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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chongqing Machinery & Electric Co., Ltd. (the “Company”), you should at once hand this circular to the purchaser or the transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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) REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN 2025;
- (2) AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF THE COMPANY AND ITS SUBSIDIARIES IN 2025;
- (3) 2025 ANNUAL FINAL ACCOUNTS REPORT OF THE COMPANY;
- (4) PROFIT APPROPRIATION PROPOSAL FOR THE YEAR OF 2025 OF THE COMPANY;
- (5) 2026 ANNUAL BUDGET REPORT OF THE COMPANY;
- (6) APPOINTMENT OF THE COMPANY'S AUDITOR IN 2026;
- (7) SHAREHOLDER DIVIDEND RETURN PLAN FOR THE NEXT THREE YEARS (2026-2028) OF THE COMPANY;
- (8) PROVISION OF GUARANTEE BY THE GROUP FOR THE FINANCING OF ITS SUBSIDIARIES;
- (9) PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES OF THE COMPANY; AND
- (10) NOTICE OF THE ANNUAL GENERAL MEETING OF THE COMPANY

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The letter from the Board of the Company is set out on pages 4 to 18 of this circular.

Notice convening the Annual General Meeting of Chongqing Machinery & Electric Co., Ltd.\* to be held at the Conference Room, 16/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Thursday, 25 June 2026 at 9:00 a.m. is set out on pages 19 to 22 of this circular.

The form of proxy has been enclosed with this circular for use at the Annual General Meeting and such form of proxy is also published on the websites of HKEXnews of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinacqme.com](http://www.chinacqme.com)). Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Annual General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the Annual General Meeting and voting in person if you so wish.

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## DEFINITIONS

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

“Annual General Meeting” or “AGM” or “Meeting”	means the 2025 annual general meeting of the Company to be held at the Conference Room, 16/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Thursday, 25 June 2026 at 9:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the annual general meeting which are set out on pages 19 to 22 of this circular, or any adjournment thereof
“Articles of Association” or “Articles”	means the articles of association of the Company currently in force
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of Directors of the Company
“Chengfei New Material”	means Chongqing Chengfei New Material Co., Ltd.* (重慶成飛新材料股份公司), a controlling subsidiary of the Company
“Chengfei Jiangsu Company”	means Chongtong Chengfei Wind Power Equipment Jiangsu Co., Ltd.* (重通成飛風電設備江蘇有限公司), a wholly-owned subsidiary of Chengfei New Material
“Chengfei Gansu Company”	means Gansu Chongtong Chengfei New Material Co., Ltd.* (甘肅重通成飛新材料有限公司), a wholly-owned subsidiary of Chengfei New Material
“Chongqing Water Company”	means Chongqing Water Turbine Works Co., Ltd.* (重慶水輪機廠有限責任公司), a wholly-owned subsidiary 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
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company
“Domestic Share(s)”	means ordinary share(s) of a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid up in RMB
“GBP”	means British pound sterling, the lawful currency of the United Kingdom

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## DEFINITIONS

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“General Mandate”	means the proposed general mandate to allot, issue and otherwise deal with additional Shares representing up to the limit of 20% of the Shares in issue on the date of the passing of the relevant resolution
“Group”	means the Company and its associates
“H Shares”	means the overseas-listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Holroyd”	means Holroyd Precision Ltd., a wholly-owned subsidiary of PTG and a limited company incorporated in the United Kingdom
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	means 2 June 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parent Company”	means 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 and owned by the Chongqing State-owned Assets Supervision and Administration Commission, being one of the Promoters of the Company
“Parent Group”	means Parent Company and its associates, excluding the Group
“PRC”	means the People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and the Taiwan region of the PRC
“Promoter”	has the meaning ascribed to it under the Listing Rules
“PTG”	means Precision Technologies Group Limited, a wholly-owned subsidiary of the Company and a limited company incorporated in the United Kingdom

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## DEFINITIONS

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“PTG and its subsidiaries”	means PTG and its wholly-owned subsidiaries, Holroyd Precision Limited and Precision Components Limited
“Relevant Period”	means the period from the date of passing the resolution until the earlier of: (a) the conclusion of the next annual general meeting of the Company following the passing of the relevant resolution, unless, by a special resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or (b) the expiry of the period within which the next annual general meeting is required by the Articles or any applicable law to be held; or (c) the passing of a special resolution of the Company at a general meeting revoking or varying the authority set out in the resolution approving the General Mandate
“Rights Issue”	means the allotment or issue of Shares or other securities of the Company pursuant to the offer, to all Shareholders of the Company who are entitled to the offer (excluding, as the Board may determine, any Shareholder who is a resident in a place where such offer is not permitted under the law or regulation of that place, pro rata to their shareholdings, disregarding fractional entitlements)
“RMB”	means Renminbi, the lawful currency of the PRC
“Shares”	means the Domestic Shares and the H Shares
“Shareholder(s)”	means the holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“USD”	means U.S. dollars, the lawful currency of the United States of America
“%”	means percentage

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## LETTER FROM THE BOARD

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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)

***Executive Directors:***

Mr. Yue Xiangjun  
Mr. Qin Shaobo  
Mr. Deng Rui

***Non-executive Directors:***

Mr. Lei Bin  
Ms. Zhu Ying  
Mr. Cai Zhibin

***Independent non-executive Directors:***

Mr. Ke Rui  
Mr. Liu Lijun  
Ms. Pu Huayan  
Mr. Wong Chun Wa

***Registered office and principal place of  
business in the PRC:***

No. 60, Middle Section of  
Huangshan Avenue,  
New North Zone,  
Chongqing City, the PRC

***Principal place of business in Hong Kong:***

Room 1204-06, 12th Floor,  
The Chinese Bank Building,  
61 Des Voeux Road Central,  
Central, Hong Kong

4 June 2026

*To the Shareholders*

Dear Sir or Madam,

- (1) REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN 2025;
- (2) AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF THE COMPANY AND ITS SUBSIDIARIES IN 2025;
- (3) 2025 ANNUAL FINAL ACCOUNTS REPORT OF THE COMPANY;
- (4) PROFIT APPROPRIATION PROPOSAL FOR THE YEAR OF 2025 OF THE COMPANY;
- (5) 2026 ANNUAL BUDGET REPORT OF THE COMPANY;
- (6) APPOINTMENT OF THE COMPANY'S AUDITOR IN 2026;
- (7) SHAREHOLDER DIVIDEND RETURN PLAN FOR THE NEXT THREE YEARS (2026-2028) OF THE COMPANY;
- (8) PROVISION OF GUARANTEE BY THE GROUP FOR THE FINANCING OF ITS SUBSIDIARIES;
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- (10) NOTICE OF THE ANNUAL GENERAL MEETING OF THE COMPANY

\* For identification purposes only

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## LETTER FROM THE BOARD

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### **1. INTRODUCTION**

Reference is made to the announcement of the Company dated 20 March 2026 in relation to the proposed change of accounting firm, and the announcement dated 20 March 2026 in relation to the proposed adoption of the Shareholder Dividend Return Plan for the Next Three Years (2026-2028).

Reference is also made to section of “Change of Book Closure Period” of the Company’s announcement dated 20 May 2026 in relation to postponement of the annual general meeting; change of book closure period; and delay in despatch of circular. In order to ascertain the entitlements of the Shareholders to attend and vote in the Annual General Meeting, the latest time for lodging transfers of shares was originally set out as “4:30 p.m. on Friday, 19 June 2026”, and has been corrected and updated to “4:30 p.m. on Thursday, 18 June 2026”. Therefore, Shareholders must deliver all share transfer documents and their share certificates to the Company’s H-share registrar, Computershare Hong Kong Investor Services Ltd., at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, to complete the transfer registration procedures, by 4:30 p.m. on Thursday, 18 June 2026.

The purpose of this circular is to give you, among others, the notice of the Annual General Meeting and to provide you with details regarding certain resolutions to be proposed at the Annual General Meeting to enable you to make an informed decision on whether to vote for or against those resolutions at the Annual General Meeting.

### **2. REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN 2025**

Details are set out in “Report of the Board of Directors” within the Company’s 2025 Annual Report published by the Company on the website of HKEXnews of the Stock Exchange on 14 April 2026.

### **3. AUDITED FINANCIAL STATEMENTS AND AUDITOR’S REPORT OF THE COMPANY AND ITS SUBSIDIARIES IN 2025**

Details are set out in “Independent Auditor’s Report”, “Consolidated Balance Sheet”, “Consolidated Statement of Income”, “Consolidated Statement of Changes in Equity”, “Consolidated Statement of Cash Flows” and “Notes to the Consolidated Financial Statements” within the Company’s 2025 Annual Report published by the Company on the website of HKEXnews of the Stock Exchange on 14 April 2026.

### **4. 2025 ANNUAL FINAL ACCOUNTS REPORT OF THE COMPANY**

Details are set out in “Management’s Discussion and Analysis”, “Consolidated Balance Sheet”, “Consolidated Statement of Income”, “Consolidated Statement of Changes in Equity”, “Consolidated Statement of Cash Flows” and “Notes to the Consolidated Financial Statements” within the Company’s 2025 Annual Report published by the Company on the website of HKEXnews of the Stock Exchange on 14 April 2026.

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## LETTER FROM THE BOARD

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### 5. PROFIT APPROPRIATION PROPOSAL FOR THE YEAR OF 2025 OF THE COMPANY

The Board has recommended, based on the total share capital of 3,684,640,154 shares as at 31 December 2025, to distribute a cash dividend of RMB0.065 per share (tax inclusive), net of the interim dividend of RMB0.01/share (tax inclusive) already distributed in 2025. The proposed final dividend for this distribution is RMB0.055/share (tax inclusive), the total dividend distributed this time amounts to RMB202,655,208.47 (tax inclusive). Subject to the approval by Shareholders at the forthcoming Annual General Meeting to be convened on 25 June 2026, the proposed final dividend will be paid on 7 August 2026 to Shareholders whose names appear on the register of members of the Company on 9 July 2026 (the “**Record Date**”).

In order to ascertain the entitlements of the Shareholders to receive the final dividend, the register of members of the Company will be closed from Thursday, 2 July 2026 to Thursday, 9 July 2026 (both days inclusive), during which period no transfer of Shares will be registered. All transfer documents accompanied by share certificates must be lodged at our H Share Registrar at Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 30 June 2026.

### 6. 2026 ANNUAL BUDGET REPORT OF THE COMPANY

In 2026, the Company’s operating expenses are expected to be approximately RMB263.63 million.

### 7. APPOINTMENT OF THE COMPANY’S AUDITOR IN 2026

#### RETIREMENT OF ACCOUNTING FIRM

In accordance with the relevant provisions of the Rules on the Management of Financial Settlement Audits for Municipal State-owned Enterprises (Yu Guo Zi Fa [2024] No. 17)\* (《市屬國有企業財務決算審計管理工作規則》(渝國資發[2024]17號)) issued by the Chongqing Municipal State-owned Assets Supervision and Administration Commission, an accounting firm may only undertake financial settlement audit engagements for the same enterprise for a period not exceeding eight consecutive years. ShineWing Certified Public Accountants (Special General Partnership) (“**ShineWing**”) has provided audit services to the Company since 2018. Upon completion of the annual audit work for the Company’s 2025 financial year, the prescribed maximum service period will have been reached, necessitating a mandatory rotation. Upon the formal completion of the audit of the 2025 annual report and the publication of the Company’s 2025 annual report, ShineWing ceased to act as the Company’s auditor. Accordingly, the Company shall change its accounting firm in the 2026 financial year.

As of the Latest Practicable Date, ShineWing has not commenced any audit work in respect of the Group’s consolidated financial statements for the financial year ended 31 December 2026. The Board anticipates that the change of accounting firm will not have any material impact on the audit of the Group’s consolidated financial statements for the financial year ended 31 December 2026.

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## LETTER FROM THE BOARD

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The Company has engaged in thorough discussions with ShineWing in relation to the change of accounting firm and has received written confirmation from it that there are no disagreements in this regard; and as at the Latest Practicable Date, there are no any other matters relating to the change of accounting firm that require to be brought to the attention of the Company's shareholders and creditors. The Board and the audit committee of the Company ("**Audit Committee**") have also confirmed that there are no disagreements between the Company and ShineWing, and that there are no other matters in relation to the change of accounting firm that require to be brought to the attention of the Company's shareholders and creditors.

The Board hereby expresses its sincere gratitude to ShineWing for the professional services and support provided to the Company in previous years.

### APPOINTMENT OF AN ACCOUNTING FIRM

As such, after receiving a recommendation from the Audit Committee in accordance with the Company's Articles of Association, the Board convened the first meeting of the seventh session of the Board in 2026 (the "**Meeting**") on 20 March 2026. At the Meeting, all Directors considered and unanimously approved a resolution, agreeing to appoint Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) ("**Zhongshen Zhonghuan**") as the Company's annual domestic financial and internal control audit firm, and ZSZH (HK) Fuson CPA Limited ("**ZSZH Hong Kong**") as the Company's annual overseas auditor, for a term of one year, with total audit fees amounting to RMB2.2 million, subject to the consideration and approval of the Company's shareholders at the AGM. In assessing the appointment of Zhongshen Zhonghuan and ZSZH Hong Kong (collectively referred to as the "**Successor Accounting Firms**") as the Company's annual domestic financial and internal control audit firm and overseas auditor respectively, the Audit Committee has taken into account a number of factors, including but not limited to: (i) the Successor Accounting Firms' fees for audit and tax advisory services; (ii) the Successor Accounting Firms' professional qualifications, experience, industry knowledge and technical capabilities in successfully providing audit work for companies listed on the The Stock Exchange of Hong Kong Limited, where such companies are of a similar scale and in similar industries to the Company; (iii) the adequacy of the Successor Accounting Firms' staff, deployment of expertise and core team stability; (iv) the Successor Accounting Firms' quality control measures to ensure its compliance with relevant ethical requirements regarding the audit and/or review of financial statements; (v) the independence and objectivity of the Successor Accounting Firms with respect to the Group; (vi) the communication framework of the Successor Accounting Firms, and how it intends to ensure effective discussions between the Successor Accounting Firms and the Company; (vii) the professional track records of key members of the proposed Successor Accounting Firms' audit team, whether they have been subject to any regulatory actions, and if so, whether this would affect the quality of their audit work; and (viii) the Guidelines on the Effective Operation of Audit Committees – Selection, Appointment and Reappointment of Auditors issued by the Accounting and Financial Reporting Council ("**AFRC**") in December 2021; and (ix) the Guidance Notes on Changing Auditors issued by the AFRC in September 2023.

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## LETTER FROM THE BOARD

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Based on the foregoing, the Audit Committee has assessed and considered that the Successor Accounting Firms are qualified and suitable to act as the Company's accounting firm. The Board and the Audit Committee consider that the change of accounting firm will not have any material impact to the Group and is in the best interests of the Company and its shareholders as a whole. The Board hereby extends its warm welcome to Zhongshen Zhonghuan and ZSZH Hong Kong on their appointment as the Company's annual domestic financial and internal control audit firm as well as overseas auditor, respectively.

The aforementioned appointment of the accounting firm is subject to consideration and approval by the Company's shareholders at the AGM and will take effect from the date of approval at the AGM.

### **8. SHAREHOLDER DIVIDEND RETURN PLAN FOR THE NEXT THREE YEARS (2026-2028) OF THE COMPANY**

The Board of the Company has considered and approved the Shareholder Dividend Return Plan for the Next Three Years (2026-2028) (the "**Shareholder Dividend Return Plan for the Next Three Years (2026-2028)**") at the Board meeting held on 20 March 2026, which is subject to the approval of the general meeting of the Company by way of an ordinary resolution.

In order to establish a scientific and sustainable shareholder return mechanism of the Company, stabilise investors' expectations and respond to the reasonable return aspirations of the Shareholders, in accordance with the provisions of the relevant laws and regulations as well as policies such as the Company Law of the People's Republic of China, Opinions of the State Council on Strengthening Supervision and Guarding Against Risks to Promote the High-Quality Development of the Capital Market\*(《國務院關於加強監管防範風險推動資本市場高質量發展的若干意見》), and Opinions on Improving and Strengthening the Market Value Management of Listed Companies Controlled by Central Enterprises\*(《關於改進和加強中央企業控股上市公司市值管理工作的若干意見》), and the relevant provisions of the Articles of Association, the Company intends to establish a reasonable shareholder return mechanism and make systematic arrangement for the distribution of the Company's profits for the next three years, i.e., from 2026 to 2028.

In formulating the Shareholder Dividend Return Plan for the Next Three Years (2026-2028), the Company has comprehensively considered its own development strategy, the prevailing industry development trend and the interests of Shareholders. This plan takes into account the Company's current and future profitability, cash flow position, the capital requirements of its investment projects as well as the prevailing equity and debt financing environment and other actual operating conditions. The plan aims to balance the current returns on all Shareholders and the Company's long-term sustainable development, thereby maintaining the continuity and stability of the Company's profit distribution policy.

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## LETTER FROM THE BOARD

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Details of the Shareholder Dividend Return Plan for the Next Three Years (2026-2028) are set out below.

### **1. Methods of Profit Distribution**

The Company intends to distribute profits in the form of cash, shares or a combination of both. The Company will give priority to cash distribution when conducting profit distribution where conditions permit.

### **2. Preconditions for Dividend Distribution**

1. **Audit Report Compliance.** The audit firm of the Company issues a standard unqualified audit report on the Company's financial statements for the relevant financial year.
2. **Positive Distributable Profit for the Year.** The Company achieves a profit for the year, and the distributable profit for the year is positive after making up for the losses, withdrawing employee incentive and welfare funds, and withdrawing the statutory reserves (provided that the accumulated amount of the Company's statutory reserves reaches more than 50% of the Company's registered capital, no further withdrawal may be made) in accordance with the law, after approval by the general meeting or by Shareholders' resolution to withdraw discretionary reserve.
3. **Preconditions for Cash Dividend.** Provided that the conditions set out in paragraphs 1 and 2 above are satisfied and the Company's cash flow can meet its normal operations and sustainable development, the Company shall distribute profits in cash if it has not incurred any material investments or significant cash expenditures, etc..

The aforesaid material investments or significant cash expenditures refer to those matters which are required to be considered and approved at the general meeting of the Company in accordance with the relevant laws and regulations and provisions of the Articles of Association.

4. **Preconditions for the Distribution of Share Dividend.** The Company may distribute share dividend when the conditions set out in paragraphs 1, 2 and 3 above are satisfied and where the profit distribution plan that also includes the distribution of share dividend is more beneficial to the interests of all Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **3. Distribution Ratio of Cash Dividend During the Plan Period**

Subject to the fulfilment of the cash dividend conditions for the year, the Company's cash dividend ratio for the years 2026, 2027 and 2028 shall not be less than 32%, 35% and 39% of the distributable profit realised for the year (including interim dividends), respectively. In particular, the distributable profit realised for the year is equal to the net profit attributable to the parent company as stated in the consolidated statements for the year less the accumulated losses from the previous year that have not been made up, the amounts withdrawn for employee incentive and welfare funds as well as statutory and discretionary reserves (which may not be further withdrawn if it has already been sufficiently withdrawn as mentioned above). The above financial data shall be extracted from the audited financial statements prepared in accordance with the China Accounting Standards for Business Enterprises.

### **4. Intervals of Cash Dividend Distribution**

In principle, the Company shall conduct cash dividend distribution once annually. The Company may distribute interim dividend if conditions permit.

### **5. Decision-making Mechanism for the Company's Profit Distribution Plan for the Year**

1. In accordance with the Articles of Association, the annual profit distribution plan of the Company shall be submitted to the Board for consideration and then submitted to the general meeting of the Company for consideration and approval.
2. The Board shall formulate a profit distribution proposal after thorough study and deliberation in accordance with the provisions of the Articles of Association on the premise of fully considering the Company's ability to continue as a going concern, ensuring sufficient funds for normal production, operation and business development, and safeguarding reasonable returns for all Shareholders. During the process of deliberation and decision-making on the profit distribution plan and any adjustments to the existing profit distribution policy, the Board shall actively communicate and exchange views with the Shareholders, in particular the minority Shareholders, through various channels including but not limited to telephone, letters, e-mails and seminars and others, to fully solicit opinions and effectively protect the rights and interests of the public Shareholders.
3. The independent non-executive directors shall be entitled to express their independent opinions if they believe that the specific proposal for the cash dividend for the year may be detrimental to the interests of the Company or the minority Shareholders.

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## LETTER FROM THE BOARD

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### 6. Adjustment Mechanism

During the plan period, in the event of force majeure, such as natural disasters, or due to special circumstances, such as significant changes in the external operating environment or the Company's own operating conditions, which result in the Company's cash dividend payout ratio being unable to meet the proportions stipulated in this plan, the Company may adjust the profit distribution policy for the relevant year.

The aforesaid adjustments shall be made after full solicitation of opinions from the Shareholders, especially the minority Shareholders, and the independent non-executive directors, conducting detailed deliberation and submitting them to the general meeting of the Company for approval after consideration of the Board. Approval of the aforesaid adjustments at the general meeting of the Company shall require the affirmative vote of not less than one-half of the voting rights held by the Shareholders entitled to vote.

The aforementioned Shareholder Dividend Return Plan for the Next Three Years (2026-2028) of the Company will take effect from the date of approval at the AGM.

### 9. PROVISION OF GUARANTEE BY THE GROUP FOR THE FINANCING OF ITS SUBSIDIARIES

#### 9.1 Provision of Guarantee by the Company for Comprehensive Financing of PTG and its Subsidiaries of GBP32.75 million (or USD equivalent)

PTG and its subsidiaries requested the Company to provide guarantee for their comprehensive financing totaling GBP32.75 million (or USD equivalent) ("**PTG Group First Financing**"). PTG is a wholly-owned subsidiary of the Company.

#### *Reasons for and Benefits of the Provision of Guarantee for PTG Group First Financing*

Considering the optimistic business prospect of PTG and its subsidiaries, their continuous and stable development will facilitate the Company's expansion into overseas markets.

#### *Terms of the Guarantee*

The guarantee for the PTG Group First Financing is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by PTG and its subsidiaries, and specifically shall be subject to the actual term of the contract as executed. The Board is of the opinion that the terms of provision of guarantee for the PTG Group First Financing are fair and reasonable and are in the best interests of the Company and Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

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## LETTER FROM THE BOARD

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PTG and its subsidiaries are not connected persons of the Group and the guarantee to be provided for PTG and its subsidiaries does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapters 14 and 14A of the Listing Rules. However, as the gearing ratios of PTG and its subsidiaries exceed 70%, the provision of guarantee by the Company for PTG and its subsidiaries is subject to consideration and approval at the general meeting according to the requirements of the Articles of Association.

### **9.2 Provision of Guarantee by the Company for Comprehensive Financing of PTG and its Subsidiaries of USD20.00 million (or GBP equivalent)**

PTG and its subsidiaries requested the Company to provide guarantee for their comprehensive financing totaling USD20.00 million (or GBP equivalent) (“**PTG Group Second Financing**”). PTG is a wholly-owned subsidiary of the Company.

#### ***Reasons for and Benefits of the Provision of Guarantee for PTG Group Second Financing***

Considering the optimistic business prospect of PTG and its subsidiaries, their continuous and stable development will facilitate the Company’s expansion into overseas markets.

#### ***Terms of the Guarantee***

The guarantee for the PTG Group Second Financing is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by PTG and its subsidiaries, and specifically shall be subject to the actual term of the contract as executed. The Board is of the opinion that the terms of provision of guarantee for the PTG Group Second Financing are fair and reasonable and are in the best interests of the Company and Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

PTG and its subsidiaries are not connected persons of the Group and the guarantee to be provided for PTG and its subsidiaries does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapters 14 and 14A of the Listing Rules. However, as the gearing ratios of PTG and its subsidiaries exceed 70%, the provision of guarantee by the Company for PTG and its subsidiaries is subject to consideration and approval at the general meeting according to the requirements of the Articles of Association.

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## LETTER FROM THE BOARD

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### **9.3 Provision of Guarantee by the Company for Comprehensive Financing of PTG and its Subsidiaries of RMB200 million (or GBP or USD equivalent)**

PTG and its subsidiaries requested the Company to provide guarantee for their comprehensive financing totaling RMB200 million (or GBP or USD equivalent) (“**PTG Group Third Financing**”). PTG is a wholly-owned subsidiary of the Company.

#### ***Reasons for and Benefits of the Provision of Guarantee for PTG Group Third Financing***

Considering the optimistic business prospect of PTG and its subsidiaries, their continuous and stable development will facilitate the Company’s expansion into overseas markets.

#### ***Terms of the Guarantee***

The guarantee for the PTG Group Third Financing is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by PTG and its subsidiaries, and specifically shall be subject to the actual term of the contract as executed. The Board is of the opinion that the terms of provision of guarantee for the PTG Group Third Financing are fair and reasonable and are in the best interests of the Company and Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

PTG and its subsidiaries are not connected persons of the Group and the guarantee to be provided for PTG and its subsidiaries does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapters 14 and 14A of the Listing Rules. However, as the gearing ratios of PTG and its subsidiaries exceed 70%, the provision of guarantee by the Company for PTG and its subsidiaries is subject to consideration and approval at the general meeting according to the requirements of the Articles of Association.

### **9.4 Provision of Guarantee by the Company for Comprehensive Financing of Chongqing Water Company of RMB595.68 million**

Chongqing Water Company requested the Company to provide guarantee for its comprehensive financing totaling RMB595.68 million (“**Financing of Chongqing Water Company**”). Chongqing Water Company is a wholly-owned subsidiary of the Company.

#### ***Reasons for and Benefits of the Provision of Guarantee for the Financing of Chongqing Water Company***

The Company is of the view that the prospect of hydropower business of Chongqing Water Company will be promising in the future, its continuous and stable development will facilitate the Company’s further improvement of operation quality.

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### *Terms of the Guarantee*

The guarantee for the Financing of Chongqing Water Company is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chongqing Water Company, and specifically shall be subject to the actual term of the contract as executed. The Board is of the opinion that the terms of provision of guarantee for the Financing of Chongqing Water Company are fair and reasonable and are in the best interests of the Company and Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chongqing Water Company is not a connected person of the Group and the guarantee to be provided for the Financing of Chongqing Water Company does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratio of Chongqing Water Company exceeds 70%, the provision of guarantee for the Financing of Chongqing Water Company is subject to consideration and approval at the general meeting according to the requirements of the Articles of Association.

### **9.5 Provision of Guarantee for Comprehensive Financing of Chengfei Jiangsu Company of RMB5.16 million**

Chengfei Jiangsu Company requested Chengfei New Material to provide guarantee for its comprehensive financing totaling RMB5.16 million (“**Financing of Chengfei Jiangsu Company**”). Chengfei New Material is a subsidiary controlled by the Company and Chengfei Jiangsu Company is a wholly-owned subsidiary of Chengfei New Material.

### *Reasons for and Benefits of the Provision of Guarantee for the Financing of Chengfei Jiangsu Company*

The Company is of the view that the prospect of wind turbine blade business of Chengfei Jiangsu Company will be promising in the future, its continuous and stable development will facilitate the Company’s further improvement of operation quality.

### *Terms of the Guarantee*

The guarantee for the Financing of Chengfei Jiangsu Company is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chengfei Jiangsu Company, and specifically shall be subject to the actual term of the contract as executed. The Board is of the opinion that the terms of provision of guarantee for the Financing of Chengfei Jiangsu Company by Chengfei New Material are fair and reasonable and are in the best interests of the Company and Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

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Chengfei New Material and Chengfei Jiangsu Company are not connected persons of the Group and the guarantee provided by Chengfei New Material for the Financing of Chengfei Jiangsu Company does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratio of Chengfei Jiangsu Company exceeds 70%, the provision of guarantee by Chengfei New Material for the Financing of Chengfei Jiangsu Company is subject to consideration and approval at the general meeting according to the requirements of the Articles of Association.

### **9.6 Provision of Guarantee for Comprehensive Financing of Chengfei Gansu Company of RMB50.00 million**

Chengfei Gansu Company requested Chengfei New Material to provide guarantee for its comprehensive financing totaling RMB50.00 million (“**Financing of Chengfei Gansu Company**”). Chengfei New Material is a subsidiary controlled by the Company and Chengfei Gansu Company is a wholly-owned subsidiary of Chengfei New Material.

#### ***Reasons for and Benefits of the Provision of Guarantee for the Financing of Chengfei Gansu Company***

The Company is of the view that the prospect of wind turbine blade business of Chengfei Gansu Company will be promising in the future, its continuous and stable development will facilitate the Company’s further improvement of operation quality.

#### ***Terms of the Guarantee***

The guarantee for the Financing of Chengfei Gansu Company is for a term of one year commencing from the date of approval by the Shareholders and completion of relevant formalities by Chengfei Gansu Company, and specifically shall be subject to the actual term of the contract as executed. The Board is of the opinion that the terms of provision of guarantee for the Financing of Chengfei Gansu Company by Chengfei New Material are fair and reasonable and are in the best interests of the Company and Shareholders as a whole and will not have a material adverse impact on the financial conditions of the Company.

Chengfei New Material and Chengfei Gansu Company are not connected persons of the Group and the guarantee provided by Chengfei New Material for the Financing of Chengfei Gansu Company does not exceed the applicable percentage ratios specified in the Listing Rules. Therefore, such transaction is not subject to the requirements under Chapter 14A of the Listing Rules. However, as the gearing ratio of Chengfei Gansu Company exceeds 70%, the provision of guarantee by Chengfei New Material for the Financing of Chengfei Gansu Company is subject to consideration and approval at the general meeting according to the requirements of the Articles of Association.

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### 10. PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES OF THE COMPANY

To increase the flexibility and efficiency in operation and to give discretion to the Board in the event that it becomes desirable to issue any Shares, the Company proposes to obtain Shareholders' approval for the General Mandate to allot, issue and otherwise deal with additional Shares in issue up to the limit of 20% on the date of the passing of the relevant resolution. The Board has no present plan to issue new Shares pursuant to the General Mandate.

Any exercise of the power by the Directors under the General Mandate must comply with the relevant requirements of the Listing Rules, the Articles and the applicable laws and regulations of the PRC and be subject to the following conditions:

- (a) the General Mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
- (b) the aggregate number of the Domestic Shares and H Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board (otherwise than pursuant to any scrip dividend scheme (or similar arrangement providing for the allotment and issue of shares in lieu of the whole or any part of a dividend), any share option scheme, a Rights Issue or any separate approval of the Shareholders of the Company) shall not exceed:
  - (i) 20% of the aggregate number of the Domestic Shares in issue; and
  - (ii) 20% of the aggregate number of the H Shares in issue; and
- (c) the Board will only exercise its power under the General Mandate in accordance with the Company Law of the PRC and the Listing Rules (as each of them may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant government authorities in the PRC are obtained.

In addition, conditional on the Board resolving to exercise the General Mandate, the Company proposes to obtain Shareholders' approval to authorise the Board to:

- (i) approve, execute and do, and/or procure to be executed and done all such documents, deeds and matters which it may consider necessary in connection with the exercise of the General Mandate and/or the issue of Shares, including but not limited to the time, price, quantity and place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);

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- (ii) determine the use of proceeds and to make all necessary filings and registration with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate);
  - (iii) increase the registered capital of the Company and make all relevant amendments to the Articles to reflect such increase and to register the increased capital with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate) so as to reflect the new capital and/or share equity structure of the Company.
- (c) As at the Latest Practicable Date, the Company had 3,684,640,154 Shares in issue. Subject to the passing of the proposed resolution for the approval of the General Mandate and in accordance with the terms therein, the Company will be allowed to allot, issue and deal with up to a maximum of 736,928,030 Shares on the basis that no additional Shares will be issued by the Company prior to the Annual General Meeting.

### 11. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 19 to 22 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, (1) report of the Board of Directors of the Company in 2025; (2) audited financial statements and auditor's report of the Company and its subsidiaries in 2025; (3) 2025 annual final accounts report of the Company; (4) profit appropriation proposal for the year of 2025 of the Company; (5) 2026 annual budget report of the Company; (6) appointment of the Company's auditor in 2026; (7) Shareholder Dividend Return Plan for the Next Three Years (2026-2028) of the Company; (8) provision of guarantee by the Group for the financing of its subsidiaries; and (9) proposed granting of General Mandate to issue new Shares of the Company.

The form of proxy for use at the Annual General Meeting has been despatched on 4 June 2026, and such form of proxy is also published on the websites of HKEXnews of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.chinacqme.com](http://www.chinacqme.com)). Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Annual General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the Annual General Meeting and voting in person if you so wish.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the Directors or Shareholders has a material interest in the resolutions to be proposed at the Annual General Meeting and no Shareholder is required to abstain from voting on any of the resolutions at the Annual General Meeting.

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## LETTER FROM THE BOARD

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### 12. PROCEDURES FOR VOTING AT THE ANNUAL GENERAL MEETING

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at the Annual General Meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions to be proposed at the Annual General Meeting (as set out in the Notice of the Annual General Meeting) will be voted by way of poll. An announcement will be published by the Company in relation to the poll results by means as required by Rule 13.39(5) and 13.39(5A) of the Listing Rules.

### 13. RECOMMENDATION

The Directors consider that all resolutions to be proposed for consideration and approval by the Shareholders at the Annual General Meeting are in the best interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the resolutions to be proposed at the Annual General Meeting as set out in the notice of the Annual General Meeting.

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

\* *For identification purposes only*

**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)

**NOTICE OF THE ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an annual general meeting (the “**Meeting**” or “**AGM**”) of Chongqing Machinery & Electric Co., Ltd.\* (the “**Company**”) will be held at the Conference Room, 16/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Thursday, 25 June 2026 at 9:00 a.m. (or any adjournment thereof) for the following purposes:

**ORDINARY RESOLUTIONS**

1. To consider and approve the report of the board of directors of the Company (the “**Board**”) for the year ended 31 December 2025;
2. To consider and approve the audited financial statements and the auditor’s report of the Company and its subsidiaries for the year ended 31 December 2025;
3. To consider and approve the annual final accounts report of the Company for the year ended 31 December 2025;
4. To consider and approve the profit appropriation proposal of the Company for the year ended 31 December 2025 and the declaration of the final dividend of RMB0.055 per share (tax inclusive);
5. To consider and approve the 2026 annual budget report of the Company;
6. To consider and approve the appointment of Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year 2026 to hold office until the conclusion of the next annual general meeting and the total fees in sum of RMB2.20 million for the review of 2026 interim financial report and audit of 2026 annual financial report of the Company;
7. To consider and approve the Shareholder Dividend Return Plan for the Next Three Years (2026-2028) of the Company;
8. To consider and approve the provision of guarantee by the Group for the financing of its subsidiaries.

## SPECIAL RESOLUTION

9. To give a general mandate to the Board to allot, issue and deal with additional Domestic Shares and/or H Shares and to make or grant offers, agreements and/or options in respect thereof (the “**General Mandate**”), subject to the following conditions:

“**THAT**

- a) (a) the General Mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
- (b) the aggregate number of the Domestic Shares and the H Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board (otherwise than pursuant to any scrip dividend scheme (or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend), any share option scheme, rights issue or any separate approval of the shareholders of the Company) shall not exceed:
- (i) 20% of the aggregate number of the Domestic Shares in issue; and
- (ii) 20% of the aggregate number of the H Shares in issue, respectively, in each case as at the date of passing of this resolution; and
- (c) the Board will only exercise its power under the General Mandate in accordance with the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as each of them may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant government authorities in the PRC are obtained;

and, for the purposes of this resolution:

“Domestic Share(s)” mean domestic ordinary share(s) in the share capital of the Company which are subscribed and/or paid for in Renminbi;

“H Share(s)” mean overseas listed foreign invested shares (being ordinary shares) in the share capital of the Company which are subscribed and/or paid for in Hong Kong dollars or foreign currency other than Renminbi;

“Relevant Period” means the period from the date of passing this resolution until the earlier of: (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution, unless, by special resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or (b) the expiry of the period within which the next annual general meeting is required by the Articles of Association of the Company or any applicable laws to be held; or (c) the passing of a special resolution of the Company at a general meeting revoking or varying the authority set out in this resolution;

“Rights Issue” means the allotment or issue of shares or other securities of the Company which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding, as the Board may decide, for such purpose any shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place) entitled to such offer, pro rata (apart from fractional entitlements) to their then existing holdings of shares; and

- b) contingent on the Board resolving to exercise the General Mandate and/or issue shares pursuant to paragraph a) of this resolution, the Board be and is hereby authorised:
- i. to approve, execute and do, and/or procure to be executed and done all such documents, deeds and matters which it may consider necessary in connection with the exercise of the General Mandate and/or the issue of shares, including but not limited to the time, price, quantity and place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);
  - ii. to determine the use of proceeds and to make all necessary filings and registration with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate); and

- iii. to increase the registered capital of the Company and make all necessary amendments to the Articles of Association to reflect such increase and to register the increased capital with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate) so as to reflect the new capital and/or share equity structure of the Company.”

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

Chongqing, the PRC  
4 June 2026

*Notes:*

1. A member of the Company (“**Member**”) entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not to be a Member. A form of proxy for use at the Meeting is enclosed herewith. Where two or more persons are registered as joint holders of any Share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such Share at the Meeting, and this notice shall be deemed to be given to all joint holders of such Share.
2. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s H Shares Registrar Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, and in case of holders of Domestic Shares, to the Company’s mailing address at No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC, not later than 24 hours before the time appointed for holding the Meeting or the time appointed for passing the resolutions or any adjournment thereof. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. In order to determine the Members who are entitled to attend and vote at the Meeting, the register of Members will be closed from Monday, 22 June 2026 to Thursday, 25 June 2026, both days inclusive, during which period no transfer of H Shares of the Company will be effected. All transfer documents accompanied by the relevant share must be lodged with the Company’s H Share Registrar Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 18 June 2026.
4. In order to ascertain the shareholders who are entitled to receive the final dividend, the register of members of the Company will be closed from Thursday, 2 July 2026 to Thursday, 9 July 2026, both days inclusive, during which period no transfer of shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged at our H Share Registrar Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 30 June 2026.

*As at the date of the circular, 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.*