entered into the 3-party Agreement (the “**3-party Agreement**”) on 16 November 2018, to effect the transfer of rights and obligations under the Second Land Disposal Agreement.

Under the 3-party Agreement, the scope of land resumption will also be slightly adjusted. On the basis of the land measured at 417.86 Mu, where the final actual demarcation area is 416.75 Mu, under the original Second Land Disposal Agreement, an extra piece of land of 15.08 Mu (the “**Additional Land**”) is included. Total land area for this land resumption is 431.83 Mu. The consideration of the Additional Land would be approximately RMB27,144,000. The average price of land resumption aligns with the average land price per Mu under the Second Land Disposal Agreement.

Pursuant to the 3-party Agreement, the total consideration payable by Chongqing Land Reserve Coordination Centre for the outstanding balance of the Second Land Disposal Agreement and the Additional Land amounts to approximately RMB231,649,600.

As the change of purchaser and the slight adjustment to the scope of the subject land under the Second Land Disposal Agreement are solely because of changes in the land resumption policy of the government, and its arrangement is primarily for the continuous performance of the Second Land Disposal Agreement approved by the Parent Company pursuant to Rule 14.44 of the Listing Rules, there are no material changes to its terms. The Group will complete the transfer of the Disposal Land No. 2 to Chongqing Land Reserve Coordination Centre for resumption in accordance with the 3-party Agreement.

The above changes are also expected in the First Land Disposal Agreement. The Company shall, based on the actual progress, make announcements as and when appropriate.

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

Chongqing, the PRC
16 November 2018

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 Mr. Wang Pengcheng; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.