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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)

UPDATES ON THE 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 27 March 2020, the Company approved the proposal on leasing and relocation project of Gas Compressor Company.

UPDATES ON THE RELOCATION PROJECT OF GAS COMPRESSOR COMPANY

Reference is made to the announcement of the Company dated 20 December 2017 in relation to the relocation project of Gas Compressor Company (the "Original Project"). Due to restricting factors such as environmental protection policies, the Gas Compressor Company has applied for the termination of the Original Project and instead will relocate the Gas Compressor Company through leasing to the existing plant of the Machine Tools Group, a wholly-owned subsidiary of the Company. Upon research and analysis related to the project, the Board of the Company has approved the following leasing and relocation project of Gas Compressor Company (the "Project"):

(1) Site selection for the Project

No.6, Jiangxi Road, Nan'an District, Chongqing

* For identification purposes only

(2) Investment and construction details of the Project

The total investment of the Project is approximately RMB25 million. Gas Compressor Company will lease the idle production workshops and auxiliary rooms from Machine Tools Group, a wholly-owned subsidiary of the Group, with a total area of 11,664 square meters, of which 9,720 square meters will be used to build or rebuild compressors, LNG complete facilities assembly, the experiment platform and auxiliary water recycle system in detection room, and noise reduction, welding fume absorption and other equipment and facilities; and 1,944 square meters will be used for production-supporting rooms, including administrative offices for all internal departments and data and file storage of Gas Compressor Company.

(3) Schedule for the Project

The preliminary works of the Project were commenced in February 2020 and the relocation is expected to be completed and put into trial production by the end of June 2020.

(4) Estimated investment and fundraising

(a) Estimated investment

The total investment in the Project amounts to approximately RMB25 million, of which approximately RMB16 million will be used for equipment purchase and upgrade cost, approximately RMB5 million will be used for relocation expenses, and approximately RMB4 million will be used for reserve expense.

(b) Fund sources:

Own funds of Gas Compressor Company

(5) Reasons for the project

(a) Required by progress of municipal engineering

The Original Project was suspended in 2019 because the park in which the Original Project was planned to settle could not make substantial progress due to environmental policy restrictions. Meanwhile, the current plant area of Gas Compressor Company was included in the scope of land acquisition for municipal engineering construction, and relocation of Gas Compressor Company is urgently required.

(b) In line with strategic needs of Gas Compressor Company

Through the relocation, Gas Compressor Company intends to leverage the process synergy with Machine Tools Group, optimize the process portfolio, transform production organization model, optimize human resource structure, and improve research and development capabilities, innovation capabilities and core competitiveness.

(c) Significantly reducing relocation costs

The estimated total investment of the original relocation project is approximately RMB142 million. After switching to leasing and relocation, the total investment is approximately RMB25 million, saving a total of approximately RMB117 million for Gas Compressor Company, which can be used to supplement the working capital for daily production and operation.

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
“Machine Tools Group”	Chongqing Machine Tools (Group) Co., Ltd. (重慶機床(集團)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
“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 holders of the shares

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

Chongqing, the PRC
27 March 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.