

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 DISPOSAL OF 35% EQUITY INTEREST IN CHONGQING MIDEA GENERAL

On 7 April 2015, Chongqing General, a wholly-owned subsidiary of the Company, and Carrier Asia entered into the Equity Transfer Agreement, pursuant to which, Chongqing General agreed to sell and Carrier Asia agreed to acquire 35% equity interest in Chongqing Midea General at a consideration of RMB176,587,500. Upon completion of the transaction, the Company will indirectly hold 10% equity interest in Chongqing Midea General and Chongqing Midea General will no longer be a subsidiary of the Company.

As one or more of the applicable percentage ratios for the Disposal, on an aggregated basis, exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set forth as follows:

a. Date

7 April 2015

b. Parties

- (1) Chongqing General, as vendor; and
- (2) Carrier Asia, as purchaser.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Carrier Asia and its ultimate beneficial owners are independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

c. Target Equity Interest

Carrier Asia has agreed to acquire and Chongqing General has agreed to transfer 35% equity interest in Chongqing Midea General.

d. Consideration

The consideration of RMB176,587,500 will be paid in full by Carrier Asia in cash. Carrier Asia has made a remittance of RMB3,000,000, being part of the transfer price, as deposit to the account at the settlement centre of Chongqing United Assets and Equity Exchange Group within three working days after received *the transferee qualification confirmation notice* issued by Chongqing United Assets and Equity Exchange Group confirming its qualification as a potential transferee of the target equity interest. The remaining transfer price of RMB173,587,500 shall be settled within five days from the date when the new Certificate of Approval for Establishment of Enterprises with Foreign Investment is issued by the relevant approval authority in the PRC to Chongqing Midea General. The deposit paid for the transaction will be automatically converted as transfer price. Carrier Asia shall give a written notice to Chongqing United Assets and Equity Exchange Group within two working days after the completion of registration of the equity interest transfer with the Industrial and Commercial Administration, and Chongqing United Assets and Equity Exchange Group shall pay the transfer price to Chongqing General upon receiving such notice.

e. Conditions

The Agreement will become valid upon signing by the legal or authorised representatives of both parties, while the equity interest transfer will become effective on the date when the new Certificate of Approval for Establishment of Enterprises with Foreign Investment is issued by the relevant approval authority in the PRC to Chongqing Midea General.

Basis of the Consideration

The consideration was determined based on arm's length negotiation in accordance with the evaluation of the value of the assets of Chongqing Midea General as at 31 December 2013 by Chongqing Tianjian Assets and Land Evaluation Co., Ltd. (重慶天健資產土地評估有限公司). As at 31 December 2013, the benchmark price of the target equity interest evaluated using the asset-based approach was RMB128,501,870. During the period from the base date of assets evaluation to the date of equity interest delivery, the profits and losses generated by Chongqing Midea General shall be enjoyed and borne by the original shareholders legally.

Implication of the Disposal

The carrying amount of the target equity interest was RMB49,005,780.54 in the management accounts of Chongqing Midea General and the Disposal is expected to generate a gain of RMB127,581,719.46, which will be the difference between the consideration and the carrying amount of the target equity interest. The difference will be used by the Group to replenish working capital for production and operation.

Upon completion of the transaction, the Company will indirectly hold 10% equity interest in Chongqing Midea General and Chongqing Midea General will no longer be a subsidiary of the Company. Midea Group and its subsidiaries hold 55% equity interest in Chongqing Midea General in aggregate and Carrier Asia holds 35% equity interest in Chongqing Midea General.

Information related to Chongqing Midea General

Chongqing Midea General, a joint venture funded and established by Chongqing General and Midea Group, mainly engages in the design, production and sales of electric cooling series of central air conditioners, class one pressure vessel, class two low and medium pressure vessel, centrifugal refrigerating compressor, heat exchanger, electric control equipment and relevant parts and components and the provision of relevant technical support and supporting services, such as installation and maintenance.

As at 31 December 2014, the unaudited net assets of Chongqing Midea General amounted to RMB129,819,870.11. The audited/unaudited net profit before and after tax for the two financial years ended 31 December 2013 and 2014 of Chongqing Midea General is set out as follows:

<i>(RMB)</i>	2013 (audited)	2014 (unaudited)
Profit before tax	4,821,755.24	12,483,794.00
Profit after tax	3,797,401.81	11,737,169.26

Information related to the Company

The Company mainly engages in the manufacturing and sales of automobile parts and components, power equipment, general machinery and CNC machine tools.

Information related to Carrier Asia

Carrier Asia, a limited liability company incorporated in Hong Kong, is a subsidiary of Carrier in the U.S., the largest supplier of heat, ventilation, air-conditioning and refrigeration equipment in the world.

Reasons for and Benefits of Entering into the Agreement

With the introduction of technology and brands from transnational corporation as well as the promotion of corporate governance codes, Chongqing Midea General will have the benefits of accessing the international market, which will further increase the value of its equity interest. The equity interest transfer will be conducive to lifting the restrictions on the refrigeration equipment business of Chongqing General, which will be good for the development of Chongqing General.

The Board (including independent non-executive Directors) believes that the Disposal is made on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and shareholders as a whole. As none of the Directors has any material interests in the Disposal, they are not required to abstain from voting on the relevant Board resolutions in accordance with the Listing Rules and/or the Articles of Association of the Company.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios for the Disposal, on an aggregated basis, exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the reporting 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 “Equity Transfer Agreement”	the Equity Transfer Agreement dated 7 April 2015 entered into by Chongqing General and Carrier Asia
“Board”	the board of directors of the Company
“Carrier Asia”	Carrier Asia Limited, a limited liability company incorporated in Hong Kong
“Chongqing General”	Chongqing General Industry (Group) Co., Ltd., a limited liability company established under the PRC laws and a wholly-owned subsidiary of the Company
“Chongqing Midea General”	Chongqing Midea General Refrigeration Equipment Co., Ltd. (重慶美的通用製冷設備有限公司), a limited liability company established under the PRC laws
“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 Stock Exchange (Stock Code: 02722)
“Director(s)”	the Director(s) of the Company
“Disposal”	the disposal of an aggregate of 35% equity interest in Chongqing Midea General by Chongqing General to Carrier Asia in accordance with the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Midea Group”	Midea Group Co., Ltd., a joint stock limited company established under the PRC laws, the shares of which are listed on the Shenzhen Stock Exchange (Stock code : 000333)
“PRC”	the People's Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

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

Chongqing, the PRC
7 April 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*