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**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)

**CONNECTED TRANSACTION**

**ACQUISITION OF 1.65% EQUITY INTEREST IN  
CHONGQING GENERAL INDUSTRY**

The Board announces that, on 3 November 2011, the Company entered into an agreement with the Vendor for the acquisition of 1.65% equity interest in Chongqing General Industry at a cash consideration of RMB22.30 million.

The Parent Company is the Promoter of the Company and holds 52.22% equity interest in the Company. Therefore, the Vendor is a connected person of the Company within the meaning of the Listing Rules. The entering into of the Sale and Purchase Agreement constitutes a connected transaction of the Company under the Listing Rules. Since the applicable percentage ratio for the acquisition of the Target Equity Interest is more than 0.1% but less than 5%, the acquisition of the Target Equity Interest is only subject to reporting and announcement requirements under the Listing Rules, but exempt from Independent Shareholders' approval.

## **INTRODUCTION**

On 3 November 2011, the Company entered into the Sale and Purchase Agreement with the Vendor for the acquisition of the Target Equity Interest, pursuant to which, the Parent Company has agreed to sell and the Company has agreed to acquire the Target Equity Interest at a cash consideration of RMB22.30 million.

## **THE SALE AND PURCHASE AGREEMENT**

Major terms of the Sale and Purchase Agreement are as follows:

Date: 3 November 2011

### **Parties**

Vendor: The Parent Company

Purchaser: The Company

The Vendor is the Promoter of the Company and holds 52.22% interest in the Company. Therefore, the Vendor is a connected person of the Company within the meaning of the Listing Rules.

## **INFORMATION ON THE TARGET EQUITY INTEREST**

As at the date hereof, Chongqing General Industry has a registered capital of RMB756,985,728.18, The Company and the Parent Company hold 98.35% and 1.65% equity interest in Chongqing General Industry, respectively.

## **CONSIDERATION**

The consideration under the Sale and Purchase Agreement is RMB22.30 million (in cash), which will be paid by the Company through its internal resources to the Vendor.

According to the appraisal (Chongqing Zhongding Zi Ping [2011] No.31 (重慶中鼎資評[2011]第31號) ) conducted by Chongqing Zhongding Assets Appraisal Co., Ltd. (重慶中鼎資產評估有限公司) on the assets of Chongqing General Industry as at 31 December 2010, the 1.65% equity interest in Chongqing General Industry is valued at RMB22.30 million, and the aforesaid valuation of equity interest has been confirmed by Chongqing State-owned Assets Supervision and Administration Commission through the document filed as No.109 Yu Ping Bei [2011] (渝評備[2011]109號文件). Upon completion of the acquisition of the Target Equity Interest, the Company would hold 100% equity interest in Chongqing General Industry and Chongqing General Industry will become a wholly-owned subsidiary of the Company.

## **COMPLETION OF ACQUISITION OF TARGET EQUITY INTEREST**

The acquisition of the Target Equity Interest shall be completed upon the registration with the industry and commerce administration within six months after the execution of the Sale and Purchase Agreement (or any other dates as may be agreed by the Company and the Parent Company).

## **REASONS FOR AND BENEFITS OF THE ACQUISITION OF THE TARGET EQUITY INTEREST**

The Company becoming the sole shareholder of Chongqing General Industry will better serve the purposes of enhancing the control over the Chongqing General Industry and building a transparent capital operation platform, thus providing a platform and creating conditions for Chongqing General Industry to introduce necessary strategic investors, carry out joint investment and cooperation as well as proceed with industry integration for its business segments in the future.

The Directors (including independent non-executive Directors) consider that the Sale and Purchase Agreement is entered into on normal commercial terms after arm's length negotiation and is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

No Director has any material interest in the disposal, nor is any Director required to abstain from voting at the Board meeting to consider and approve such disposal.

## **GENERAL INFORMATION OF THE COMPANY**

The Company is principally engaged in manufacturing and sales of commercial vehicle parts and components, general machinery, CNC machine tools and power equipment.

## **GENERAL INFORMATION OF CHONGQING GENERAL INDUSTRY**

Chongqing General Industry is principally engaged in businesses such as industrial blowers, refrigeration machines and wind power rotor blades.

## **IMPLICATIONS OF THE LISTING RULES**

The Vendor is the Parent Company of the Company and holds 52.22% of the equity interest in the Company. Accordingly, the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratio for the acquisition of the Target Equity Interest is more than 0.1% but less than 5%, the disposal of the Target Equity Interest is subject to the reporting and announcement requirements under the Listing Rules, but is exempt from the requirement of Independent Shareholders' approval.

## 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
“Chongqing General Industry”	Chongqing General Industry (Group) Co., Ltd. (重慶通用工業(集團)有限責任公司), a state-owned company incorporated under the PRC laws and a subsidiary of the Company
“Company”	Chongqing Machinery & Electric Co., Ltd.*, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 02722)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and for the purpose of the Company means the Shareholders other than Parent Company and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parent Company”	Chongqing Machinery and Electronic Holding (Group) Co., Ltd.(重慶機電控股(集團)公司), a limited liability company established in the PRC on 25 August 2000 and owned by the Chongqing State-owned Assets Supervision and Administration Commission, being one of the Promoters of the Company

“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Promoter”	has the meaning ascribed to it under the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Company and the Vendor on 3 November 2011
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity Interest”	1.65% equity interest in Chongqing General Industry
“Vendor”	the Parent Company

By Order of the Board  
**Chongqing Machinery & Electric Co., Ltd.\***  
**Xie Hua Jun**  
*Executive Director and Chairman*

Chongqing, the PRC  
3 November 2011

*As at the date of this announcement, the executive Directors are Mr. Xie Hua Jun, Mr. Yu Gang, Mr. Liao Shaohua and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Liu Liangcai; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang and Mr. Kong Weiliang.*

\* *for identification purposes only*