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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 with limited liability)*

(Stock Code: 02722)

## **DISCLOSEABLE TRANSACTION FINANCE LEASE AGREEMENT**

The Board of the Company is pleased to announce that on 21 December 2017, the Company's wholly-owned subsidiary Machine Tools Group entered into a Finance Lease Agreement with Kunlun Leasing in relation to the leasing target with a total purchase price amount of RMB210,000,000.00 and the aggregate pre-leasing interest and rental payment amounting to approximately RMB244,379,114.58.

As more than one 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**

21 December 2017

\* *For identification purposes only*

## **Parties**

Lessor: Kunlun Leasing

Lessee: Machine Tools Group

## **Lease Term**

The leasing term shall be five years, in a total of 60 months, commencing from the lease commencement date.

## **Leasing Target**

The leasing target comprises machine and equipment to be leased by Kunlun Leasing to Machine Tools Group according to the needs and choice of Machine Tools Group, with a total purchase price of RMB210,000,000.00.

## **Lease Rate**

The lease rate under the Agreement is calculated on the basis of the 5-year benchmark loan interest rate published by the People's Bank of China. As the 5-year benchmark loan interest rate published by the People's Bank of China was 4.75% at the time of entering into the Agreement, the lease rate as at the date of Agreement was 4.75%.

## **Aggregate Amount of Pre-leasing Interest and Rental Payment**

Based on the lease rate of 4.75% as at the date of Agreement, the aggregate amount of pre-leasing interest and rental payment amounted to RMB244,379,114.58.

## **Advisory Fees**

There are no advisory fees under the Agreement.

## **Residual Consideration**

RMB10,000.00

## **Guarantee**

There is no guarantee under the Agreement.

## **REASONS AND BENEFITS FOR THE AGREEMENT**

- (i) Both cash flows and the asset-liability structure of the Machine Tools Group over the lease term will be optimized;
- (ii) Based on the method of non-matching principal for half a year, payment will be calculated at the end of the period and will be made at the beginning of the period, and the first rental payment date will be delayed to three months later, such that it will avoid the funding pressure of repayment concentration.

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, general machinery, CNC machine tools and power equipment.

## **INFORMATION ON MACHINE TOOLS GROUP**

The Machine Tools Group is principally engaged in the development, manufacturing, sale and repair of gear-producing machines, lathes, machine centers, vehicle parts and components, specialty equipment, cutting tools, index turrets, traction machines for elevators, metal castings and forgings and general electronic products, and the sale of machine tool components, automobiles (exclusive of sedan cars), import and export of cargo and technology, general cargo, research and development, manufacturing, sales and after-sales service of agricultural machinery, service for agricultural machinery, machinery and equipment leasing and property leasing.

## **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 21 December 2017 entered into between Machine Tools Group and Kunlun Leasing
“benchmark interest rate”	5-year benchmark interest rate of the Renminbi loans published by the People’s Bank of China
“Board”	the Board of Director(s) 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 Stock Exchange (Stock Code: 02722)
“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
“Machine Tools Group”	Chongqing Machine Tools (Group) Co., Ltd.* (重慶機床(集團)有限責任公司), a company established under the laws of the PRC with limited liability, which is a wholly-owned subsidiary 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

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

Chongqing, the PRC  
21 December 2017

*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. Deng Yong, Mr. Dou Bo 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.*