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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)

PROFIT WARNING

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 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).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company and potential investors that, based on the information currently available to the management and a preliminary review and assessment of the unaudited consolidated management accounts of the Company and its subsidiaries for the year ended 31 December 2019, the Company expects that the profit attributable to the shareholders of the Company for the year ended 31 December 2019 will decrease by approximately 45%-50% as compared to the same period in 2018. The decrease was mainly attributable to (i) the weakened market demands which resulted from the domestic and international economic downturn, (ii) the shrank profit margins which were caused by the intensified market competition; and (iii) the impairment provision for receivables from the rubber trade business of approximately RMB29.40 million.

For item (iii) mentioned above, in or around the fourth quarter of 2019, Chongqing General Trading Chemical Co., Ltd. (重慶商社化工有限公司), one of the customers of the rubber trade business of Precision Technologies Group Investment Development Company Ltd. (“**PTG Hong Kong**”) which is a subsidiary of the Company, had not made payment to PTG Hong Kong as agreed for the goods purchased. As a result, the Company and PTG Hong Kong had to honor the letter of credit itself, involving an amount totalled approximately RMB293,480,000, of which approximately RMB87.57 million and approximately RMB205.91 million were involved by the Company and PTG Hong Kong,

* *For identification purposes only*

respectively. The Company is negotiating with relevant parties for appropriate actions. It is expected that approximately 10% of impairment provision will be therefore made by the Company for the year ended 31 December 2019.

The information contained in this announcement is only based on the preliminary review by the Company's management on the financial information currently available to it and is not based on any figures or information that has been audited or reviewed by the auditors or the audit committee of the Company. Shareholders and potential investors are advised to read carefully the results announcement of the Company for the year ended 31 December 2019 which is expected to be published in late March 2020.

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

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

Chongqing, the PRC
23 January 2020

As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, 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.