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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 TARGET EQUITY**

**EQUITY TRANSFER AGREEMENT**

On 29 November 2024, CQGI Group (a wholly-owned subsidiary of the Company) and the Asset Company (a wholly-owned subsidiary of the Controlling Shareholder of the Company) entered into the Equity Transfer Agreement, pursuant to which CQGI Group agreed to acquire and the Asset Company agreed to sell the Target Equity held by it at a consideration of approximately RMB9,955,600.

**LISTING RULES IMPLICATIONS**

As of the date of this announcement, CQGI Group holds 40% equity interest in the Target Company, which is a subsidiary of the Company, whereas the Asset Company directly holds approximately 33.33% equity interest in the Target Company and is the substantial shareholder of the Target Company. Meanwhile, CQGI Group is a wholly-owned subsidiary of the Company, and the Asset Company is a wholly-owned subsidiary of the Controlling Shareholder of the Company. Accordingly, all parties under the Equity Transfer Agreement are connected persons of the Company. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules exceed 0.1% but each of the applicable percentage ratio is less than 5%, the Acquisition under the Equity Transfer Agreement is subject to the annual review, reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

None of the Directors has a material interest in the Acquisition and none of them is required to abstain from voting on the relevant Board resolution to approve the Acquisition.

## **EQUITY TRANSFER AGREEMENT**

On 29 November 2024, CQGI Group (a wholly-owned subsidiary of the Company) and the Asset Company (a wholly-owned subsidiary of the Controlling Shareholder of the Company) entered into the Equity Transfer Agreement, pursuant to which CQGI Group agreed to acquire and the Asset Company agreed to sell approximately 33.33% equity interest of the Target Company held by it at a consideration of RMB9,955,600.

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

### **DATE OF ENTERING INTO THE AGREEMENT**

29 November 2024

### **PARTIES OF THE AGREEMENT**

1. CQGI Group (as the transferee); and
2. the Asset Company (as the transferor)

### **THE ACQUISITION**

Pursuant to the Equity Transfer Agreement, the Asset Company (as the transferor) agreed to sell and CQGI Group (as the transferee) agreed to acquire the 33.33% equity interest in the Target Company held by the Asset Company. Upon completion of the Acquisition, CQGI Group's shareholding percentage in the Target Company will increase from 40% to 73.33%.

### **ACQUISITION CONSIDERATION**

Pursuant to the Equity Transfer Agreement, the Acquisition Consideration for the Target Equity is RMB9,955,600, which was determined after arm's length negotiation between CQGI Group and the Asset Company with reference to the valuation report issued by the independent valuer, Chongqing Boma Real Estate Land Asset Valuation Co., Ltd.\* (重慶鉑碼房地產土地資產評估有限公司) as at the Valuation Benchmark Date, and the shareholding percentage of the Asset Company in the Target Company. The final Acquisition Consideration is subject to the filing record of the state-owned assets management authority.

In accordance with the valuation report by Chongqing Boma Real Estate Land Asset Valuation Co., Ltd.\* (重慶鉑碼房地產土地資產評估有限公司), the asset-based approach is mainly used for enterprise valuation:

The asset-based approach determines the value of the Target Company by reasonably evaluating its value of assets and liabilities based on its balance sheet as at the Benchmark Date. As the assets and liabilities on the balance sheet of the Target Company on the Valuation Benchmark Date can be identified and assessed separately by using appropriate assessment methods, and the Target Company does not have any assets and liabilities which have a significant impact on the valuation conclusion and are difficult to be identified and assessed, the asset-based approach is therefore used for this valuation.

Chongqing Boma Real Estate Land Asset Valuation Co., Ltd.\* (重慶鉅碼房地產土地資產評估有限公司) has conducted a valuation on the market value of the entire equity interest of the shareholders of the Target Company as at the Valuation Benchmark Date using the asset-based approach. The appraised net asset value is approximately RMB29,869,800. Based on such appraised value, the consideration of the Acquisition was determined after calculating the corresponding appraised value of the Target Equity.

The main assumptions made in the valuation include the following: (i) the Target Equity can be publicly traded in the market; (ii) the Target Equity is already in the process of a transaction; and (iii) there is no material change in all other factors and circumstances, etc..

Having reviewed the relevant pricing basis, the Directors (including the independent non-executive Directors) are of the view that the Acquisition Consideration is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **AGREEMENT EFFECTIVE DATE**

The Equity Transfer Agreement has been approved by the Board on 29 November 2024 and was entered into by CQGI Group and the Asset Company on 29 November 2024 and became effective on the same day.

## **COMPLETION AND PAYMENT OF THE ACQUISITION CONSIDERATION**

Completion of the Acquisition will take place by 31 December 2024. CQGI Group shall pay the Acquisition Consideration for the Target Equity to the Asset Company within one year after the Equity Transfer Agreement takes effect.

Upon completion of the Acquisition, the Target Company will remain a subsidiary of the Company, and its financial results shall continue to be consolidated into the financial statements of the Company. CQGI Group is entitled to and assumes the assets, claims, and liabilities of the Target Company, while the Asset Company will no longer hold any equity interest in the Target Company.

## INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a joint stock company incorporated in China with limited liability in July 2016. As at the date of this announcement, its registered capital is RMB30,000,000. It is primarily engaged in the business of dynamic balance testing of large high-end equipment, research and development, manufacturing of dynamic balancing machinery equipment, equipment technology transformation, and repair and maintenance services, etc..

The audited financial information of the Target Company for the three financial years ended 31 December 2023 prepared in accordance with the China Accounting Standards for Business Enterprises is set out below:

*Unit: RMB'0,000*

Item	2021	2022	2023
Total assets	3,793.5	3,607.8	3,721.9
Net assets	2,917.3	2,930.5	2,945.1
Gearing ratio	23.1%	18.8%	20.9%
Total operating revenue	546.8	1,191.4	672.7
Total profit	2.8	12.8	14.3
Net profit	3.7	13.3	14.6

As of 30 September 2024, the total assets of the Target Company amounted to RMB37,380,000, the owner's equity amounted to RMB29,920,000, and the gearing ratio was 19.95%. From January to September 2024, the operating revenue was RMB5,628,500, the total profit was RMB489,000, and the net profit was RMB469,100.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

To implement the strategic adjustment of the Chongqing Municipal Government and the Chongqing State-owned Assets Supervision and Administration Commission regarding the state-owned enterprises focusing on the main businesses, enhancing core functions, and optimizing integration (including the number of enterprises), and in accordance with the Group's operation development plan, upon negotiation between the parties, CQGI Group agreed to acquire and the Asset Company agreed to sell 33.33% equity interest of the Target Company held by it at a consideration of RMB9,955,600.

## FINANCIAL IMPACT OF THE ACQUISITION

The Group does not expect to record any gains or losses from the Acquisition.

## **INFORMATION ABOUT CQGI GROUP AND THE ASSET COMPANY**

CQGI Group was established in April 1997 and is a wholly-owned subsidiary of the Company, with a registered capital of RMB515,090,000. It is primarily engaged in the design, manufacturing, and sales of centrifugal chiller and systems, plate and tube evaporative cooling air conditioning units, centrifugal compressors, blowers, centrifugal ventilator, complete set of environmental protection equipment and engineering.

The Asset Company was established in 2008 and is a wholly-owned subsidiary of the Controlling Shareholder of the Company, with a registered capital of RMB50,000,000. It is primarily engaged in investment business (excluding financial business) and related asset operation, asset management, self-owned property leasing, and general machinery equipment leasing.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, CQGI Group holds 40% equity interest in the Target Company, which is a subsidiary of the Company, whereas the Asset Company directly holds approximately 33.33% equity interest in the Target Company and is the substantial shareholder of the Target Company. Meanwhile, CQGI Group is a wholly-owned subsidiary of the Company, and the Asset Company is a wholly-owned subsidiary of the Controlling Shareholder of the Company. Accordingly, all parties under the Equity Transfer Agreement are connected persons of the Company. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules exceed 0.1% but each of the applicable percentage ratio is less than 5%, the Acquisition under the Equity Transfer Agreement is subject to the annual review, reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

In view of good corporate governance practices, Mr. Fu Yihong, the Director who is of the deputy minister of the strategic planning department of the Controlling Shareholder, is deemed to have a material interest in the Acquisition and has abstained from voting on the relevant Board resolution to approve the Acquisition. Saved as disclosed above, none of the other Directors has a material interest in the Acquisition and none of the other Directors is required to abstain from voting on the relevant Board resolution to approve the Acquisition.

## **BOARD'S APPROVAL AND OPINIONS**

The Equity Transfer Agreement and the Acquisition thereunder have been unanimously approved by all Directors. None of any Directors has a material interest in the Equity Transfer Agreement and the Acquisition thereunder or is required to abstain from voting on the above resolution. The Board (including the independent non-executive Directors) is of the view that:

- (1) The terms set out in the Equity Transfer Agreement and the Acquisition thereunder are fair and reasonable. The Acquisition is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and is 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, CQGI Group intends to acquire 33.33% equity interest in the Target Company held by the Asset Company
“Acquisition Consideration”	the consideration in the amount of RMB9,955,600 payable by the CQGI Group to the Asset Company in respect of the Acquisition
“Asset Company”	CQMEHG Asset Management Co., Ltd.* (重慶機電控股集團資產管理有限公司)
“associates”	has the meaning ascribed to it under the Listing Rules
“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
“Controlling Shareholder”	Chongqing Machinery & Electronics Holding (Group) Co., Ltd.* (重慶機電控股(集團)公司), the Controlling Shareholder holding 52.22% equity interest of the Company as at the date of this announcement
“CQGI Group”	Chongqing General Industry (Group) Co., Ltd.

“Group”	the Company and its subsidiaries
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between CQGI Group (as the transferee) and the Asset Company (as the transferor) on 29 November 2024 in respect of the Acquisition
“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”	the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Domestic Shares and/or H Shares of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“Shares”	the Domestic Shares and foreign shares or the H Shares
“Shareholder(s)”	holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, and “subsidiary(ies)” means any one of them
“Target Company”	Chongqing Zhongtong Touping Technology Co., Ltd.* (重慶重通透平技術股份有限公司)
“Target Equity”	33.33% equity interest in the Target Company to be acquired by CQGI Group under the Equity Transfer Agreement

“Valuation Benchmark Date” 30 September 2024, being the benchmark date for the valuation of the market value of the entire equity interest of the shareholders of the Target Company

“%” per cent

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  
29 November 2024

*As at the date of the announcement, the executive Directors are Mr. Yue Xiangjun and Mr. Qin Shaobo; 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*