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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  
CAPITAL INCREASE AGREEMENT**

**CAPITAL INCREASE AGREEMENT**

On 22 May 2026, Parent Company, the Company, Target Company (a non-wholly-owned subsidiary of the Company), Chongqing General Industry and Xizang Xuhuo entered into the Capital Increase Agreement, pursuant to which the Parent Company agreed to make a capital contribution for a consideration of RMB270 million at a price of RMB1.1929 per share payable in cash in the Target Company, of which RMB226.34 million is used as the newly increased registered capital of the Target Company, and RMB43.66 million is used as the capital reserve of the Target Company. Upon completion of the Capital Increase, the Parent Company, the Company, Chongqing General Industry and Xizang Xuhuo will hold 20.2297%, 51.3733%, 27.1363%, and 1.2607% of equity interests in the Target Company, respectively.

Immediately prior to the Capital Increase, the Company holds 64.40% directly and 34.02% indirectly through Chongqing General Industry of equity interests in the Target Company, representing an aggregate shareholding of 98.42% approximately. Upon completion of the Capital Increase, the Company holds 51.3733% directly and 27.1363% indirectly through Chongqing General Industry of equity interests in the Target Company, representing an aggregate shareholding of 78.5096% approximately. Accordingly, the Target Company will continue to be controlling subsidiary of the Company and will be included in the consolidated financial statements of the Company.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Discloseable Transaction**

Each of the Company, Chongqing General Industry and Xizang Xuhuo has waived its pre-emptive right to subscribe for the Capital Increase in respect of the Target Company on a pro-rata basis. Upon completion of the Capital Increase, the Company's respective equity interests in Target Company directly and indirectly will be reduced from 98.42% to 78.5096%. Therefore, the Capital Increase constitutes a deemed disposal of the Company according to Rule 14.29 under Chapter 14 of the Hong Kong Listing Rules.

Based on the Capital Increase of RMB270 million and the 2025 audited financial data of the Target Company as the calculation basis, the highest applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules exceed 5%. Therefore, the Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **Connected Transaction**

As of the date of this announcement, the Parent Company is the direct Controlling Shareholder of the Company, whereas Target Company is a direct non-wholly-owned subsidiary of the Company, and the Chongqing General Industry, holding 34.02% equity interest of the Target Company, is also a wholly-owned subsidiary of the Company. Parent Company, the Target Company and Chongqing General Industry, being parties under the Capital Increase Agreement are therefore connected persons of the Company. Accordingly, the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules exceed 5%, the Capital Increase constitutes connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules.

## **GENERAL INFORMATION**

The Independent Board Committee comprising all independent non-executive Directors has been formed in accordance with the Listing Rules to consider as to whether Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal), are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and advise the Independent Shareholders in this regards. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) are fair and reasonable, on normal commercial terms or better, and conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and make recommendations as to voting.

As time is needed to finalize the contents of the circular which contains, among other things, further information on the Capital Increase Agreement, a letter of advice from the Independent Board Committee, a letter of recommendation from the Independent Financial Adviser and a notice of the general meeting of the shareholders, the circular is expected to be dispatched to the Shareholders on 4 June 2026.

Given the sound corporate governance practices, Mr. Yue Xiangjun (an executive Director of the Company) is also currently a director of the Target Company and the Chongqing General Industry, and he is deemed to have material interests in the Capital Increase, and has abstained from voting on the relevant Board resolution to approve the Capital Increase. Save as disclosed above, none of the other Directors has any material interest in the Capital Increase, and none of them is required to abstain from voting on the relevant resolution passed by the Board to approve the Capital Increase.

## **CAPITAL INCREASE AGREEMENT**

On 22 May 2026, Parent Company, the Company, Target Company (a non-wholly-owned subsidiary of the Company), Chongqing General Industry and Xizang Xuhuo entered into the Capital Increase Agreement.

The principal terms of the Capital Increase Agreement are summarised as follows:

## **DATE OF ENTERING INTO CAPITAL INCREASE AGREEMENT**

22 May 2026

## **PARTIES OF CAPITAL INCREASE AGREEMENT**

1. Parent Company;
2. the Company;
3. Target Company;
4. Chongqing General Industry; and
5. Xizang Xuhuo.

## **THE CAPITAL INCREASE**

Pursuant to the Capital Increase Agreement, the Parent Company agreed to make a capital contribution for a consideration of RMB270 million at a price of RMB1.1929 per share payable in cash in the Target Company, of which RMB226.34 million is used as the newly increased registered capital of the Target Company, and RMB43.66 million is used as the capital reserve of the Target Company.

Meanwhile, the Company, Chongqing General Industry and Xizang Xuhuo, each of the original shareholders of the Target Company, has waived its pre-emptive right to subscribe for the Capital Increase in respect of the Target Company on a pro-rata basis.

Immediately prior to the Capital Increase, the Company holds 64.40% directly and 34.02% indirectly through Chongqing General Industry of equity interests in the Target Company, representing an aggregate shareholding of 98.42% approximately. Upon completion of the Capital Increase, Parent Company, the Company, Chongqing General Industry and Xizang Xuhuo will hold 20.2297%, 51.3733%, 27.1363%, and 1.2607% of equity interests in the Target Company, respectively, whereas the Company holds 51.3733% directly and 27.1363% indirectly through Chongqing General Industry of equity interests in the Target Company, representing an aggregate shareholding of 78.5096% approximately. Accordingly, the Target Company will continue to be controlling subsidiary of the Company and will be included in the consolidated financial statements of the Company, despite the Company's respective equity interests in Target Company directly and indirectly will be reduced from 98.42% to 78.5096%.

## **CONSIDERATION**

Pursuant to the Capital Increase Agreement, the Consideration for the Target Equity is RMB270 million, which was determined after arm's length negotiation between parties to the agreement with reference to (i) the appraised value of the Target Company as assessed by the Independent Valuer set out in the Valuation Report as at the Valuation Benchmark Date (being RMB1,064.6579 million); (ii) the final share price of RMB1.1929 per share, multiplied by 226,339,173 shares to be subscribed, results in the total consideration of the Capital Increase; and (iii) appropriate rounding adjustments. The Consideration is ultimately determined on the basis of the appraised value of the entire equity interest of the Target Company and shall be subject to the appraised value filed for record by the Parent Company.

The Valuation Report adopted the asset-based approach after comparing common valuation methods, including the asset-based approach, income approach, and market approach, for the following reasons:

- (1) the income approach determines value by capitalizing or discounting the expected returns of the subject asset. However, given that the subject asset belong to the wind power generation industry, and considering that the development of wind power is affected by multiple factors such as policy cycles, cost fluctuations, and technological iterations, historical financial data cannot serve as a reliable basis for forecasting future returns. As a result, the income projections are subject to significant uncertainty, and the income approach is therefore not an appropriate valuation method;
- (2) the market approach determines the value of the subject asset by comparing it with enterprises of the same type, operating on a similar scale and possessing comparable profitability with the same or similar market value. However, given that PRC's multi-tier capital market system is still in the process of cultivation and improvement, the value multiples under the market approach are significantly affected by fluctuations in the share prices of comparable listed companies, the market approach is not the most appropriate method; and
- (3) the asset-based approach determines the current value of the subject asset by assessing the Company's assets (including off-balance-sheet assets) and liabilities using appropriate valuation methods, based on the relevant price levels and depreciation rates as of the Valuation Benchmark Date. Given that full consideration has been given to the contribution of each asset and liability to the overall equity value attributable to shareholders, and that information collected externally is sufficient for the asset-based approach to have a comprehensive verification and valuation of the assets and liabilities of the entity to be assessed, the asset-based approach, compared to market approach, the asset-based approach is considered by the Independent Valuer to be the most appropriate valuation method.

An extract of the Target Company's Valuation Report, containing the key assumptions, input parameters and calculation methodology of the valuation, will be set out in Appendix to the circular to be despatched, so as to avoid causing any confusion to Shareholders.

The Independent Valuer 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, and the book value of net assets is RMB839.9058 million while the appraised value of the entire shareholders' equity interest is RMB1,064.6579 million, representing an appreciation of RMB224.7521 million and an appreciation rate of 26.76%. Based on such appraised value, the consideration of the Capital Increase 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 Interest is assumed to be in a transaction process, and the Independent Valuer has estimated its value by simulating market conditions based on the transaction terms of the Target Equity Interest; (ii) the Target Equity Interest, whether already on the market or intended to be transacted, is presumed to be traded between parties of equal standing, with both sides having sufficient access to market information and time, and acting voluntarily and rationally to assess the Target Equity's function, utility, and transaction price; (iii) the Target Equity will continue to be used in its current manner and for its existing purpose; (iv) the Target Company, as an operating entity, continues to maintain its existing business management model and management goal for ongoing operations; and (v) there is no material change in all other factors and circumstances, etc..

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

## **CONDITIONS PRECEDENT**

All parties to the Capital Increase Agreements unanimously agree that the Parent Company's capital contribution shall be conditional upon the satisfaction of all of the following requirements:

1. Each party has obtained full approval and authorization for the Capital Increase from its competent authority and relevant persons, including but not limited to the Parent Company, the Target Company and the Company having obtained approval from their respective general meetings of the shareholders or boards of directors; and
2. The Company, Chongqing General Industry and Xizang Xuhuo have each provided resolutions to the Target Company waiving their pre-emptive rights to subscribe for the Capital Increase.

## **EFFECTIVENESS OF THE CAPITAL INCREASE AGREEMENT**

The Capital Increase Agreement shall take effect and remain valid from the date on which all of the following conditions have been satisfied (with reference to the date on which the last condition is fulfilled):

1. The Capital Increase Agreement has been signed by the legal representatives or duly authorized representatives of all parties and affixed with the company chop or contract seal; and
2. All of the conditions stipulated under the section 'Conditions Precedent' above have been satisfied, and that each party having obtained all necessary consents, approvals and authorizations in respect of the Capital Increase from its competent authority, relevant persons and the relevant regulatory authorities.

## COMPLETION AND PAYMENT OF THE CONSIDERATION

Upon satisfaction of all the conditions stipulated under the section “Conditions Precedent” above, the Parent Company shall, make a one-off capital contribution of RMB270 million to the Target Company. On the Completion Date, upon the completion of the industrial and commercial registration of the Capital Increase, the Capital Increase shall be deemed completed.

During the Transition Period, any newly generated profits or losses of the Target Company shall be enjoyed or borne in proportion to the shareholding ratios of all new and existing shareholders following the Capital Increase. Pursuant to the provisions of the Rules for the Operation of Enterprise State-Owned Asset Transactions\* (《企業國有資產交易操作規則》), the Consideration for the Capital Increase shall remain unchanged, and regardless of the profit or loss situation during the Transition Period, no adjustment shall be made to the Consideration, nor shall any form of price compensation or refund mechanism be established.

Upon completion of the Capital Increase, the Target Company will remain as a direct non-wholly-owned subsidiary of both the Company, and its financial results will be consolidated into the financial statements of the Company.

### Shareholding Structure

Shareholders of the Target Company	Immediately before completion of Capital Increase			Immediately after completion of the Capital Increase	
	Number of shares issued	Equity percentage (%)	Change in Equity Percentage (%)	Number of shares issued	Equity percentage (%)
The Company	574,787,736	64.40	-13.0267	574,787,736	51.3733
Chongqing General Industry	303,613,059	34.02	-6.8837	303,613,059	27.1363
Xizang Xuhuo	14,105,440	1.58	-0.3193	14,105,440	1.2607
Parent Company	—	—	+20.2297	226,339,173	20.2297
<b>Total</b>	<b>892,506,235</b>	<b>100</b>	<b>—</b>	<b>1,118,845,408</b>	<b>100</b>

*Note: The percentage figures in the above table have been rounded and adjusted. Any discrepancies between the totals and the arithmetic sum of the numbers listed are due to rounding.*

### INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC in September 2009. As of the date of this announcement, it has a registered and paid-up capital of RMB892,506,235 and is a non-wholly-owned controlling subsidiary of the Company, in which the Company holds 64.40%, Chongqing General Industry holds 34.02% and Xizang Xuhuo holds 1.58% of the Target Company’s equity interests, respectively. The Target Company is principally engaged in the research and development, manufacturing and sale of wind turbine blades, operation and maintenance services, and resource recycling and utilization.

The financial information of the Target Company for the periods indicated below is as follows:

The audited financial information of the Target Company for the two financial years ended 31 December 2025 prepared in accordance with the PRC Accounting Standards for Business Enterprises, is set out below:

<b>Item</b>	<i>Unit: million</i>	
	<b>For the financial year ended 2024 (audited)</b>	<b>For the financial year ended 2025 (audited)</b>
Total operating revenue	2,406.45	3,259.62
Total profit	44.28	63.76
Net profit	38.38	55.03

As of 31 December 2025, the total assets and net assets of the Target Company amounted respectively to approximately RMB3,288.56 million and RMB988.70 million, presented on the consolidated reporting basis.

According to the Valuation Report which used audited financial data presented on the parent company reporting basis (i.e., including only the Target Company but excluding the financial data of its subsidiaries) according to the PRC standards in relation to valuation, the net assets value of the Target Company at the Valuation Benchmark Date is RMB1,064.6579 million adopting the asset-based approach. Compared with the net assets book value of the Target Company at the Valuation Benchmark Date, which is RMB839.9058 million, the appraisal value appreciation is RMB224.7521 million with a value appreciation rate of 26.76%. The principal items contributing to the appraisal increment are long-term equity investments, intangible assets (including patented technologies and land use rights), and long-term deferred expenses, while the items contributing to the appraisal decrement are fixed assets, deferred tax assets, and non-current liabilities (deferred income).

Taking into consideration the above, including reviewing the Extract of Valuation Report and taking into account that (i) Independent Valuer has prepared the Valuation Report in accordance with the procedures, standards, laws and regulations of the PRC in relation to valuation; (ii) Independent Valuer has conducted a review of the financial data, operating data and other relevant data relating to the Target Company in order to gain a comprehensive understanding of the Target Company; and (iii) the reasons for adopting the asset-based approach in the valuation, the underlying valuation methodology and assumptions, the scope of the valuation and valuation results, the Board considered that the Consideration, is fair and reasonable and in the interest of the Company and Shareholder as a whole.

## **REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE**

The Parent Company possesses strong industry chain integration capabilities, strong brand influence, and high recognition within the sector. Following the Capital Increase, Parent Company, as a direct shareholder of Target Company, is expected to leverage its industry position to help the Target Company further expand market channels, strengthen customer trust and cooperation, fully unlock internal synergies, and comprehensively enhance the Company's core competitiveness.

During the 15th Five-Year Plan period, the Company will focus on high-end equipment, new materials, and new energy, while advancing investment and mergers and acquisitions. By not participating in the Capital Increase, the Company is able to better coordinate and optimize the allocation of funds and resources, concentrating them on key areas and acquisition opportunities that are more consistent with the 15th Five-Year Plan and the Company's strategic direction.

Upon completion of the Capital Increase, the Target Company will remain a controlling subsidiary of the Company, with its financial results continuing to be consolidated in Company's consolidated financial statements. The Capital Increase and Deemed Disposal will not affect the Company's business development or profitability. There will be no impairment of the legitimate rights and interests of the Company and its Shareholders, and these transactions (namely, Capital Increase and Deemed Disposal) align with the long-term interests of both the Company and its Shareholders.

## **FINANCIAL IMPACT OF THE CAPITAL INCREASE AND USE OF PROCEEDS**

Upon completion of the Capital Increase, the registered capital of the Target Company will be increased from RMB892.506235 million to RMB1,118.845408 million. Upon the completion of the Capital Increase, the Company's interest in the Target Company will decrease from 98.42% to 78.5096%, whereas the consolidated total assets and net assets of the Group will all be increased by RMB270 million (comprising of the increase in capital reserve of RMB43.66 million and the increase in register capital of RMB226.34 million in the Target Company). The Target Company's financial results will continue to be consolidated into the Group's financial statements.

The Group expects that it will not recognise related gain at the consolidated statement level due to the Capital Increase. The financial effect will be subject to review by the Company's auditors before it can be finalised.

The Group would not receive any proceeds from the Capital Increase.

## **Information on the Contracting Parties**

The Parent Company was established in 2000 and is the Controlling Shareholder of the Company, with a registered capital of RMB3.686 billion. It is principally engaged in sales of automobiles and component parts, electrical machinery and equipment, electronic products, construction materials, electrical supplies, electromechanical products, metallurgy, and environmental technology consulting services.

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

The Target Company is principally engaged in the research and development, manufacturing and sale of wind turbine blades, operation and maintenance services, and resource recycling and utilization.

The Chongqing General Industry is a limited liability company incorporated in the PRC, with a registered capital of RMB515.09 million. It is primarily engaged in designs, manufactures, and sells centrifugal refrigeration units and systems, plate-tube evaporative cooling air-conditioning units, centrifugal compressors, blowers, centrifugal ventilators, and other related products.

Xizang Xuhuo is a limited partnership with a registered capital of RMB30 million. It is primarily engaged in venture capital and venture capital management.

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

Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) have been approved by all Directors in the fourth extraordinary meeting of the seventh session of the Board of the Company. The Board (excluding the Independent Non-executive Directors, who will opine after considering the advice of the Independent Financial Adviser) is of the view that:

- (1) The terms set out in the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) are fair and reasonable, on normal commercial terms, and is in the interests of the Company and its Shareholders as a whole, although the Capital Increase and Deemed Disposal are not conducted in the ordinary and usual course of business of the Group;
- (2) The decision and approval procedures of the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) 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 Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) are entered into by the parties on the basis of equality and mutual benefit, and based on the principle of equal value and compensation.

Given the sound corporate governance practices, Mr. Yue Xiangjun (an executive Director of the Company) is also currently a director of the Target Company and the Chongqing General Industry, and he is deemed to have material interests in the Capital Increase, and has abstained from voting on the relevant Board resolution to approve the Capital Increase. Save as disclosed above, none of the other Directors has any material interest in the Capital Increase, and none of them is required to abstain from voting on the relevant resolution passed by the Board to approve the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal).

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Discloseable Transaction**

Each of the Company, Chongqing General Industry and Xizang Xuhuo has waived its pre-emptive right to subscribe for the Capital Increase in respect of the Target Company on a pro-rata basis. Upon completion of the Capital Increase, the Company's respective equity interests in Target Company directly and indirectly will be reduced from 98.42% to 78.5096%. Therefore, the Capital Increase constitutes a deemed disposal of the Company according to Rule 14.29 under Chapter 14 of the Hong Kong Listing Rules.

Based on the Capital Increase of RMB270 million and the 2025 audited financial data of the Target Company as the calculation basis, the highest applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules exceed 5%. Therefore, the Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **Connected Transaction**

As of the date of this announcement, the Parent Company is the direct Controlling Shareholder of the Company, whereas Target Company is a direct non-wholly-owned subsidiary of the Company, and the Chongqing General Industry, holding 34.02% equity interest of the Target Company, is also a wholly-owned subsidiary of the Company. Parent Company, the Target Company and Chongqing General Industry, being parties under the Capital Increase Agreement are therefore connected persons of the Company. Accordingly, the Capital Increase constitutes also a connected transaction of the Company under Chapter 14A of the Listing Rules.

## GENERAL INFORMATION

The Independent Board Committee comprising all independent non-executive Directors has been formed in accordance with the Listing Rules to consider as to whether Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal), are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and advise the Independent Shareholders in this regards. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) are fair and reasonable, on normal commercial terms or better, and conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and make recommendations as to voting.

As time is needed to finalize the contents of the circular which contains, among other things, further information on the Capital Increase Agreement, a letter of advice from the Independent Board Committee, a letter of recommendation from the Independent Financial Adviser and a notice of the general meeting of the shareholders, the circular is expected to be dispatched to the Shareholders on 4 June 2026.

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Capital Increase”	the capital contribution of RMB270 million by the Parent Company into the Target Company pursuant to the Capital Increase Agreement, including RMB226.34 million as newly increased registered capital of the Target Company and RMB43.66 million as capital reserve of the Target Company
“Capital Increase Agreement”	the capital increase agreement entered into by the Parent Company, the Company, Target Company, Chongqing General Industry and Xizang Xuhuo on 22 May 2026, pursuant to which the Parent Company agreed to make a capital contribution for a consideration of RMB270 million payable in cash in the Target Company, of which RMB226.34 million is used as newly increased registered capital of the Target Company and RMB43.66 million is used as capital reserve of the Target Company
“Company”	Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 02722)

“Completion Date”	the date on which the industrial and commercial registration of the Capital Increase is completed under the Capital Increase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB270 million payable by the Parent Company to the Target Company for the Capital Increase, and the above Consideration is ultimately determined on the basis of the appraised value of the entire equity interest of the Target Company and shall be subject to the appraised value filed for record by the Parent Company
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Chongqing General Industry”	Chongqing General Industry (Group) Co., Ltd.* (重慶通用工業(集團)有限責任公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company and is direct shareholder of Target Company
“Deemed Disposal”	the transaction effecting the Capital Increase which involves the Company, Chongqing General Industry and Xizang Xuhuo, each of which has waived its pre-emptive right to subscribe for the Capital Increase in respect of the Target Company on a pro-rata basis
“Director(s)”	the director(s) of the Company
“general meeting of the Shareholders”	the general meeting of the Shareholders to be held by the Company to approve, among other matters, Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board committee comprising all the Independent Non-executive Directors of the Company, which will, among others, consider and advise the Independent Shareholders on the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal)

“Independent Financial Adviser”	Messis Capital Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as an independent financial adviser and will advise the Independent Board Committee and the Independent Shareholders on the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal)
“Independent Non-executive Directors”	independent non-executive Directors of the Company
“Independent Shareholders”	shareholders of the Company other than the Controlling Shareholder and its associates
“Independent Valuer”	Pan-China (Chongqing) Assets & Real Estate Appraisal Co., Ltd* (重慶天健資產評估房地產估價有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parent Company”	Chongqing Machinery and Electronic Holding (Group) Co., Ltd.* (重慶機電控股(集團)公司), a limited liability company established in the PRC on 25 August 2000 with limited liability and owned by the Chongqing State-owned Assets Supervision and Administration Commission, being one of the promoters of the Company; and is the direct Controlling Shareholder of 61.04% of the issued share capital of the Company
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region
“RMB”	the lawful currency of the PRC
“Share(s)”	the domestic Shares and foreign Shares or H Shares of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, and subsidiary means any one of them

“Target Company”	Chongqing Chengfei New Materials Co., Ltd.* (重慶成飛新材料股份公司), a company established in the PRC with limited liability, which is a non-wholly-owned controlling subsidiary of the Company
“Target Equity”	20.2297% equity interest in the Target Company to be subscribed by the Parent Company under the Capital Increase Agreement
“Transition Period”	the period from the Valuation Benchmark Date to the Completion Date of the Capital Increase
“Valuation Benchmark Date”	31 July 2025, being the benchmark date for the valuation of the market value of the entire equity interest of the shareholders of the Target Company
“Valuation Report”	the valuation report dated 1 April 2026 prepared by the Independent Valuer in connection with the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and the Deemed Disposal) pertaining to the Target Company with 31 July 2025 as the Valuation Benchmark Date in accordance with relevant PRC laws, regulations and valuation standards
“Xizang Xuhuo”	Xizang Xuhuo Venture Capital Partnership (Limited Partnership)* (西藏旭火創業投資合夥企業(有限合夥)), a limited partnership established under the PRC laws, which is a direct shareholder of Target Company
“%”	per cent

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

Chongqing, the PRC  
22 May 2026

*As at the date of the announcement, the executive Directors are Mr. Yue Xiangjun, Mr. Qin Shaobo and Mr. Deng Rui; the non-executive Directors are Mr. Lei Bin, Ms. Zhu Ying and Mr. Cai Zhibin; and the independent non-executive Directors are Mr. Ke Rui, Mr. Liu Lijun, Ms. Pu Huayan and Mr. Wong Chun Wa.*

\* *For identification purposes only*