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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)

DISCLOSEABLE TRANSACTION
FINANCE LEASE AGREEMENT

The Board is pleased to announce that on 15 February 2015, the Company's wholly-owned subsidiary Chongqing Water Turbine entered into a Finance Lease Agreement with Kunlun Leasing in relation to the leasing target with a total purchase price less than RMB200,000,000.00 and the aggregate pre-leasing interest and rental payment amounting to approximately RMB239,376,350.00.

As one or more relevant percentage ratios (as defined in the Listing Rules) of the Agreement exceed 5% but are less than 25%, the Finance Lease Agreement constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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FINANCE LEASE AGREEMENT

Principal terms of the Agreement are as follows:

Date

15 February 2015

Parties

Lessor: Kunlun Leasing

Lessee: Chongqing Water Turbine

Lease Term

The total term being 60 months, which includes pre-leasing and lease periods, commences from the date of first purchase payment made under the Agreement.

Leasing Target

The leasing target comprises water turbine manufacturing equipment to be leased to Chongqing Water Turbine for occupancy and use with a total purchase price less than RMB200,000,000.00, which will be purchased by Kunlun Leasing from the suppliers selected by Chongqing Water Turbine according to the needs and choice of Chongqing Water Turbine.

Lease Rate

The lease rate under the Agreement is calculated on the basis of the benchmark interest rate. An adjustment to the benchmark interest rate shall be, with effect from the date of adjustment, reflected in the lease rate, pre-leasing interest and rental payment in the same proportion and direction. The lease rate as at the date of agreement is 6.00%.

Aggregate Pre-leasing Interest and Rental Payment

Based on the lease rate of 6.00% as at the date of agreement and the expected equipment procurement schedule, the aggregate pre-leasing interest and rental payment amount to approximately RMB239,376,350.00. Such rental payment and lease rate are agreed upon after arm's length negotiation between the parties with reference to market practices.

Advisory Fees

The advisory fees under the Agreement, being 4.00% of the lease cost and estimated at RMB8,000,000.00, shall be paid to Kunlun Leasing in a lump sum respectively equivalent to 4.00% of each withdrawal amount by Chongqing Water Turbine on each withdrawal date.

Residual Consideration

RMB10,000.00

Guarantee

The Company provides irrevocable guarantee for all the debts of Chongqing Water Turbine under the Finance Lease Agreement on a joint and several basis.

REASONS AND BENEFITS FOR THE AGREEMENT

- (i) The finance lease shortens the equipment procurement cycle and allows Chongqing Water Turbine to establish production capacity as soon as possible;
- (ii) Chongqing Water Turbine will enjoy the flexibility of funding arrangement according to its equipment procurement schedule;
- (iii) Equal rental payment on a quarterly basis helps to avoid the funding pressure as a result of once-off repayment;
- (iv) Both cash flows and the asset-liability structure over the lease term will be optimised.

The Directors are of the view that the terms of the Agreement are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY

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

INFORMATION ON CHONGQING WATER TURBINE

Chongqing Water Turbine, with a production base of ultrahigh-head impact-type hydroelectric turbine generators in the PRC, has established development and manufacturing capacity for four series of hydroelectric turbine generators: mixed-flow, impact, axial-flow and tubular. Its production capacity also covers power generators, inlet valves, governors and other equipment.

INFORMATION ON KUNLUN LEASING

Kunlun Leasing is principally engaged in finance lease operations. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Kunlun Leasing and its ultimate beneficial owners are independent third parties.

LISTING RULE IMPLICATIONS

As one or more relevant percentage ratios (as defined in the Listing Rules) of the Agreement exceed 5% but are less than 25%, the Finance Lease Agreement constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“ Agreement ” or “ Finance Lease Agreement ”	a finance lease agreement dated 15 February 2015 entered into between Chongqing Water Turbine and Kunlun Leasing
“benchmark interest rate”	1 to 5 years benchmark interest rate of the Renminbi loans of the People's Bank of China
“Board”	the board of directors of the Company
“Chongqing Water Turbine”	Chongqing Water Turbine Works Co., Ltd. (重慶水輪機廠有限責任公司), a limited liability company established in the PRC and a wholly-owned subsidiary 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 with limited liability, the shares of which are listed on the the Stock Exchange (Stock Code: 02722)
“Director(s)”	the Director(s) of the Company
“Kunlun Leasing”	Kunlun Financial Leasing Co., Ltd., a company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock

Exchange

“PRC” the People's Republic of China

“RMB” Renminbi, the lawful currency of the PRC

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

Chongqing, the PRC
15 February 2015

As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Ren Yong and Mr. Xiang Hu; the non-executive Directors are Mr. Huang Yong, Mr. Wang Jiyu, Mr. Yang Jingpu and Mr. Deng Yong; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.

* *For identification purposes only*