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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)*

**VOLUNTARY ANNOUNCEMENT  
INVESTMENT AND CONSTRUCTION OF THE RELOCATION PROJECT  
OF AN ASSOCIATED COMPANY**

This announcement is made by Chongqing Machinery & Electric Co., Ltd. (the “**Company**”) on a voluntary basis.

Reference is made to the announcement of the Company dated 15 July 2020 in connection with entering into the land transfer contract by an associated company (the “**Announcement**”). Terms used herein shall have the same meaning as defined in the Announcement unless otherwise specified.

In order to respond to the requirements for urban development planning and fulfill the transportation needs for bulky cargo, Chongqing ABB Transformer Co., Ltd. (“**Chongqing ABB**”), an associated company of the Company, shall implement the overall relocation. In July 2020, Chongqing ABB entered into the State-Owned Construction Land Use Right Transfer Contract with Chongqing Municipal Planning and Natural Resources Bureau. After making estimates and research for many times, it intends to commence investment in and construction on the above transferred land (“**Project Construction**”), the details of construction are as follows:

**I. AREA AND SUBJECT OF THE PROJECT CONSTRUCTION**

The land area of the plant is 159,581.7 m<sup>2</sup>, and the newly-built construction area is about 68,000 m<sup>2</sup>. A large power transformer manufacturing base, an insulator machining center, a global transformer design center and its ancillary facilities will be newly built according to the overall planning and design.

\* *For identification purposes only*

## II. THE SITE AND CYCLE OF PROJECT CONSTRUCTION

Based on the analysis on transportation, location advantages and topographical features, the proposed construction site for this project is Yufu Industrial Zone in Liangjiang New Area, Chongqing, and the relocation is planned to be completed in December 2022.

## III. TOTAL INVESTMENT AMOUNT AND SOURCES OF FUNDING

The estimated total investment amount for this project is approximately RMB1,051 million, among which, the total amount of expropriation compensation in respect of the land and buildings at the original site and government subsidies are approximately RMB986 million, and Chongqing ABB will invest approximately RMB65 million, subject to the audit results of the completion settlement of auditors.

## IV. BENEFITS OF PROJECT CONSTRUCTION

- (1) Accelerate the upgrading of products. Upon the completion of the project, by virtue of the regional and equipment technical advantages of the new plant, the technical advancement and competitiveness of products will be comprehensively improved, thereby Chongqing ABB may become one of the manufacturing bases of power transformers and high-end converter transformers with the highest voltage level in the world at present;
- (2) Expand domestic and foreign markets. Chongqing ABB has various world-leading products, which can provide high-quality products and services for State Grid Corporation of China, China Southern Power Grid and other large customers in various key projects. Meanwhile, the overseas markets of Chongqing ABB has been extended to Asia, Australia, South America, Africa and other regions for the provision of reliable power transformer products. The completion of the project will provide strong support for the continuous expansion in more overseas markets such as North America and Europe;

As at the date of this announcement, the Company holds approximately 37.8% equity interests in Chongqing ABB. The relocation project of Chongqing ABB does not constitute a transaction of the Company and its subsidiaries.

By order of the Board  
**Chongqing Machinery & Electric Co., Ltd.\***  
**Zhang Fulun**  
*Executive Director and Chairman*

Chongqing, the PRC  
26 August 2020

*As at the date of the announcement, the executive Directors are Mr. Zhang Fulun, 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.*