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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)

**CONNECTED TRANSACTION**  
**ACQUISITION OF 35.79% EQUITY INTEREST IN**  
**THE GAS COMPRESSOR COMPANY**

**Equity Transfer Agreement**

On 23 January 2024, the Company (as the transferee), Agriculture Development Fund (as the transferor) and Gas Compressor Company (as the target company) entered into the Equity Transfer Agreement, pursuant to which Agriculture Development Fund agreed to sell and the Company agreed to acquire 35.79% equity interest in Gas Compressor Company held by Agriculture Development Fund at a consideration of RMB67,000,000. Upon completion of the Acquisition, Gas Compressor Company will become a wholly-owned subsidiary of the Company.

**Listing Rules Implications**

As at the date of this announcement, the Company holds 64.21% equity interest in Gas Compressor Company, and Agriculture Development Fund holds 35.79% equity interest in Gas Compressor Company, which is a substantial shareholder of Gas Compressor Company and a connected person of the Company at the subsidiary level. Accordingly, the Acquisition under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules exceed 0.1% but each of the applicable percentage ratios is less than 5%, the Acquisition under the Equity Transfer Agreement is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76 (2) of the Listing Rules.

\* *For identification purposes only*

## **Equity Transfer Agreement**

On 23 January 2024, the Company (as the transferee), Agriculture Development Fund (as the transferor) and Gas Compressor Company (as the target company) entered into the Equity Transfer Agreement, pursuant to which Agriculture Development Fund agreed to sell and the Company agreed to acquire 35.79% equity interest in Gas Compressor Company held by Agriculture Development Fund at a consideration of RMB67,000,000.

The principal terms of the Equity Transfer Agreement are summarised below:

### **Date of entering into the agreement**

23 January 2024

### **Parties of the agreement**

1. The Company (as the transferee),
2. Agriculture Development Fund (as the transferor), and
3. Gas Compressor Company (as the target company).

### **The Acquisition**

Pursuant to the Equity Transfer Agreement, Agriculture Development Fund (as the transferor) agreed to sell and the Company (as the transferee) shall uniformly acquire the 35.79% equity interest in Gas Compressor Company held by Agriculture Development Fund. Upon completion of the Acquisition, the Company's shareholding in Gas Compressor Company will increase from 64.21% to 100%, and Gas Compressor Company will become a wholly-owned subsidiary of the Company.

### **Acquisition Consideration**

The Investment Agreement of China's Agriculture Development Key Construction Fund (《中國農發重點建設基金投資協議》) was originally signed by the parties on 7 June 2016, pursuant to which, it was agreed that Agricultural Development Fund would invest RMB 67,000,000 in Gas Compressor Company by way of capital investment, which would be specifically used for the "R&D and industrialization of high-end clean energy equipment" project of Gas Compressor Company. According to the adjustment of the business development plan, the Company agreed to repurchase the 35.79% equity interest in Gas Compressor Company invested by Agricultural Development Fund. After arm's length negotiation between the parties on normal commercial terms, the parties agreed to use the original investment amount of RMB 67,000,000 by Agriculture Development Fund as the consideration for the repurchase of the equity interest in Gas Compressor Company. Having reviewed the relevant pricing basis, the Directors (including the independent non-executive Directors) are of the view that the consideration of the transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Agreement Effective Date**

The Equity Transfer Agreement was approved by the Board on 22 December 2023 and was entered into by the Company, Agriculture Development Fund and Gas Compressor Company on 23 January 2024 and became effective on the same day.

## Completion and payment of the Acquisition Consideration

Completion of the Acquisition shall take place on the date of payment of the transfer under this agreement. Agriculture Development Fund will cooperate with the Company and Gas Compressor Company to apply to the relevant industrial and commercial registration authorities for the change of industrial and commercial registration involved in this equity transfer.

The Company will remit the entire amount of the consideration in one lump sum to the designated account of the Agriculture Development Fund by bank remittance before 28 June 2024 (inclusive). The amount will be funded by the self-owned funds of the Group.

## Information about Gas Compressor Company

Gas Compressor Company is a limited liability company incorporated in the PRC in March 1996. As at the date of this announcement, its registered capital is RMB187,213,860. It is principally engaged in the manufacturing of gas compressors and parts, mechanical and electrical equipment installation projects, production and manufacturing of liquefied natural gas equipment; sales of gas and liquid separation and purification equipment; sales of station hydrogenation and hydrogen storage facilities, etc.

The audited financial information of the Gas Compressor Company for the two financial years ended 31 December 2021 and 2022 prepared in accordance with the China Accounting Standards for Business Enterprises is set out below:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Net assets	232,002.05	220,993.54
Total assets	443,761.22	411,841.84
Operating revenue	206,841.08	158,193.94
Net profit before tax	5,242.63	2,553.84
Net profit after tax	11,123.67	5,312.11

## Reasons for the Acquisition

On 7 June 2016, Agriculture Development Fund entered into the Investment Agreement of China's Agriculture Development Key Construction Fund (《中國農發重點建設基金投資協議》) with the Company and Gas Compressor Company, pursuant to which Agriculture Development Fund invested RMB67,000,000 in Gas Compressor Company by way of capital investment. According to the business operation development plan, upon negotiation between the parties, Agriculture Development Fund agreed to sell and the Company agreed to acquire 35.79% equity interest in Gas Compressor Company held by Agriculture Development Fund at a consideration of RMB67,000,000.

## **Information of the Company, Agricultural Development Fund**

The Company mainly engages in the manufacturing and sales of automobile parts and components, power equipment, general machinery and CNC machine tools.

Agriculture Development Fund is principally engaged in non-public fund raising for project investment, its ultimate beneficial owner is Agricultural Development Bank of China.

## **Listing Rules Implications**

As at the date of this announcement, the Company holds 64.21% equity interest in Gas Compressor Company, and Agriculture Development Fund holds 35.79% equity interest in Gas Compressor Company, which is a substantial shareholder of Gas Compressor Company and a connected person of the Company at the subsidiary level. Accordingly, the Acquisition under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules exceed 0.1% but each of the applicable percentage ratios is less than 5%, the Acquisition under the Equity Transfer Agreement is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76 (2) of the Listing Rules.

## **Board's Approval and Opinions**

The Equity Transfer Agreement and the Acquisition thereunder have been unanimously approved by all Directors. None of the Directors has a material interest in the Equity Transfer Agreement and the Acquisition contemplated thereunder or is required to abstain from voting on the above resolution. In the opinion of the Directors:

- (1) The terms set out in the Equity Transfer Agreement and the Acquisition thereunder are fair and reasonable and are in the interests of the Company and its shareholders as a whole;
- (2) The decision and approval procedures of the Equity Transfer Agreement and the Acquisition thereunder are in compliance with the Company Law of the PRC, the Listing Rules and the Articles of Association of the Company; and
- (3) The terms and conditions set out in the Equity Transfer Agreement and the Acquisition thereunder are entered into by the parties on the basis of equality and mutual benefit and based on the principle of equal value and compensation.

## DEFINITIONS

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

“Acquisition”	Pursuant to the Equity Transfer Agreement, the Company intends to acquire 35.79% equity interest in Gas Compressor Company held by Agriculture Development Fund
“Acquisition Consideration”	The consideration in the amount of RMB67,000,000 payable by the Company to Agriculture Development Fund for the Acquisition
“Agriculture Development Fund”	China’s Agriculture Development Key Construction Fund Co., Ltd.* (中國農發重點建設基金有限公司)
“Board”	the board of Directors of the Company
“Company”	Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	The Equity Transfer Agreement of Chongqing Gas Compressor Factory Co., Ltd. entered into among the Company (as the transferee), Agriculture Development Fund (as the transferor) and Gas Compressor Company (as the target company) on 23 January 2024
“Gas Compressor Company”	Chongqing Gas Compressor Factory Co., Ltd. (重慶氣體壓縮機廠有限責任公司)
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and the Taiwan region

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Domestic Shares and/or H Shares of the Company
“Shares”	the domestic shares and foreign shares or the H shares
“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.\***  
**Zhang Fulun**  
*Executive Director and Chairman*

Chongqing, the PRC

23 January 2024

*As at the date of this announcement, the executive Directors are Mr. Zhang Fulun, Mr. Yue Xiangjun and Mr. Yang Quan; the non-executive Directors are Mr. Fu Yihong, Ms. Zhu Ying, Mr. Dou Bo and Mr. Cai Zhibin; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.*