

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 with limited liability)

(Stock Code: 02722)

VOLUNTARY ANNOUNCEMENT EQUITY TRANSFER

The Board of the Company is pleased to announce that, the Company and its subsidiary Equipment Research Institute entered into the Equity Transfer Agreement with the Parent Company on 26 January 2018, pursuant to which the Company shall transfer 51% equity interest held by it in RSDA and 20% equity interest held by Equipment Research Institute in RSDA to the Parent Company at the consideration of RMB1, respectively. Upon the completion of Equity Transfer, the Company and Equipment Research Institute will no longer hold any equity interest in RSDA. Meanwhile, the Parent Company will hold 71% equity interest in RSDA.

LISTING RULES IMPLICATIONS

The Parent Company is the controlling shareholder of the Company and holds 52.54% equity interest of the Company which is a connected person of the Company under the Listing Rules.

As all applicable percentage ratios under the Equity Transfer Agreement do not exceed 0.1%, transactions under the Equity Transfer Agreement are exempted from the requirements of connected transactions under Chapter 14A of the Listing Rules. This is a voluntary announcement made by the Company.

The Board of the Company is pleased to announce that, the Company and its subsidiary Equipment Research Institute entered into the Equity Transfer Agreement with the Parent Company on 26 January 2018, pursuant to which the Company shall transfer 51% equity interest held by it in RSDA and 20% equity interest held by Equipment Research Institute in RSDA to the Parent Company at the consideration of RMB1, respectively. Upon the completion of Equity Transfer, the Company and

* *For identification purposes only*

Equipment Research Institute will no longer hold any equity interest in RSDA. Meanwhile, the Parent Company will hold 71% equity interest in RSDA. The principal terms of the Equity Transfer Agreement are as follows:

EQUITY TRANSFER AGREEMENT

a. Date:

26 January 2018

b. Parties:

- (1) the Company, as transferor;
- (2) Equipment Research Institute, as transferor; and
- (3) the Parent Company, as transferee.

c. Subject

The Company shall transfer 51% equity interest held by it in RSDA and Equipment Research Institute shall transfer 20% equity interest held by it in RSDA to the Parent Company. The said equity interest is not subject to any third party's claims or pledge, and not involved in any disputes or litigation.

d. Consideration and Basis of Pricing

The Parties, after friendly negotiation, reached an agreement that the consideration for the transactions in relation to the transfer of 51% equity interest held by the Company in RSDA and 20% equity interest held by Equipment Research Institute in RSDA is RMB1, respectively. The consideration for the transactions was determined by the parties hereof through fair negotiation with reference to the following independent valuation:

- (1) According to the Audit Reports of Chongqing RSDA Power Science & Technology Co., Ltd. for January to June 2017 and for the year of 2016 (《重慶瑞時達動力科技有限公司2017年1-6月、2016年度審計報告》) issued by ShineWing Certified Public Accountants (Special General Partnership)* (信永中和會計師事務所(特殊普通合夥)), as of 30 June 2017, the company has not commenced operation, and no relevant business incurred. Therefore there are no relevant assets, liabilities and profit or loss.

- (2) According to the Assets Valuation Report (Chong Kang Ping Bao Zi (2017) No. 210-5) (《資產評估報告》(重康評報字(2017)第210-5號)) issued by Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd.* (重慶華康資產評估土地房地產估價有限責任公司), as of 30 June 2017, the total assets, liabilities and owners' equity of RSDA Power Science & Technology are 0, 0 and 0.

Upon reviewing the relevant basis of pricing, the Directors (including independent non-executive Directors) consider that the consideration for the transaction is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

e. Payment Terms

The payment terms will be implemented by normal commercial terms based on Equity Transfer Agreement, the Parent Company will pay RMB1 respectively to the Company and Equipment Research Institute on the effective date of the Equity Transfer Agreement.

In addition, taking into account that the Company borrowed RMB1 million to RSDA on 15 September 2017, the Parent Company should help RSDA repay the said borrowings and pay its corresponding interest within 15 working days from the effective date of the Equity Transfer Agreement .

f. Condition Precedent

The Equity Transfer Agreement shall be effective after being approved by the Company's Board and authorised management organization for state-owned assets.

GENERAL INFORMATION

Information on the Company

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

Information on the Parent Company

The Parent Company is principally engaged in automobiles and ancillary automobile business (including special purpose vehicles, compartments and transmission axles), electronic information business and other business.

Information on Equipment Research Institute

Equipment Research Institute, established in October 2011 with a registered capital of RMB30 million, is a wholly-owned subsidiary of the Company. Equipment Research Institute is principally engaged in research and development of electrical and mechanical equipment technology, technical consultancy, promotion of technology, as well as designing, research and development, manufacturing and sales of electrical and mechanical equipment products.

The 100% equity interest of Equipment Research Institute was transferred to the Company by the Parent Company according to the equity transfer agreement entered into on 26 September 2017 and after being approved at the extraordinary general meeting held on 27 November 2017, the transfer consideration included the appraised value of the 20% equity interest in RSDA held by Equipment Research Institute, which was valued at 0.

Information on RSDA

RSDA was established in December 2016 with a registered capital of RMB20 million, and is currently a subsidiary controlled by the Company. The main business scopes of RSDA are technical research and development, technical consultancy, technology promotion and technology transfer of new energy vehicles and its components; products design, research and development, production, sales and after-sale service of new energy vehicles and their components (without vehicle maintenance); import and export of goods and technologies. As of the date of the announcement, all shareholders' capital considerations of RSDA are not in place, the Company has not commenced operation, and therefore, no gains or profit have been recorded up to now.

Upon the completion of Equity Transfer, the Company and Equipment Research Institute will no longer hold any equity interest in RSDA. Meanwhile, the Parent Company will hold 71% equity interest in RSDA.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

The Company has transferred 100% equity interest in Qijiang Gear Transmission Co., Ltd. held by it to the Parent Company. The products researched, developed and sold by RSDA are based on the products produced by Qijiang Gear Transmission Co., Ltd., and therefore, it is more conducive for resource integration and industrial collaboration by transferring the equity interest of RSDA to the Parent Company, so as to reduce competition in the same industry, develop their respective advantages, and conform to the strategic goal of enterprise development.

The Directors (including independent non-executive Directors) are of the opinion that the Equity Transfer Agreement and the transactions contemplated thereunder are entered into after arm's length negotiations in the ordinary and usual course of business of the Company and the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and shareholders as a whole.

OTHER INFORMATION

Pursuant to the announcement of the Company dated 18 November 2016, the Company, Equipment Research Institute, Shanghai Edrive and Ningbo Partnership entered into the Cooperation Agreement of New Energy Commercial Vehicle Power Assembly Project, which agreed to establish RSDA and Sales JV Company. Given that the Company and Equipment Research Institute will transfer the equity interest of RSDA to the Parent Company, Sales JV Company (as the other joint venture under the cooperation project) will also be developed by the Parent Company instead. On 26 January 2018, the Company, Shanghai Edrive Co., Ltd., Ningbo Meishan Duty-Free District Miaoqing Investment Management Partnership (Limited Partnership) and the Parent Company entered into supplemental agreement, pursuant to which, the Company transferred all the rights and obligations still enjoyed or required to be fulfilled under the contract on establishment of Sales JV Company of New Energy Commercial Vehicle Power Assembly Project to the Parent Company, and no consideration was involved in such transfer. Sales JV Company has not been established and no party has ever contributed to it at the moment.

LISTING RULES IMPLICATIONS

The Parent Company is the controlling shareholder of the Company and holds 52.54% equity interest of the Company which is a connected person of the Company under the Listing Rules.

As all applicable percentage ratios under the Equity Transfer Agreement do not exceed 0.1%, transactions under the Equity Transfer Agreement are exempted from the requirements of connected transactions under Chapter 14A of the Listing Rules. This is a voluntary announcement made by the Company.

DEFINITIONS

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

“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)
“Equipment Research Institute”	Chongqing Mechanical & Electrical Equipment Technology Research Institute Co., Ltd.* (重慶機電裝備技術研究院有限公司), a limited liability company established in the PRC on 13 October 2011, which is a wholly-owned subsidiary of the Company

“Equity Transfer Agreement”	equity transfer agreement entered into by the Company, Equipment Research Institute and the Parent Company on 26 January 2016, in relation to that the Company shall transfer 51% equity interest held by it in RSDA and the Equipment Research Institute shall transfer 20% equity interest held by it in RSDA to the Parent Company
“Equity Transfers”	pursuant to the Equity Transfer Agreement, the Company and its subsidiary Equipment Research Institute shall transfer 51% equity interest held by it in RSDA and the Equipment Research Institute shall transfer 20% equity interest held by it in RSDA to the Parent Company
“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 company established in the PRC on 25 August 2000 with limited liability 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
“RSDA”	Chongqing RSDA Power Science & Technology Co., Ltd. (重慶瑞時達動力科技有限公司), a company established in the PRC in December 2016 with limited liability, the Company holds 51% of its equity interest and the Equipment Research Institute holds 20% of its equity interest
“Sales JV Company”	Chongqing RSDA Power Technology Co., Ltd. (重慶瑞時達動力技術有限公司), a limited liability company intended to be established in China according to the Cooperation Agreement of New Energy Commercial Vehicle Power Assembly Project dated 18 November 2016 entered into among the Company, Equipment Research Institute, Shanghai Edrive Co., Ltd and Ningbo Meishan Duty-Free District Miaoqing Investment Management Partnership (Limited Partnership)

“Shareholder(s)” holder(s) of the Shares

“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
26 January 2018

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.