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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)

**(1) ELECTION OF AN EXECUTIVE DIRECTOR;
(2) ABSORPTION AND MERGER OF TWO SUBSIDIARIES; AND
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

This announcement is made by Chongqing Machinery & Electric Co., Ltd.* (the “**Company**”) pursuant to Rule 13.51(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

1. ELECTION OF AN EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 20 June 2024, the Company received a resignation letter from Mr. Yang Quan, an executive director. Due to attainment of the statutory retirement age, he has applied to resign from the positions as an executive director of the sixth session of the board of directors and a member of the strategic committee of the Company. As the resignation of Mr. Yang Quan would neither lead to the number of members of the sixth session of the board of directors of the Company falling below the requirement of the statutory minimum number of members, nor affect the normal operation of the board of directors (“**Director(s)**”) of the Company (“**Board**”), the resignation of Mr. Yang Quan shall take immediate effect upon the delivery of his resignation letter to the Board. Mr. Yang Quan has confirmed that he has no disagreement with the Board of the Company and there are no other matters in relation to his resignation that need to be brought to the attention of the shareholders of the Company (“**Shareholders**”) and The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The Board would like to express its sincere gratitude to Mr. Yang Quan for his contributions to the Company during his tenure.

As nominated by Chongqing Machinery & Electronics Holding (Group) Co., Ltd* (重慶機電控股(集團)公司), the controlling Shareholder of the Company, the Company proposed to elect Mr. Qin Shaobo as an executive Director to fill in the vacancy upon Mr. Yang Quan's resignation. The election of Mr. Qin Shaobo as an executive Director of the Company is subject to the approval at the forthcoming extraordinary general meeting of the Company ("EGM" or "**Extraordinary General Meeting**"). The detailed biography of Mr. Qin Shaobo is as follows:

Mr. Qin Shaobo (秦少波), aged 56, is a vice general manager and the member of the Party Committee of the Company. Mr. Qin is a senior engineer. He has served as a vice general manager of the Company since June 2018 until now. He served as a vice chairman of Knorr-Bremse Systems for Commercial Vehicles (Chongqing) Ltd.* since July 2024 until now; a director of Chongqing CAFF Automotive Braking & Steering System Co., Ltd.* since March 2023 until now and a director of several companies including Chongqing Gas Compressor Factory Co., Ltd.*, Chongqing Water Turbine Works Co., Ltd.*, and Chongqing Cummins Engine Co., Ltd.* since November 2022 until now. He served as the chairman of Chongqing Industry Empower Innovation Center Co., Ltd.* from July 2020 to November 2022, and has served as a director of Chongqing Machine Tools (Group) Co., Ltd.* since August 2018 until now. He also served as the standing committee member and deputy secretary of the Chengkou County Committee of Chongqing from April 2015 to June 2018; he successively served as the standing committee member, committee member of government, the director of United Front Work Department and office director of Chongqing Fengdu County Committee from August 2009 to April 2015; he successively served as the deputy chief of High-tech Development and Industrialization Division and the chief of the Education and Training Division of the Chongqing Economic Commission from February 2003 to August 2009; he successively served as the deputy director of the Development Department No. 2 of Chongqing Jianshe Industry Group of China North Industries Corporation, the executive deputy director of the National Enterprise Technology Center of China South Industries Group, the vice general manager of Shenzhen North Construction Motorcycle (Chongqing) Manufacturing Company* of China South Industries Group and the director of technical quality department of Shenzhen North Jianshe Motorcycle Co., Ltd.* of China South Industries Group from July 1997 to February 2003 (during which he studied in the College of Business Administration in Chongqing University from March 1999 to March 2002 and obtained a master's degree in business administration); he was a visiting scholar at the Department of Industrial Design of Beijing Institute of Technology from September 1996 to July 1997; he worked as a technician and engineer in Chongqing Construction Industrial (Group) Co., Ltd.* from July 1990 to September 1996.

Save as disclosed above, as at the date of this announcement, Mr. Qin Shaobo did not hold any directorship in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, nor did he hold any other positions with the Company or other members of the Company and its associates. Additionally, as at the date of this announcement, Mr. Qin Shaobo did not have any relationship with any other Directors, senior management, supervisors, substantial Shareholders or controlling Shareholder of the Company, nor did he hold any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Upon the approval of the election at the Extraordinary General Meeting, the Company will enter into a service contract with Mr. Qin Shaobo in connection with his election as an executive Director for a term commencing from the date of the Extraordinary General Meeting until the expiration of the current session of the Board. As Mr. Qin Shaobo has served as a vice general manager of the Company since June 2018, the Board will determine his remuneration according to the remuneration management system for senior management of the Company (“**Management System**”). In accordance with the Management System, the remuneration of Mr. Qin Shaobo as an executive Director and the vice general manager will be comprised of three parts, namely basic annual salary (approximately RMB360,000/year, before taxation), annual performance-related salary and tenure incentive bonus and transportation allowances. Mr. Qin Shaobo will not receive any remuneration from other positions in the Company. All the above remuneration has been included in his service contract.

Save as disclosed herein, there are currently no other matters which need to be brought to the attention of the Shareholders of the Company in respect of the election of Mr. Qin Shaobo or other information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

2. ABSORPTION AND MERGER OF TWO SUBSIDIARIES

2.1 Absorption and Merger of Chongqing Shengpu Materials Co., Ltd.* by the Company

Background and Reasons for the Absorption and Merger

According to the meeting spirit and work requirements of the Chongqing Municipal Government and the Chongqing State-owned Assets Supervision and Administration Commission on municipal key state-owned enterprises focusing on main businesses, enhancing core functions, and carrying out refinement and reorganization, and with the Company’s strategic development plan and the implementation of the “downsizing and streamlining” action, the Company intends to absorb and merge Chongqing Shengpu Materials Co., Ltd.* (“**Shengpu**”).

Feasibility of the Absorption and Merger

Shengpu is a wholly-owned subsidiary of the Company, therefore, the Company’s absorption and merger of Shengpu is appropriate and is in line with the policy.

Parties to the Absorption and Merger

Chongqing Machinery & Electric Co., Ltd.* (absorbing party)

The Company was established in July 2007 and listed in Hong Kong in 2008. The registered address is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, with a registered capital of RMB3.685 billion and 55 enterprises at all levels currently. Its main businesses include the three segments of clean energy equipment, high-end intelligent equipment, and industrial services.

According to the annual audited report of the Company, the Company's total assets, total liabilities, owners' equity, operating revenue and total profit amounted to RMB17.486 billion, RMB9.246 billion, RMB8.24 billion, RMB8.059 billion, and RMB388 million as of 31 December 2023, respectively.

Shengpu (absorbed party)

(1) Basic information

Shengpu was established in July 1993 as a wholly-owned subsidiary of the Company. The registered address is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, with a registered capital of RMB21.405 million and 16 registered employees currently. As the centralized procurement platform for bulk materials of the Company, Shengpu primarily undertakes the following functions: firstly, centralized procurement of bulk materials for the subsidiaries of the Company; secondly, provision of comprehensive agency and consignment services for the subsidiaries of the Company; thirdly, disposal of obsolete materials and idle equipment for the subsidiaries of the Company; fourthly, entrusted management of properties held by the Company.

(2) Information on the assets and liabilities

Unit: RMB'0000

Financial Indicators	2021	2022	2023
Total assets	10,255.29	8,956.83	4,211.09
Net assets	-21,793.37	-21,747.36	-21,709.03
Gearing ratio	313%	343%	623%
Operating revenue	4,735	1,688.99	694.64
Total profit	-11,022	46.01	38.28
Net profit	-11,022	46.01	38.33

Work Plan of the Absorption and Merger

The Company will absorb and merge Shengpu, and establish a branch to undertake subsequent business by adopting an independent auditing. The original business scope of Shengpu will be correspondingly expanded to the Company. Upon completion of the absorption and merger, the assets, debt, and liabilities of Shengpu will be assumed by the Company. Before the cancellation of industry and commerce registration, the deregistration of tax, bank accounts and others shall be completed.

2.2 Absorption and Merger of Chongqing Industry Empower Innovation Center Co., Ltd.* by the Company

Background and Reasons for the Absorption and Merger

According to the meeting spirit and work requirements of the Chongqing Municipal Government and the Chongqing State-owned Assets Supervision and Administration Commission on municipal key state-owned enterprises focusing on main businesses, enhancing core functions, and carrying out refinement and reorganization, and with the Company's strategic development plan and the implementation of the "downsizing and streamlining" action, the Company intends to absorb and merge Chongqing Industry Empower Innovation Center Co., Ltd.* ("**Empower Center**").

Feasibility of the Absorption and Merger

Empower Center is a wholly-owned subsidiary of the Company, therefore, the Company's absorption and merger of Empower Center is appropriate and is in line with the policy.

Parties to the Absorption and Merger

Chongqing Machinery & Electric Co., Ltd.* (absorbing party)

The Company was established in July 2007 and listed in Hong Kong in 2008. The registered address is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, with a registered capital of RMB3.685 billion and 55 enterprises at all levels currently. Its main businesses include the three segments of clean energy equipment, high-end intelligent equipment, and industrial services.

According to the annual audited report of the Company, the Company's total assets, total liabilities, owners' equity, operating revenue and total profit amounted to RMB17.486 billion, RMB9.246 billion, RMB8.24 billion, RMB8.059 billion, and RMB388 million as of 31 December 2023, respectively.

Empower Center (absorbed party)

(1) Basic information

Empower Center was established in October 2011 as a wholly-owned subsidiary of the Company, with a registered capital of RMB30 million. It mainly engaged in consulting and planning services, enterprise digital transformation system integration, and Chongqing machinery & electric industrial internet platform and other businesses.

(2) Information on the assets and liabilities

As of 31 December 2023, the total assets, total liabilities and owners' equity of Empower Center amounted to RMB81.98 million, RMB55.12 million, and RMB26.86 million, respectively, and its gearing ratio was 67%. The main indicators within the latest three years are as follows.

Unit: RMB'0000

Financial Indicators	2021	2022	2023
Total assets	5,174	9,338	8,198
Net assets	2,637	2,659	2,686
Gearing ratio	49%	72%	67%
Total operating revenue	1,743	1,493	2,331
Total profit	17.65	21.27	26.23
Net profit	17.65	21.27	26.55

Condition Precedent of the Absorption and Merger

Empower Center is currently involved in a litigation concerning accounts receivable and is in settlement negotiations. The Company has decided to proceed with an absorption and merger of Empower Center after it signs the settlement agreement. If Empower Center fails to sign the settlement agreement or its assets are insufficient to cover the litigious debts, the Company will consider proceeding with winding up liquidation against it.

Work Plan of the Absorption and Merger

The Company will conduct an absorption and merger of Empower Center. After the absorption and merger, Empower Center will be deregistered, its business will be undertaken by Shengpu branch and the assets, debt, and liabilities of Empower Center will be assumed by the Company. Before the cancellation of industry and commerce registration, the deregistration of tax, bank accounts and others shall be completed.

3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the spirit and principles of relevant laws and regulations, and with the Company's strategic development plan and the implementation of the "downsizing and streamlining" action, the Company proposes to make the following amendments to the Articles of Association, details of which are as follows:

- 3.1 In order to promote the development of the Company's clean energy industry, the original Article 12 "Scope of Business" of the Articles of Association is proposed to be added as follows: **Licensed items: power generation business, transmission business, power supply (distribution) business; installation, maintenance and testing of power transmission, power supply, and receiving power facilities (Items that shall be approved according to law may only be operated upon approval of relevant authorities, and the specific operational items shall be subject to the approval documents or licenses from relevant authorities). General items: power generation technology services; wind power generation technology services; solar power generation technology services; energy storage technology services; and electrical installation services.**
- 3.2 The Company proceeds with an absorption and merger of Empower Center after the risks of litigation cases involving Empower Center are resolved through signing settlement agreements and other means, and the original Article 12 "Scope of Business" of the Articles of Association is added as follows: **technical services, technology development, technology consulting, technology exchange, technology transfers, technology promotion, software development, software sales, information system integration services, cloud computing equipment technology services, information system operation and maintenance services, computer system services, intelligent control system integration, artificial intelligence public service platform technology consulting services, IoT technology services, IoT application services, Internet security services, artificial intelligence industry application system integration services, blockchain technology-related software and services, data processing and storage support services, rental of computer and communication equipment, sales of digital video surveillance system, sales of industrial control computer and system, manufacturing of mechanical and electrical equipment, sales of mechanical and electrical equipment, professional repair of communication transmission equipment, installation services for general machinery and equipment, manufacturing of computer hardware and software and peripheral equipment, wholesale of computer hardware and software and auxiliary equipment, sci-tech intermediate services (except for items subject to approval by law, with a business license to carry out business activities independently in accordance with the law).**

- 3.3 After absorption and merger of Shengpu, the original Article 12 “Scope of Business” of the Articles of Association is proposed to be added by the Company as follows: **import and export of goods and technology; the businesses of online data processing and transaction processing (operational e-commerce). (Items that shall be approved according to law may only be operated upon approval of relevant authorities, and the specific operational items shall be subject to the approval documents or licenses from relevant authorities) General items: supply chain management services; data processing services; software development; sale of software; information system integration services; information system operation and maintenance services; information technology consulting services; sales of Internet (excluding the sales of goods requiring licenses); technical service, technology development, technology consulting, technology exchanges, technology transfers, technology promotion; rental of non– residential real estate; property management; conference and exhibition services; sales of machine tool functional components and accessories; sales of general merchandise; sales of labor protection products; wholesale of hardware products; sales of metal materials; sales of household appliances; sales of electrical equipment; wholesale of computer software and hardware and auxiliary equipment; wholesale of motorcycles and spare parts; wholesale of stationery; sales of machinery parts and spare parts; sales of machinery equipment; wholesale of electronic components; sales of electrical equipment; sale of petroleum products (excluding hazardous chemicals); sales of coal and products; wholesale of refined oil (excluding hazardous chemicals); recycling of renewable resources (excluding productive scrap metals); recycling of productive scrap metals (except for items subject to approval by law, with a business license to carry out business activities independently in accordance with the law).**
- 3.4 China Huarong Asset Management Co., Ltd.*, one of the promoters of the Company, has been renamed, and “The Company’s Promoters” of Article 1 of the Articles of Association is amended as **“The Company’s promoters are: Chongqing Machinery & Electronics Holding (Group) Co., Ltd., Chongqing Yufu Capital Operation Group Co., Ltd., Chongqing Construction Engineering Group Corporation Limited and China CITIC Financial Asset Management Co., Ltd.”**

The proposed amendments to the Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the EGM.

A circular containing, among other things, particulars in relation to (1) election of an executive Director; (2) absorption and merger of two subsidiaries; and (3) proposed amendments to the Articles of Association, together with a notice convening the EGM, will be despatched by the Company to the Shareholders of the Company on 8 November 2024.

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*

Yue Xiangjun
Executive Director and General Manager
(performing duties and powers of the chairman of the Board)

Chongqing, the PRC
8 November 2024

As at the date of the announcement, the executive Director is Mr. Yue Xiangjun; 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. Liu Wei and Mr. Ke Rui.

* *For identification purposes only*