

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.



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)

(Stock Code: 02722)

**CONNECTED TRANSACTION
ACCOUNTS RECEIVABLE CLAIM ASSIGNMENT CONTRACT**

The Board is pleased to announce that, on 21 December 2015, Jilin Chongtong entered into an accounts receivable claim Assignment Contract with Xinbo Investment, under which, Jilin Chongtong agreed to transfer the accounts receivable with a total amount of RMB155 million under the Assignment Contract to Xinbo Investment for the consideration of RMB155 million.

Jilin Chongtong is a subsidiary of the Company and was held 91.18% equity interest by the Company's wholly-owned subsidiary Chongqing General Industry (Group) Co., Ltd. Xinbo Investment is a wholly-owned subsidiary of the Parent Company. The Parent Company is the controlling shareholder of the Company. Therefore, the Parent Company and its subsidiaries are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Assignment Contract constitutes a connected transaction of the Company under the Listing Rules. Since the applicable percentage ratio for the transaction under the Assignment Contract is more than 0.1% but less than 5%, the transaction under the Assignment Contract is only subject to reporting and announcement requirements under the Listing Rules, but exempt from independent shareholders' approval.

The Board is pleased to announce that, on 21 December 2015, Jilin Chongtong entered into an accounts receivable claim Assignment Contract with Xinbo Investment, under which, Jilin Chongtong agreed to transfer the accounts receivable with a total amount of RMB155 million under the Assignment Contract to Xinbo Investment for the consideration of RMB155 million. The major terms of the Assignment Contract are as follows:

* For identification purposes only

ASSIGNMENT CONTRACT

a. Date

21 December 2015

b. Parties:

(1) Jilin Chongtong; and

(2) Xinbo Investment.

c. TRANSFER SUBJECT

Jilin Chongtong in no retroactive manner transfers accounts receivable claim due within three months with an amount of RMB155 million, subject to the compliance with risk control factors of Xinbo Investment. All interests under the Subject Claim from the effective date of the Assignment Contract would be transferred from Jilin Chongtong to Xinbo Investment. Jilin Chongtong shall issue the notification on transferring the claim of accounts receivable to the debtor within 10 working days from the date of signing the Assignment Contract, informing the debtor of the fact that the Subject Claim has been transferred to Xinbo Investment by Jilin Chongtong.

d. Consideration and payment terms

The consideration of disposal of the Subject Claim is RMB155 million and is determined at the par value of the Subject Claim.

Xinbo Investment shall pay the consideration to Jilin Chongtong in cash within 10 working days from the effective date of the Assignment Contract.

e. Management services fee

Jilin Chongtong shall pay management services fee of the Assignment Contract in an amount of RMB1,910,000 to Xinbo Investment in cash within 5 working days after receiving the consideration of the Subject Claim.

INFORMATION ON THE COMPANY

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

INFORMATION ON JILIN CHONGTONG

Jilin Chongtong is principally engaged in manufacturing various types of specifications of wind power rotor blades such as 850KW, 1.5MW, 2MW, 2.5MW.

INFORMATION ON XINBO INVESTMENT

Xinbo Investment is principally engaged in the business of finance investment and management.

REASONS FOR AND BENEFITS OF ENTERING INTO CONTRACT AND USE OF PROCEEDS

After completing the disposal of the Subject Claim, by comparison of the consideration and the par value of the Subject Claim, it is not expected to generate revenue on the books. However, Jilin Chongtong and Xinbo Investment carried on no retrospective accounts receivable factoring business, which does not only achieve the effect of revitalizing the stock of assets, control the risk of accounts receivable, reduce accounts receivable amount so as to optimize Jilin Chongtong's asset structure, but also to the effect of increasing their liquidity, improving capital efficiency, improving the financial situation of enterprises, thereby optimizing the financial statements.

The proceeds from the disposal of the Subject Claim shall be used to complement Jilin Chongtong's working capital.

In light of the above reasons, the Directors (including independent non-executive Directors) consider that the terms of the Assignment Contract are fair and reasonable and are entered into on normal commercial terms and entering into the Assignment Contract and the contemplated transaction thereunder is in the interests of the Company and its shareholders as a whole.

THE DELIBERATIONS OF THE BOARD OF DIRECTORS

On 8 December 2015, the Company convened the sixth interim meeting in 2015 by the third term of the Board of Directors. Upon unanimous agreement by all non-connected directors (including independent non-executive Directors), the resolution on the transaction under the Assignment Contract was passed. On the voting of the transaction under the Assignment Contract by the Board of Directors, the connected Directors Mr. Wang Yuxiang, Mr. Huang Yong, Mr. Wang Jiyu and Mr. Yu Gang abstained from voting. Other than those connected directors, none of other directors has material interests in the transaction under the Assignment Contract.

IMPLICATIONS OF THE LISTING RULES

Jilin Chongtong is a subsidiary of the Company and was held 91.18% equity interest by the Company's wholly-owned subsidiary Chongqing General Industry (Group) Co., Ltd. Xinbo Investment is a wholly-owned subsidiary of the Parent Company. The Parent Company is the controlling shareholder of the Company. Therefore, the Parent Company and its subsidiaries are

connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Assignment Contract constitutes a connected transaction of the Company under the Listing Rules. Since the applicable percentage ratio for the transaction under the Assignment Contract is more than 0.1% but less than 5%, the transaction under the Assignment Contract is only subject to reporting and announcement requirements under the Listing Rules, but exempt from independent shareholders' approval.

DEFINITIONS

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

“Assignment Contract”	the assignment contract dated 21 December 2015 entered into between Jilin Chongtong and Xinbo Investment
“Board”	the board of Directors of the Company
“Company”	Chongqing Machinery & Electric Co., Ltd.*, a joint stock company incorporated in the PRC 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
“Jilin Chongtong”	Jilin Chongtong ChengFei New Materials Co., Ltd., a company established pursuant to the PRC laws with limited liability
“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
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subject Claim”	Accounts receivable claim due within three months by Jilin Chongtong in the amount of RMB155 million, as listed in the Assignment Contract
“Xinbo Investment”	Chongqing Machinery and Electronic Holding Group Xinbo Investment Management Co.,Ltd., a company established pursuant to the PRC laws with limited liability
“%”	Per cent

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

Chongqing, the PRC
21 December 2015

As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Mr. Yu Gang, Mr. Xiang Hu and Mr. Yang Quan; 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.