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**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)

**ANNOUNCEMENT**

The announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

The Board is pleased to announce that the Company has entered into an acquisition agreement on 10 March 2010 whereby PTG agreed to sell and the Company agreed to purchase the entire shares capital of the following companies:

1. Holroyd Precision Limited
2. Precision Components Limited
3. PTG Heavy Industries Limited
4. Milnrow Investments Limited
5. PTG Advanced Developments Limited
6. PTG Deutschland GmbH

## **THE AGREEMENT**

Date: 10 March 2010

Parties:

1. the Company as the Purchaser;
2. PTG as the Seller; and
3. Adrian de Ferranti, Mark Franckel, Alok Oberoi and Daniel Pasini as guarantor.

Consideration: £20,000,000 in cash

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the parties to the Agreement and their ultimate beneficial owners are independent third parties of the Company and its Connected Persons and are not Connected Persons of the Group.

## **ACQUIRED COMPANIES**

PTG is the sole shareholder of each of the Acquired Companies. The Acquired Companies are principally engaged in screw processing and the design, production and sales of screw machine tools, large-scale machine tools and grinding machines.

After completion of the acquisition, the Acquired Companies will be the wholly-owned subsidiary of the Company. Its results will be consolidated into the accounts of the Group from the date of acquisition.

## **CONSIDERATION AND SETTLEMENT**

Pursuant to the Agreement, the Company, after arm's length negotiation, agreed to acquire the entire shares capital of the Acquired Companies at a total consideration of £20,000,000 in cash.

## **CONDITIONS FOR COMPLETION**

The Agreement will proceed with completion upon the fulfillment of the following conditions precedent:

1. approval of the purchase of the Transaction being obtained from the government of the PRC in terms reasonably satisfactory to the Company, including (without limitation) no imposition on the parties of any obligation not contemplated by the Agreement, or the amendment of any of its terms or of the memorandum or articles of association of any of companies; and
2. the escrow account having been duly established in the joint names of the solicitors for the Company and the solicitors for PTG.

## **REASONS FOR AND BENEFIT TO PURCHASE THE ACQUIRED COMPANIES**

The Group is principally engaged in manufacturing and sales of commercial vehicle parts and components, general machinery, CNC machine tools and power equipment. The acquisition of the Acquired Companies is a strategic move of the Company. The completion of the Transaction will help to improve the technical know-how of the Company, reinforce the capability of technical development of relevant enterprises of the Company, expand its business scale and enhance its profile.

The terms of the Agreement are negotiated after arm's length negotiation. The Board (including the independent non-executive directors) of the Company considers that the Transaction was entered into on normal commercial terms such that the terms thereof are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

## DEFINITIONS

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

“Acquired Companies”	means (1) Holroyd Precision Limited; (2) Precision Components Limited; (3) PTG Heavy Industries Limited; (4) Milnrow Investments Limited; (5) PTG Advanced Developments Limited; and (6) PTG Deutschland GmbH;
“Agreement”	means the agreement for the acquisition of entire share capital in the Acquired Companies;
“Board”	means the board of Directors of the Company;
“Company”	means 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 Main Board of the Stock Exchange;
“Connected Person(s)”	means having the meaning ascribed thereto in the Listing Rules;
“Director(s)”	means the director(s) of the Company;
“Group”	means the Company and its subsidiaries;
“Holroyd Precision Limited”	means Holroyd Precision Limited, a limited company incorporated under the laws of England and Wales on 12 June 2006, its sole shareholder is PTG;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;

“Main Board”	means the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
“Milnrow Investments Limited”	means Milnrow Investments Limited, a limited company incorporated under the laws of England and Wales on 29 November 2006, its sole shareholder is PTG;
“PRC”	means the People’s Republic of China, which, unless otherwise stated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“PTG”	means Precision Technologies Group Ltd, a limited company incorporated under the laws of England and Wales on 13 June 2006;
“Precision Components Limited”	means Precision Components Limited, a limited company incorporated under the laws of England and Wales on 2 June 2007, its sole shareholder is PTG;
“PTG Advanced Developments Limited”	means PTG Advanced Developments Limited, a limited company incorporated under the laws of England and Wales on 4 April 2008, its sole shareholder is PTG;
“PTG Deutschland GmbH”	means PTG Deutschland GmbH, a limited company incorporated under the laws of Germany on 15 May 2009, its sole shareholder is PTG;
“PTG Heavy Industries Limited”	means PTG Heavy Industries Limited, a limited company incorporated under the laws of England and Wales on 16 May 2008, its sole shareholder is PTG;
“RMB”	means Renminbi, the legal currency of the PRC;
“Share(s)”	means the ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, comprising the domestic shares and the H shares;
“Shareholder(s)”	means holder(s) of Shares;

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Transaction”	means the acquisition of the entire share capital of the Acquired Companies from PTG;
“UK”	means United Kingdom; and
“£”	means the lawful currency of UK.

By Order of the Board  
**Chongqing Machinery & Electric Co., Ltd.\***  
**Xie Hua Jun**  
*Executive Director, Chairman*

Chongqing, the PRC  
10 March 2010

*As at the date of this announcement, the executive Directors are Mr. Xie Hua Jun, Mr. He Yong, Mr. Liao Shaohua and Mr. Chen Xianzheng; the non-executive Directors are Mr. Huang Yong, Mr. Yu Gang, Mr. Yang Jingpu and Mr. Wu Jian; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang and Mr. Kong Weiliang.*

\* *For identification purposes only*