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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)*

**DISCLOSEABLE TRANSACTION  
ACCOUNTS RECEIVABLE CLAIM ASSIGNMENT CONTRACT**

The Board is pleased to announce that, on 28 December 2016, Jilin Chongtong, Chongqing Machine Tools, Qijiang Gear Transmission and Chongqing Pump entered into an accounts receivable claim assignment contract with Yukang Company respectively, under which, Jilin Chongtong, Chongqing Machine Tools, Qijiang Gear Transmission and Chongqing Pump agreed to transfer the accounts receivable with a total amount of RMB350,000,000 under the Assignment Contract to Yukang Company with a consideration of RMB345,345,000.

As the applicable percentage ratios (as defined in the Listing Rules) of the Claim Assignment exceed 5% but are less than 25%, the Claim Assignment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

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**a. Date**

28 December 2016

\* *For identification purposes only*

**b. Parties**

- (1) Jilin Chongtong, Chongqing Machine Tools, Qijiang Gear Transmission, Chongqing Pump, and
- (2) Yukang Company.

**c. Transfer subject**

The transfer subject is the accounts receivable claim due within one year with an aggregate amount of RMB350,000,000, including RMB260,000,000 from Jilin Chongtong, RMB41,600,000 from Chongqing Machine Tools, RMB30,400,000 from Qijiang Gear Transmission and RMB18,000,000 from Chongqing Pump. The entire equity interest of the Subject Claim has been transferred to Yukang Company since 28 December 2016.

**d. Consideration and payment terms**

The total consideration for the disposal of the Subject Claim is RMB345,345,000 which is determined at the par value of the Subject Claim with a discount of 1.33% based on market financing costs and further negotiation of the parties. The total transaction cost is RMB4,655,000.

Yukang Company shall pay the consideration in cash to Jilin Chongtong, Chongqing Machine Tools, Qijiang Gear Transmission, Chongqing Pump on 28 December 2016.

Directors are of the opinion that the consideration of disposal of the Subject Claim is fair and reasonable, and in the interests of the Company and shareholders as a whole.

**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, CHONGQING MACHINE TOOLS, QIJIANG GEAR TRANSMISSION AND CHONGQING PUMP**

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

Chongqing Machine Tools is principally engaged in manufacturing of gear-producing machines, lathes, gear cutter, special machine tools, precision screw, precision casting, cotton picker and provision of cotton-picking service, intelligent manufacturing equipment, etc.

Qijiang Gear Transmission is principally engaged in manufacturing of medium and heavy commercial vehicles transmission system.

Chongqing Pump is principally engaged in manufacturing of metering pumps, high-pressure reciprocating pumps, pulp diaphragm pumps, API standard centrifugal pumps, descaling pumps and mechanical and electrical integration systems with pumps as the core.

## **INFORMATION ON YUKANG COMPANY**

Yukang Company is a state wholly-owned limited liability company established in 2016 as approved by the Chongqing Municipal People's Government, with a registered capital of RMB5 billion. Its principal businesses include acquisition, operation and disposal of non-performing financial assets, undertaking assets which are not for the major business and of low or no efficiency (excluding the stripped and transferred assets from the social functions established by enterprises) stripped from restructuring, listing and strategic reorganisation of state-owned enterprises, reconstructing of companies operated by state-owned capital investment, as well as acquisition through market transaction and taking up non-performing assets in the market.

To the best of the Directors' information, knowledge and belief having made all reasonable enquiries, Yukang Company and its ultimate beneficial owners are independent third parties.

## **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 expected to incur costs of RMB4,655,000 on the books. However, carrying out claim assignment business does not only achieve the effect of revitalizing the stock of assets, control the risk of accounts receivable, reduce accounts receivable amount, but also increases liquidity of enterprises, enhances capital efficiency, improves the financial situation of enterprises, thereby optimises the financial statements.

The proceeds from the disposal of the Subject Claim shall be used to complement working capital of each company.

In light of the above reasons, the 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.

## IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios (as defined in the Listing Rules) of the Claim Assignment exceed 5% but are less than 25%, the Claim Assignment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Assignment Contract”	the accounts receivable claim assignment contract dated 28 December 2016 entered into between Jilin Chongtong, Chongqing Machine Tools, Qijiang Gear Transmission, Chongqing Pump and Yukang Company respectively
“Board”	the board of Directors of the Company
“Chongqing Machine Tools”	Chongqing Machine Tools Group Co., Ltd.(重慶機床集團有限責任公司), a company established pursuant to the PRC laws with limited liability, which is a wholly-owned subsidiary of the Company
“Chongqing Pump”	Chongqing Pump Industry Co., Ltd.(重慶水泵廠有限責任公司), a company established pursuant to the PRC laws with limited liability, which is a wholly-owned subsidiary 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
“Claim Assignment”	accounts receivable claim assignment under the Assignment Contract
“Director(s)”	directors(s) of the Company

“Independent Third Party(ies)”	Person(s) or company(ies) and their respective ultimate beneficial owner which, to the best of the Director’s knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons
“Jilin Chongtong”	Jilin Chongtong ChengFei New Materials Co., Ltd., a company established pursuant to the PRC laws with limited liability, which is an indirect subsidiary of the Company
“Qijiang Gear Transmission”	Qijiang Gear Transmission Co., Ltd(綦江齒輪傳動有限公司), a company established pursuant to the PRC laws with limited liability, which is a wholly-owned subsidiary of the Company
“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
“Subject Claim”	Accounts receivable claim due within one year in the amount of RMB350,000,000, as listed in the Assignment Contract
“Yukang Company”	Chongqing Yukang Assets Management and Administration Company* (重慶渝康資產經營管理有限公司), 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  
28 December 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.*