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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)

(Stock Code: 02722)

**VOLUNTARY ANNOUNCEMENT
ACQUISITION OF 49% EQUITY INTERESTS IN ITALY
WATER GEN POWER COMPANY**

This is a voluntary announcement made by Chongqing Machinery & Electric Co., Ltd. (the “**Company**”) to inform its shareholders and potential investors about the acquisition of 49% equity interests in Water Gen Power S.r.l., an Italian company (the “**WGP Company**”).

THE SPA

On 4 November 2016, the Company entered into an agreement for sale and purchase of shares and capital injection (the “**SPA**”) with Mr. Mario Bianchi, the sole shareholder of the WGP Company. Pursuant to the SPA, Mr. Mario Bianchi agreed to sell and the Company agreed to acquire 35% equity interests in the WGP Company, and the Company shall further acquire 14% equity interests of the WGP Company through capital injection. The total consideration of the transactions shall be approximately Euro 720,000. Upon completion of the transactions contemplated under the SPA, the Company shall hold 49% equity interests in the WGP Company.

REASONS FOR ENTERING INTO THE SPA

The WGP Company is an important cooperative partner in Europe of Chongqing Water Turbine Works Co., Ltd. (“**Chongqing Water Turbine**”), the Company’s wholly-owned subsidiary, and is gradually developing an increasingly extensive business cooperative relationship with the Company. As such, Mr. Mario Bianchi, the sole shareholder of the WGP Company intends to introduce the Company to be the strategic cooperative partner of the WGP Company. The WGP Company was

* *For identification purposes only*

incorporated in Genova of Italy in 2008, and its major business is the construction of brand new small and medium-sized hydroelectric power plants and the transformation of old hydroelectric power plants.

Overseas merger and acquisition has always been an important means for the Company to introduce advance technologies, expand international markets, and cultivate and enhance the core competitiveness of the enterprise. This acquisition will promote the active expansion of Chongqing Water Turbine into the international hydroelectric market and stabilize overseas channels; promote the transformation and upgrading of the manufacturing and services of Chongqing Water Turbine, which will be of obvious cooperative effect; create a marketing platform in Europe for the Company by seizing the opportunity of this acquisition; and bring feasible economic benefits through the investment in the WGP Company.

Accordingly, the directors are of the view that the terms of the SPA and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in respect of this acquisition are all below 5%, this acquisition does not constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. This announcement is made by the Company on a voluntary basis.

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

Chongqing, the PRC
4 November 2016

As at the date of the announcement, the executive Directors are Mr. Wang Yuxiang, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Wei Fusheng, Mr. Deng Yong and Ms. He Xiaoyan; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.