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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 GENERAL CONTRACTING AGREEMENT**

The Board of the Company is pleased to announce that on 14 March 2018, Chongqing Water Turbine, a wholly-owned subsidiary of the Company, and Nepal Peoples Energy entered into the EPC General Contracting Agreement in relation to the KHIMTI-2 hydropower station project in Nepal with an agreement amount of USD88,004,220.

As more than one relevant percentage ratios (as defined in the Listing Rules) of the General Contracting Agreement exceed 5% but are less than 25%, the General Contracting 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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### **GENERAL CONTRACTING AGREEMENT**

Principal terms of the Agreement are as follows:

#### **Date**

14 March 2018

\* *For identification purposes only*

## **Parties**

Owner: Nepal Peoples Energy

General contractor: Chongqing Water Turbine

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, Nepal Peoples Energy and its ultimate beneficial owners are independent third parties.

## **Construction Period under the Agreement**

The time of project completion shall be within 36 months from the receipt of start-up capital or the first instalment of advance payment provided that Nepal Peoples Energy shall pay the start-up capital or the first instalment of advance payment in June 2018.

## **Scope of Contracting**

Nepal Peoples Energy agrees to entrust Chongqing Water Turbine to undertake the EPC Contract project for the KHIMTI-2 hydropower station in Nepal and the scope of contract includes (1) engineering design, engineering management and supervision; (2) civil engineering; (3) supply and installation of metal structures; (4) supply and installation of electromechanical equipment; (5) supply and installation of 12km 132KV transmission and transformation lines; and (6) debugging and commissioning, etc.

## **Agreement Price**

The aggregate agreement price amounts to USD88,004,220, which was agreed by both parties on an arm's length basis by reference to the market price of similar services.

Nepal Peoples Energy shall make an advance payment equivalent to 5% of the total agreement price to Chongqing Water Turbine via electronic transfer (i.e. T/T, Swift, bank draft or credit letter) within 45 days after receipt of the performance guarantee issued by Chongqing Water Turbine by June 2018; and pay 5% of the total agreement price to Chongqing Water Turbine by December 2018 upon completion of mobilization of equipment and civil works. During the construction period, Chongqing Water Turbine shall settle the construction costs on its own and Nepal Peoples Energy shall pay the remaining 90% of the total agreement price to Chongqing Water Turbine within 700 days after the power station's commencement of commercial operation.

## **Remediation of Defects**

The warranty period shall be 24 months from the date of the power station's commencement of commercial operation. During the warranty period, Chongqing Water Turbine is liable to remedy any defects with the equipment supplied for the project.

## **REASONS AND BENEFITS FOR ENTERING INTO OF THE AGREEMENT**

1. It is in favour of further development of the overseas market of equipment for medium and small hydropower stations and extension of the industrial chain to create better economic benefits for the Company.
2. It facilitates the promotion of the transformation of Chongqing Water Turbine from manufacturing of products alone to the development through hydropower station construction by means of EPC contracting.
3. It helps Chongqing Water Turbine to accelerate the transformation and upgrade towards electromechanical contracting, EPC contracting, investment in power stations, and industrial services.
4. It is conducive to driving the development of the products of the Company and other subsidiaries in the international market and giving full play to synergistic effects, and highly fits the “Belt and Road” strategy as vigorously advocated and implemented by the country.

The Directors are of the view that the terms of the General Contracting 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, power equipment, general machinery and CNC machine tools.

## **INFORMATION ON CHONGQING WATER TURBINE**

Chongqing Water Turbine is principally engaged in design, development and manufacturing of water turbine, governor and auxiliary equipment, generators, excitation and control equipment, motors, hydraulic machinery, pumps, gates, casting, power station equipment, high-voltage electrical equipment, low-voltage electrical appliances and components, electronic products (excluding car pot and engines) for rail transportation, port machinery parts, oil refining, metal welding equipment, chemical equipment, power station equipment installation, goods and technology import and export business (except the items prohibited by laws and regulations, operate the items limited by laws and regulations after obtained the license to operate); general cargo (limited to operation by branches), lodging, processing and sales of staple food and hot dishes (limited to operation by branches).

## **INFORMATION ON NEPAL PEOPLES ENERGY**

Nepal Peoples Energy is established for the purpose of generating hydroelectricity through the optimum utilization of water resources in Nepal.

## LISTING RULE IMPLICATIONS

As more than one relevant percentage ratios (as defined in the Listing Rules) of the General Contracting Agreement exceed 5% but are less than 25%, the General Contracting 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 “General Contracting Agreement”	the EPC general contracting agreement dated 14 March 2018 entered into between Nepal Peoples Energy and Chongqing Water Turbine in relation to the KHIMTI-2 hydropower station project in Nepal
“Board”	the Board of Director(s) of the Company
“Chongqing Water Turbine”	Chongqing Water Turbine Works Co., Ltd., a company established under the laws of the PRC with limited liability, which is a wholly-owned subsidiary 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)
“Directors”	directors of the Company
“EPC”	a form of general contracting arrangement which includes engineering, procurement and construction
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nepal Peoples Energy”	Peoples Energy Limited, a limited company established in accordance with the laws of Nepal
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“USD”

United States dollars, the lawful currency of the United States

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

Chongqing, the PRC  
14 March 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.*