
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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) DISCLOSEABLE AND CONNECTED TRANSACTION –
CAPITAL INCREASE AGREEMENT;
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
AND
(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING
OF THE COMPANY**

MESSIS 大有融資

The letter from the Board of the Company is set out on pages 5 to 20 of this circular.

Notice convening the Extraordinary 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 23 July 2026 at 9:00 a.m. is set out on pages 88 to 89 of this circular.

The form of proxy has been enclosed with this circular for use at the Extraordinary General Meeting and such form of proxy is also published on the websites of HKEXnews of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinacqme.com). Whether or not you intend to attend the Extraordinary 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 Extraordinary 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 Extraordinary General Meeting and voting in person if you so wish.

* For identification purposes only

CONTENTS

	<i>Page</i>
Definitions	1
 Letter from the Board	
1. INTRODUCTION	5
2. DISCLOSEABLE AND CONNECTED TRANSACTION – CAPITAL INCREASE AGREEMENT	6
3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION	17
4. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT. . .	18
5. PROCEDURES FOR VOTING AT THE EXTRAORDINARY GENERAL MEETING	19
6. RECOMMENDATION.	20
 Appendix I – Letter from the Independent Board Committee	 21
Appendix II – Letter from the Independent Financial Adviser	23
Appendix III – General Information	43
Appendix IV – Extract of Valuation Report	48
Appendix V – Comparison of the Amendments to the Articles of Association	86
Appendix VI – Notice of the Extraordinary General Meeting	88

DEFINITIONS

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

“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”	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

DEFINITIONS

“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
“Extraordinary General Meeting” or “EGM”	the first extraordinary 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, 23 July 2026 at 9:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the Notice of the Extraordinary General Meeting which are set out in Appendix VI of this circular, or any adjournment thereof
“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” or “Messis Capital”	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

DEFINITIONS

“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)
“Latest Practicable Date”	3 July 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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 circular, 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 and a subsidiary of the Chongqing General Industry
“Target Equity”	20.2297% equity interest in the Target Company to be subscribed by the Parent Company under the Capital Increase Agreement

DEFINITIONS

“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

LETTER FROM THE BOARD



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

8 July 2026

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION –
CAPITAL INCREASE AGREEMENT;
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
AND
(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING
OF THE COMPANY**

1. INTRODUCTION

Reference is made by the announcement of the Company dated 22 May 2026 in relation to Capital Increase Agreement and the transactions contemplated thereunder (namely, Capital Increase and Deemed Disposal).

* For identification purposes only

LETTER FROM THE BOARD

The purpose of this circular is to give you, among others, (i) the details of the Capital Increase Agreement and the transactions contemplated thereunder (namely, Capital Increase and Deemed Disposal) and other information as required by the Listing Rules; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders; (iv) proposed amendments to the Articles of Association; and (v) a notice convening the Extraordinary General Meeting, to enable you to make an informed decision on whether to vote for or against the resolutions at the Extraordinary General Meeting.

2. DISCLOSEABLE AND CONNECTED TRANSACTION – 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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

- (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, is set out in Appendix IV to this circular, 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.

Based on the asset-based approach and using 31 July 2025 as the Valuation Benchmark Date, the total assets of Target Company had a carrying value of RMB2,662.7403 million with an assessed value of RMB2,882.5524 million, reflecting an appreciation of RMB219.8121 million and an appreciation rate of 8.26%. The total liabilities had a carrying value of RMB1,822.8345 million, with an assessed value of RMB1,817.8945 million, reflecting a devaluation of RMB4.9400 million and a devaluation rate of 0.27%. The total equity value of Shareholders had a carrying value of RMB839.9058 million and an assessed value of RMB1,064.6579 million, representing an appreciation of RMB224.7521 million, and the appreciation rate is 26.76%.

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..

LETTER FROM THE BOARD

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 Agreement 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.

LETTER FROM THE BOARD

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 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		Change in Equity Percentage (%)	Immediately after completion of the Capital Increase	
	Number of shares issued	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
Total	<u>892,506,235</u>	<u>100</u>	<u>—</u>	<u>1,118,845,408</u>	<u>100</u>

Notes: 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 circular, 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.

LETTER FROM THE BOARD

The financial information of the Target Company for the periods indicated in the table 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:

Item	<i>Unit: million</i>	
	For the financial year ended 31 December 2024 (audited)	For the financial year ended 31 December 2025 (audited)
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.

LETTER FROM THE BOARD

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.

The Capital Increase does not constitute a change of control of the Target Company; rather, it represents an optimisation of the tiered operation of state-owned capital, coordinating the division of labour between resources and capital to form a three-tiered collaborative structure characterised by "Strategic Leadership from the Parent Company, Efficient Operations by the Company, and the Target Company's Focus on its Core Business".

I. Internal synergies to be realised between the Parent Company, the Target Company and the Company following the completion of the Capital Increase

The Parent Company can complement the Company's industrial development strategy and local state-owned resources, thereby strengthening the Company's strategic control over the wind turbine blade sector. The Company, in turn, can leverage the Parent Company's brand, local government resources and industrial chain integration capabilities (such as in high-end clean energy equipment and wind turbine blades) to provide backing for the Target Company in expanding its market, securing policy support, and strengthening and extending its industrial chain.

The Company retains control of the Target Company and can leverage the Parent Company's direct shareholding to enhance the Target Company's creditworthiness and ability to access resources. This will enable a division of labour and synergy where the Parent Company provides the platform and the Company handles operations, thereby reducing the Target Company's own capital expenditure pressure. Whilst focusing on the governance efficiency of the listed company, the Company can allocate surplus funds to the development of other related businesses (as described below).

The funding required for the Target Company's capacity expansion and strategic base development has been secured. Whilst focusing on its core business and strengthening and optimising the wind power sector, the Target Company can also leverage the Parent Company's resources to extend its reach upstream and downstream along the industrial chain, thereby creating room for growth and strengthening its position.

LETTER FROM THE BOARD

II. The Relationship Between Synergies and the Target Company's Expected Use of the Capital

Synergies are primarily manifested in the following three dimensions: strategic execution, financing capacity and market synergy.

- (1) As a pilot state-owned capital investment company approved by the Chongqing Municipal Government, the Parent Company is investing RMB270 million of its own funds directly into the Target Company to ensure that the Target Company has sufficient and flexible capital to implement its “15th Five-Year Plan” strategic plan for clean energy equipment. Through Capital Increase, the Parent Company’s direct investment not only confirms that the wind power sector has been identified as a key development priority for the Parent Company, but also signifies that the Parent Company and the Company will jointly bear operational risks. This strengthens both parties’ strategic control over and resource allocation to the Target Company, demonstrating their determination and confidence in strengthening and optimising the wind power industry.
- (2) Upon completion of the Capital Increase, due to the increase in registered capital and capital reserves, the Target Company’s debt-to-asset ratio will decrease from 69.94% to approximately 66%, effectively alleviating the pressure of the debt-to-asset ratio exceeding 70% resulting from the investment and construction of the two bases in Hebei. Backed by the credit endorsement of the Parent Company as a first-tier state-owned enterprise, the Target Company’s credit standing will improve significantly, enhancing its ability to secure competitive loan rates and sufficient credit lines, thereby ensuring long-term financing flexibility and sustained healthy development.
- (3) The Capital Increase will primarily be used to strengthen the Target Company’s registered capital and capital reserve, directly strengthening its capital base and creditworthiness. On this basis, the Parent Company will be able to fully leverage its advantages as a first-tier municipal group in Chongqing and its extensive marketing platform to synergistically empower the Target Company. This will facilitate the Target Company’s engagement with leading turbine manufacturers such as Goldwind Science & Technology Co., Ltd.* (金風科技股份有限公司) and Yunda Energy Technology Group Co., Ltd.* (運達能源科技集團股份有限公司), as well as energy groups and other client-side resources, whilst expanding into the local and south-western markets. This will assist the Target Company in securing high-quality orders and strategic partners, thereby achieving a dual enhancement of market share and profitability.

LETTER FROM THE BOARD

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 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 RMB892.5062 million to RMB1,118.8454 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.

LETTER FROM THE BOARD

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 opined after considering the advice of the Independent Financial Adviser, the full text of such an opinion is set out in Appendix II of this circular) 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

LETTER FROM THE BOARD

- (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.

Discloseable and Connected Transaction

As of the date of this circular, 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 discloseable and 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 discloseable and 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.

LETTER FROM THE BOARD

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 regard. 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.

3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Proposed Change of Accounting Standards Applicable to the Company

The Group has adopted Accounting Standards for Business Enterprises of the PRC for the preparation and presentation of its consolidated financial statements since 2017, including the consolidated financial statements for the year ended 31 December 2025, which were disclosed in the announcement of the Group results for the year ended 31 December 2025 dated 20 March 2026 and in the 2025 annual report dated 14 April 2026. During the 2026 financial year, following the retirement of the Company's former auditor, ShineWing Certified Public Accountants (General Special Partnership), the Company has appointed Zhongshen Zhonghuan Certified Public Accountants LLP (Special General Partnership) ("**Zhongshen Zhonghuan**") as the Company's annual domestic auditor, and has appointed ZSZH (HK) Fuson CPA Limited ("**ZSZH Hong Kong**") as the Company's annual overseas auditor.

Given the gradual increase in the Company's overseas investors and cross-border investment and financing activities, and in order to enhance transparency in the international capital markets and adapt to globalized operations, the Company proposes changing to disclosure in accordance with Hong Kong Financial Reporting Standards.

The Board is of the view that the abovementioned change in the basis of preparation of the consolidated financial statements will not have a material impact on the Group's financial position, financial performance, and cash flows as reflected in the Group's consolidated financial statements with respect to the Group's transactions, other matters, and circumstances, and that it complies with the relevant disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance.

LETTER FROM THE BOARD

In view of such arrangement, the Board proposed to prepare one set of financial statements for the Company under the Hong Kong Financial Reporting Standards Applicable to The Company (the “**Proposed Change of Accounting Standards Applicable to the Company**”). The Proposed Change of Accounting Standards Applicable to the Company will be subject to the Shareholders’ approval of the proposed amendments to the Articles of Association as stated below (the “**Proposed Amendments to the Articles of Association**”).

Subject to the Shareholders’ approval of the Proposed Amendments to the Articles of Association, it is expected that starting with the review interim report for the period ended 30 June 2026, the results of the Company will be prepared in accordance with the Hong Kong Financial Reporting Standards. The Board is of the view that the Proposed Change of Accounting Standards Applicable to the Company will ensure that the Company’s domestic and overseas disclosures are true, accurate, and complete, and is in the interests of the Company and Shareholders as a whole.

Proposed Amendments to the Articles of Association

In light of the abovementioned Proposed Change of Accounting Standards Applicable to the Company, the Board proposes to make amendments to the Company’s Articles of Association, which include provisions related to Accounting Standards Applicable to The Company and financial reporting.

The Board is of the view that the Proposed Amendments to the Articles of Association are in the interests of the Company and Shareholders as a whole.

The abovementioned Proposed Amendments to the Articles of Association are subject to the approval of the Shareholders of the Company by passing a special resolution at the Extraordinary General Meeting. The Proposed Amendments to the Articles of Association shall be subject to the final approval and filing record by the market supervision and administration authority.

Details of Proposed Amendments to the Articles of Association are set out in Appendix V to this circular.

The Proposed Amendments to the Articles of Association are written in Chinese without official English translation, and the English versions are only for reference purposes and may be subject to clerical or translation refinements. In the event of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

4. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Extraordinary General Meeting is set out on pages 88 to 89 of this circular. At the Extraordinary General Meeting, resolutions will be proposed to consider and, if thought fit, to approve, inter alia, (1) Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal); and (2) amendments to the Articles of Association.

LETTER FROM THE BOARD

The form of proxy for use at the Extraordinary General Meeting has been despatched on 8 July 2026, and such form of proxy is also published on the websites of HKEXnews of the Stock Exchange (www.hkex.com.hk) and the Company (www.chinacqme.com). Whether or not you intend to attend the Extraordinary 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 Extraordinary 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 Extraordinary General Meeting and voting in person if you so wish.

In accordance with the Listing Rules, the vote of the Independent Shareholders taken at the Extraordinary General Meeting to approve the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) will be taken by poll. Any Shareholder and his/her associates with a material interest in the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) will abstain from voting at the Extraordinary General Meeting.

As at the Latest Practicable Date, Parent Company, the Company, Target Company and Chongqing General Industry and their respective associates are all connected persons of the Company, whereas Mr. Yue Xiangjun, a Director of the Company, is also a director of the Target Company and Chongqing General Industry. In view of good corporate governance, they are deemed to have material interests under Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal). Accordingly, Parent Company, the Company, Target Company and Chongqing General Industry and their respective associates and Mr. Yue Xiangjun, Director of the Company, will abstain from voting at the Extraordinary General Meeting.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, other than Parent Company, the Company, Target Company and Chongqing General Industry and their respective associates, and Mr. Yue Xiangjun, Director of the Company, who shall abstain from voting at the Extraordinary General Meeting in respect of the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal), none of the Directors or Shareholders has a material interest in the resolutions to be proposed at the Extraordinary General Meeting and no other Shareholder is required to abstain from voting on the resolutions at the Extraordinary General Meeting.

5. PROCEDURES FOR VOTING AT THE EXTRAORDINARY GENERAL MEETING

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolutions 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 Extraordinary General Meeting (as set out in the Notice of the Extraordinary 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.

LETTER FROM THE BOARD

6. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in Appendix I of this circular. The Independent Board Committee, having considered the advice of the Independent Financial Adviser (the full text is set out in Appendix II of this circular), is of the view that the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) are in the interests of the Company and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Capital Increase Agreement and the transactions contemplated thereunder.

The Directors consider that all resolutions to be proposed for consideration and approval by the Shareholders at the Extraordinary 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 Extraordinary General Meeting as set out in the notice of the Extraordinary 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)

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

8 July 2026

To the Independent Shareholders

Dear Sir or Madam,

Reference is made to the circular issued by the Company to the Shareholders dated 8 July 2026 (the “**Circular**”) of which this letter forms a part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee by the Board to consider the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal), and to advise the Independent Shareholders in this regard.

Messis Capital has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and us in respect of the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal). The full text of the letter of advice from Mesis Capital to the Independent Board Committee and the Independent Shareholders is set out in Appendix II of the Circular..

We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in their letter of advice, we consider that the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) are not entered into during the usual and ordinary course of business of the Group, but the terms of the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) (i) are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal) are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution at the Extraordinary General Meeting, so as to approve the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase and Deemed Disposal).

*Yours faithfully,
The Independent Board Committee*

Ke Rui

Liu Lijun

Pu Huayan

Wong Chun Wa.

*Independent
Nonexecutive Director*

*Independent
Nonexecutive Director*

*Independent
Nonexecutive Director*

*Independent
Nonexecutive Director*

The following is the letter of advice from the Independent Financial Adviser, Messis Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

MESSIS 大有融資

8 July 2026

Dear Sir/Madam,

DISCLOSEABLE CONNECTED TRANSACTION: CAPITAL INCREASE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed capital increase and of a non-wholly owned subsidiary (the “**Proposed Capital Increase**” or the “**Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 8 July 2026 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 22 May 2026, Chongqing Chengfei New Materials Co., Ltd. (the “**Target Company**”), Chongqing Machinery and Electronic Holding (Group) Co., Ltd. (the “**Parent Company**”), the Company, Chongqing General Industry (Group) Co., Ltd. (“**CGIG**”), and Xizang Xuhuo Venture Capital Partnership (Limited Partnership) (“**Xizang Xuhuo**”) entered into the Capital Increase Agreement. Pursuant to the Agreement, 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, Parent Company, the Company, CGIG and Xizang Xuhuo will hold 20.2%, 51.4%, 27.1%, and 1.26% of equity interests in the Target Company, respectively.

LISTING RULES IMPLICATIONS

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 51.37% directly and 27.14% indirectly through Chongqing General Industry of equity interests in the Target Company, representing an aggregate shareholding of 78.51% 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.

Subsequent to the Completion Date, as 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, the Company's respective equity interests in Target Company directly and indirectly will be reduced from 98.42% to no less than 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.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors has been formed in accordance with the Listing Rules to consider as to whether the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Capital Increase), are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and advise the Independent Shareholders in this regard. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated with the Company, the Target Company, the Parent Company, Xizang Xuhuo, or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the terms of the Capital Increase Agreement.

In the past two years from the date of our appointment, we have not acted as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. We consider that we are eligible to give independent advice pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on: (i) the Capital Increase Agreement; (ii) the annual report of the Company for the year ended 31 December 2025 (the “**2025 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2025 (the “**2025 Interim Report**”); (iv) the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”); (v) the Valuation Report prepared by Pan-China (Chongqing) Asset & Real Estate Appraisal Co., Ltd. (the “**Independent Valuer**”); and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Target Company, save and except for the Valuation Report. Since we are not experts in the valuation of assets or business, we have relied solely upon the Valuation Report for the appraised value of the owners’ equity attributable to the Target Company as at 31 July 2025.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have considered the following principal factors and reasons:

1.1 Background information of the Group

The Group is principally engaged in designing, manufacturing and sales of clean energy equipment, smart manufacturing equipment and industrial services.

1.2 Financial information of the Group

Set out below is a table summarizing certain key financial information of the Group extracted from the 2025 Annual Report and the 2024 Annual Report.

Extract of consolidated statement of profit and loss

	For the year ended	
	31 December	
	2024	2025
	RMB'000	RMB'000
	Audited	Audited
Revenue	8,978,311	10,044,397
Profit before income tax	522,303	811,846
Income tax expense	-61,788	-26,160
Profit for the year	460,514	785,686
Attributable to owners of the Company	431,838	763,917
Attributable to non-controlling interests	28,677	21,768
Dividends – proposed final	128,962	202,655
Basic EPS (RMB)	0.12	0.21
	As at 31 December	
	2024	2025
	RMB'000	RMB'000
	Audited	Audited
Non-current assets	6,372,119	7,127,817
Current assets	11,314,639	12,824,473
Current liabilities	7,422,677	9,766,192
Net current assets	3,891,962	3,058,281
Total assets less current liabilities	10,264,080	10,186,098
Non-current liabilities	1,645,698	879,266
Net assets	8,618,382	9,306,832
Equity attributable to owners of the Company	8,101,862	8,811,166
Non-controlling interests	516,520	495,666

Year ended 31 December 2024 (“FY2024”) compared to year ended 31 December 2025 (“FY2025”)

The Group’s revenue increased significantly by approximately 11.9% in FY2025 as compared to FY2024, rising from RMB8,978.3 million to RMB10,044.4 million. This growth was primarily driven by higher sales contributions from the Group’s core business segments.

Despite the solid revenue growth, profit before income tax grew strongly by approximately 55.4%, from RMB522.3 million in FY2024 to RMB811.8 million in FY2025. Correspondingly, net profit for the year increased substantially by approximately 70.6% to RMB785.7 million, compared to RMB460.5 million in the prior year. Profit attributable to owners of the Company also recorded strong growth of approximately 76.9%, reaching RMB763.9 million in FY2025 from RMB431.8 million in FY2024. Basic earnings per share improved from RMB0.12 to RMB0.21.

The Group's financial position as at 31 December 2025 continued to strengthen compared to 31 December 2024. Total assets increased by approximately 11.0%, while total liabilities rose at a slower pace. Net assets increased from RMB8,618.4 million to RMB9,306.8 million. Equity attributable to owners of the Company grew steadily from RMB8,101.9 million to RMB8,811.2 million. Non-current liabilities decreased significantly from RMB1,645.7 million to RMB879.3 million, reflecting an improved debt profile.

However, net current assets declined from RMB3,892.0 million to RMB3,058.3 million, mainly due to a notable increase in current liabilities. Cash and bank balances position will need to be monitored as the Group continues to expand its operations.

2. Background information of 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 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.

3.1 Background Information of the Target Company

The Target Company is a limited liability company incorporated in the PRC in September 2009. As of the date of this circular, it has a registered and paid-up capital of RMB 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%. 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.

3.2 Financial information of the Target Company

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 and presented both on the parent company reporting basis and on the consolidated reporting basis, is set out below:

Audited Financial Information of the Target Company presented on the consolidated reporting basis

Unit: RMB million

Item	2024 <i>(audited)</i>	2025 <i>(audited)</i>
Total operating revenue	2,406.45	3,259.62
Total profit (loss expressed with “-”)	44.28	63.76
Net profit (net loss expressed with “-”)	38.38	55.03

Audited Financial Information of the Target Company presented on the parent company reporting basis:

Unit: RMB million

Item	2024 <i>(audited)</i>	2025 <i>(audited)</i>
Total operating revenue	2,425.71	3,407.66
Total profit (loss expressed with “-”)	0.93	18.40
Net profit (net loss expressed with “-”)	1.69	18.39

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, whereas the total assets and net assets of the Target Company amounted respectively to approximately RMB2,662.74 million and RMB839.91 million, presented on the parent company reporting basis.

4. Reasons for and Benefits of the Transaction

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.

The Capital Increase does not constitute a change of control of the Target Company; rather, it represents an optimisation of the tiered operation of state-owned capital, coordinating the division of labour between resources and capital to form a three-tiered collaborative structure characterised by "Strategic Leadership from the Parent Company, Efficient Operations by the Company, and the Target Company's Focus on its Core Business".

I. Internal synergies to be realised between the Parent Company, the Target Company and the Company following the completion of the Capital Increase

The Parent Company can complement the Company's industrial development strategy and local state-owned resources, thereby strengthening the Company's strategic control over the wind turbine blade sector. The Company, in turn, can leverage the Parent Company's brand, local government resources and industrial chain integration capabilities (such as in high-end clean energy equipment and wind turbine blades) to provide backing for the Target Company in expanding its market, securing policy support, and strengthening and extending its industrial chain.

The Company retains control of the Target Company and can leverage the Parent Company's direct shareholding to enhance the Target Company's creditworthiness and ability to access resources. This will enable a division of labour and synergy where the Parent Company provides the platform and the Company handles operations, thereby reducing the Target Company's own capital expenditure pressure. Whilst focusing on the governance efficiency of the listed company, the Company can allocate surplus funds to the development of other related businesses (as described below).

The funding required for the Target Company's capacity expansion and strategic base development has been secured. Whilst focusing on its core business and strengthening and optimising the wind power sector, the Target Company can also leverage the Parent Company's resources to extend its reach upstream and downstream along the industrial chain, thereby creating room for growth and strengthening its position.

II. The Relationship Between Synergies and the Target Company's Expected Use of the Capital

Synergies are primarily manifested in the following three dimensions: strategic execution, financing capacity and market synergy.

- (1) As a pilot state-owned capital investment company approved by the Chongqing Municipal Government, the Parent Company is investing RMB270 million of its own funds directly into the Target Company to ensure that the Target Company has sufficient and flexible capital to implement its “15th Five-Year Plan” strategic plan for clean energy equipment. Through Capital Increase, the Parent Company’s direct investment not only confirms that the wind power sector has been identified as a key development priority for the Parent Company, but also signifies that the Parent Company and the Company will jointly bear operational risks. This strengthens both parties’ strategic control over and resource allocation to the Target Company, demonstrating their determination and confidence in strengthening and optimising the wind power industry.
- (2) Upon completion of the Capital Increase, due to the increase in registered capital and capital reserves, the Target Company’s debt-to-asset ratio will decrease from 69.94% to approximately 66%, effectively alleviating the pressure of the debt-to-asset ratio exceeding 70% resulting from the investment and construction of the two bases in Hebei. Backed by the credit endorsement of the Parent Company as a first-tier state-owned enterprise, the Target Company’s credit standing will improve significantly, enhancing its ability to secure competitive loan rates and sufficient credit lines, thereby ensuring long-term financing flexibility and sustained healthy development.
- (3) The Capital Increase will primarily be used to strengthen the Target Company’s registered capital and capital reserve, directly strengthening its capital base and creditworthiness. On this basis, the Parent Company will be able to fully leverage its advantages as a first-tier municipal group in Chongqing and its extensive marketing platform to synergistically empower the Target Company. This will facilitate the Target Company’s engagement with leading turbine manufacturers such as Goldwind Science & Technology Co., Ltd.* (金風科技股份有限公司) and Yunda Energy Technology Group Co., Ltd.* (運達能源科技集團股份有限公司), as well as energy groups and other client-side resources, whilst expanding into the local and south-western markets. This will assist the Target Company in securing high-quality orders and strategic partners, thereby achieving a dual enhancement of market share and profitability.

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 align with the long-term interests of both the Company and its Shareholders.

We have noted from the "15th Five-Year Plan" strategic plan for clean energy equipment that the wind power sector has been identified as a key development priority. Under this circumstance, the Parent Company, as an investment company approved by the Chongqing Municipal Government, will have to ensure that the Target Company has sufficient and flexible capital to implement the plan and therefore is investing RMB270 million of its own fund into the Target Company. As understood from the management of the Company, and in line with the Company's ongoing business plans, it would be beneficial for the Company if the Target Company were to raise additional capital. This would enable the Target Company to (i) expand its business operations and (ii) alleviate the pressure arising from its debt-to-asset ratio exceeding 70%, without requiring the Company to inject any further capital into the Target Company.

Overall, we concur with the Management's view that the entering into the Capital Increase Agreement aligns with the strategy of the Group, which not only strengthens the Target Company's financial position but also further expand market channels, strengthen customer trust and cooperation, fully unlock internal synergies, and comprehensively enhance the Company's core competitiveness. Moreover, 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 will not affect the Company's business development or profitability. Accordingly, we concur with the Management's view that the entering into the Capital Increase Agreement is in the interest of the Company and the Shareholders as a whole.

5. Principal terms of the 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 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.

5.1 Consideration for the Transaction

According to the “Letter from the Board” of the Circular, 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 subject to the value filed by the Parent Company.

The Consideration of the Target Equity were determined after arm’s length negotiations 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.

We noted that the appraised value of the Target Company was based on an independent valuation report prepared by the Independent Valuer as at 31 July 2025, which assessed the entire shareholders' equity of the Target Company using the asset-based approach. We understand from the Management that since the Valuation Benchmark Date, the relevant market conditions has remained broadly stable, with no systemic changes materially affecting the Target Group's asset values, and the Target Group has been operating in its ordinary course of business during this period, with no abnormal events causing significant fluctuations in its asset values. Subsequent developments since the Valuation Benchmark Date have not materially altered the Target Company's relative financial position and/or the prevailing market conditions. We also noted that the validity period of the valuation conclusion in the Business Valuation Report is one year from the Valuation Benchmark Date, which is consistent with the requirements of the relevant PRC asset appraisal standards. Moreover, we noted that pursuant to 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 of 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. Based on this, we concur with the Management that the valuation as at 31 July 2025 remains fair and representative for the purpose of the Capital Increase Agreement.

For a detailed discussion of the appraised values of the Target Company, please refer to the paragraphs headed "5.2 Valuation of the Target Company" below. Considering the above, we are of the view that the consideration for the Transaction is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

5.2 Valuation of the Target Company

When assessing the fairness and reasonableness of the valuation of the Target Company, we have in particular considered the Valuation Report prepared by the Independent Valuer. In this respect, we note that Pan-China (Chongqing) Assets & Real Estate Appraisal Co., Ltd., the Independent Valuer, has been engaged to issue the Valuation Report on the market value of 100% equity interest in the Target Company. According to the Valuation Report, the appraised equity value of the Target Company amounted to RMB1,064,657,900 (the "**Target Company Appraised Value**") as at the Valuation Benchmark Date.

We have considered the following factors in assessing the fairness and reasonableness of the Target Company Appraised Value.

5.2.1 Independent Valuer's qualification

The Independent Valuer, Pan-China (Chongqing) Assets & Real Estate Appraisal Co., Ltd., is an asset appraisal corporation qualified to provide appraisal services in respect of assets (資產評估資格), as issued by the Ministry of Finance of the PRC.

We note that the key personnels of the Independent Valuer responsible for signing the Valuation Report have obtained the professional qualification certificates for asset appraisal issued by China Appraisal Society (中國資產評估協會, “CAS”). In this regard, we note that CAS is a national, non-profit organisation which is formed from valuation firms and qualified valuation professionals in the PRC. It is overseen by the Ministry of Civil Affairs and Ministry of Finance of the PRC. The Independent Valuer has confirmed that it is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

In addition, we have also reviewed the terms of the Independent Valuer’s engagement, in particular, their scope of work, and noted that it is appropriate for arriving at the opinion required to be given. No limitation on the scope of work which might adversely impact on the degree of assurance given by them in the Valuation Report has been noted. We have also reviewed the Valuation Report and discussed with the Independent Valuer regarding the methodologies adopted, together with the bases and assumptions for the valuation of the equity interest in Target Company, which are further elaborated below.

Considering the above, we believe that the Independent Valuer has sufficient knowledge and experience to undertake the valuation of equity interest in Target Company competently, and we are satisfied that the scope of work is sufficient and appropriate.

5.2.2 Valuation methodology

We have conducted an interview with the Independent Valuer to enquire into and understand the valuation methodology adopted for valuing the equity interest in the Target Company.

We note that the Independent Valuer has adopted the asset-based approach (the “**Asset-based Approach**”) in arriving at the Target Company Appraised Value and assuming that the Target Company will continue to operate and the assets under evaluation will continue to be conducted according to their current purpose and manner of utilization. The Asset-based Approach uses the balance sheet of the assessed entity or operating entity as at the valuation benchmark date as the basis for assessing the value of each of the assets and liabilities that can be identified both on- and off-balance-sheet to determine the value of the target of appraisal. The assets and liabilities of the Target Company are evaluated by specific assessment method corresponding to such assets and liabilities. Based on our discussion with the Independent Valuer, we understand that the Asset-based Approach is one of the commonly adopted approaches for valuing companies of similar nature and is also in line with normal market practices. We are further advised by the Independent Valuer that the Target Company has clear ownership to its various assets and liabilities, with relatively complete supporting documentation available. This enables the value of each asset and liability to be reasonably assessed and estimated using appropriate methods, rendering the adoption of the Asset-based Approach appropriate for the valuation.

We understand that the Independent Valuer has also considered the market approach, which involves determining the value of the appraisal object based on the market price of comparable companies by comparing the target of appraisal with comparable companies. Since the Target Company operates in an industry with similar listed companies, where operating and financial data of such listed companies are publicly available, relevant information can be obtained in a relatively sufficient, accurate, and reliable manner. Therefore, the listed company comparison approach under the market approach could also be adopted for the valuation. This approach refers to the valuation method of obtaining and analyzing the operating and financial data of comparable listed companies, calculating the value ratios and determining the value of the appraised enterprise based on a comparative analysis with the appraised enterprise.

For income approach, we note from the Independent Valuer that the wind power industry, which the Target Company engages in, is subject to policy cycles, cost fluctuations and technological iterations, making historical financial data an unreliable basis for forecasting future returns and therefore is not appropriate to be adopted. We have conducted independent research and noted that it is common for companies in the wind power industry not to adopt income approach and therefore consider it is reasonable not to adopt the income approach. RMB

We further understand that the Independent Valuer ultimately adopted the results from the Asset-based Approach to determine the appraised value of the Target Company. Given that PRC's multi-tiered capital market system still requires further development and refinement, the value multiples employed under the market approach are subject to significant fluctuations in the share prices of comparable listed companies, and the adjustment framework for the market approach is not yet fully developed; consequently, the market approach is not the most appropriate method. At the same time, we also note from the Independent Valuer that the market approach involves numerous subjective assumptions, and the result can be sensitive to changes in certain inputs. Therefore, despite we understand that the market approach is one of the commonly adopted valuation methodologies and can be applied in the case of the Target Company, we consider Valuer's decision to adopt valuation results from the Asset-based Approach, in which the inputs are subject to less uncertainty and can be obtained from the market, to be reasonable. Given the above, we are of the view that the valuation methodology adopted by the Independent Valuer for valuing the equity interest in the Target Company is fair and reasonable.

5.2.3 Basis and assumptions

The Independent Valuer's valuation is carried out on a market value basis, being the "estimated value of the target of appraisal in a normal and fair transaction on the valuation benchmark date between a willing buyer and a willing seller, each acting rationally and without any coercion". We note that in the case of the Transaction, the Capital Increase Agreement shall be entered into by the parties thereto on normal commercial terms following arm's length negotiations; and we are not aware of any unique circumstances relating to the Transaction such as distressed or compulsory sale.

For the Asset-based Approach, the Independent Valuer assesses each item's value in the balance sheet of Target Company in determining the value of Target Company. The following table (summarised from the Valuation Report) sets out the basis in deriving the Target Company Appraised Value.

	<i>RMB'000</i>
Net asset value ("NAV") of Target Company as at the Valuation Benchmark Date	839,905.8
Add:	
– revaluation surplus on non-current asset	214,987.2
– revaluation surplus on current asset	4,824.9
– revaluation surplus (impairment reduction) on liabilities	4,940.0
– Target Company Appraised Value as at Valuation Benchmark Date	1,064,657.9

As set out in the table above, the Independent Valuer has estimated a total revaluation surplus of approximately RMB224.75 million for the Target Company, comprising a revaluation surplus on non-current assets of approximately RMB214.99 million, a revaluation surplus on current assets of approximately RMB48.25 million, and a revaluation surplus on liabilities of approximately RMB49.4 million. The total revaluation surplus is added back to the audited NAV of the Target Company as at the Valuation Benchmark Date, deriving the Target Company Appraised Value of RMB1,064,657,900 for the entire equity interest in the Target Company as at the Valuation Benchmark Date.

The revaluation surplus are derived from the Target Company's non-current assets and current assets by deducting their respective book values from their market values as estimated by the Independent Valuer, as further discussed below.

5.2.3.1 Valuation of non-current assets

The revaluation surplus on non-current assets of approximately RMB214.99 million primarily relates to the valuation of long-term equity investments, fixed assets, and intangible assets. Based on a review of the Valuation Report and discussions with the valuer, the following observations are noted:

- (i) The revaluation surplus on long-term equity investments mainly arises from the valuation of the Target Company's subsidiaries. The carrying amount of long-term equity investments was RMB307.62 million, and the appraised value was RMB481.82 million, representing a surplus of RMB174.20 million or an appreciation rate of 56.6%. The Independent Valuer conducted an overall valuation of these long-term equity investments by first assessing and obtaining the entire shareholders' equity value of each investee entity, and then multiplying this value by the Target Company's shareholding percentage to derive the value attributable to the Target Company's equity interest. For investee companies in normal operation where financial statements or management accounts were readily available, the asset-based approach was primarily used to estimate total shareholders' equity value. We have obtained the underlying workings and confirmed that the Independent Valuer had obtained the financial statements or management accounts of each investee company and had applied consistent valuation methods.
- (ii) The revaluation of fixed assets resulted in a slight impairment. The carrying amount of fixed assets was RMB61.30 million, and the appraised value was RMB59.08 million, representing an impairment of RMB2.22 million or a decrease of 3.6%. The fixed assets valued include 14 buildings, along with various vehicles and electronic equipment. For buildings and structures, the Independent Valuer applied the cost approach, which involves estimating the full replacement cost of the asset and then determining its value by multiplying this cost by a newness rate that reflects physical depreciation. The replacement cost was determined based on comprehensive construction costs, preliminary and other costs, and cost of capital using the loan prime rate, with deductible input VAT subtracted. The newness rate was determined by combining a theoretical newness rate (based on remaining useful life) and a site survey newness rate based on actual inspection. No functional or economic obsolescence was assumed, but normal physical wear and tear resulted in a modest write-down. For vehicles and electronic equipment, the Independent Valuer applied a combination of the

replacement cost approach (with newness rates based on useful life, mileage and on-site inspection) and, for older assets with active second-hand markets, the market comparable approach. The overall impairment was minor and consistent with the age and condition of the assets. We noted that despite the rapid technological evolution in wind turbine blade manufacturing (e.g., carbon fibre materials, larger blade sizes), given the Target Company has consistently been profitable and invests approximately RMB100 million annually in research and development, ensuring the continued competitiveness of its products. Therefore, the Independent Valuer assumed no functional or economic obsolescence for fixed assets while applied physical newness rates based on site inspections. We have reviewed the financial statements of the Target Company and verified such statement, as well as noted from the Independent Valuer that this is a normal market practice.

- (iii) The most significant revaluation surplus within non-current assets came from intangible assets. The carrying amount of intangible assets was only RMB9.65 million, while the appraised value was RMB54.02 million, representing a surplus of RMB44.37 million or an appreciation rate of 459.9%. This large surplus is primarily attributable to the valuation of land use rights, patents, trademarks and software copyrights. For land use rights, the Independent Valuer adopted the market approach by comparing the subject land parcels with recent transaction cases of similar land parcels in the vicinity, with adjustments for transaction circumstances, land price indices, regional factors, individual factors and term corrections. This resulted in a revaluation surplus of RMB3.65 million (from RMB7.47 million to RMB11.13 million). We consider using the market approach with comparable transactions reasonable. For patents and software copyrights, the Independent Valuer applied the cost approach using historical research and development costs adjusted to estimate replacement value, then applying a newness rate based on estimated economic lives of 15 years for invention patents and 8 years for utility models. The Target Company also holds 226 off-balance sheet patents, which were included as parent company intangible assets under the assumption that they are developed, designed and maintained by the parent company and licensed to subsidiaries free of charge, and that co-owned patents with General Group are 50% owned. Although valuing intellectual property at cost rather than income is conservative, the Independent Valuer considered this approach appropriate because future excess earnings from such assets are difficult to isolate in the highly cyclical and policy-driven wind power industry. Trademarks were valued using the cost approach

based on design costs, official fees and agent fees, with design costs treated as having an indefinite life and the remaining costs amortised over the statutory useful life of 10 years. We confirmed with the Management of the Company that these patents are developed and maintained by the parent company and licensed to subsidiaries free of charge, and noted from the Independent Valuer that this is a normal market practice to value patents.

- (iv) Other non-current assets, including construction in progress, right-of-use assets, long-term deferred expenses, deferred tax assets and other non-current assets, were valued using the replacement cost approach or verified carrying amounts as appropriate. Construction in progress was valued at replacement cost with an addition for cost of capital where the commencement date was more than six months before the reference date. Deferred tax assets were reduced by 46.9% because the valuation differences between carrying amounts and tax bases narrowed after revaluation of the underlying assets and liabilities.

5.2.3.2 Valuation of current assets

The revaluation surplus on current assets was approximately RMB4.82 million, representing a modest appreciation of 0.21% over the carrying amount of RMB2,273.53 million. The Target Company's current assets as a whole showed a slight surplus because most short-term assets already approximated their realisable value. Monetary funds and notes receivable were valued at verified carrying amounts after reconciliation with bank statements, confirmation letters and physical counts of notes, all of which were bank acceptance bills. Accounts receivable and other receivables were valued based on the amount likely to be recovered for each item. The Independent Valuer examined historical data, overdue status, collection history, and the debtor's credit and operating condition, then estimated irrecoverable portions accordingly. The allowance for bad debts on the books was valued at zero, and no additional material write-offs were required because the Target Company's subsidiaries were generally healthy. We have obtained the ageing schedules and confirmed that no additional provisions beyond the auditor's existing bad debt allowances were deemed necessary, as well as note from the Independent Valuer that none of the subsidiaries had negative net assets post valuation that would affect recoverability. Based on our discussions with the Valuer, we understand that the above approaches are commonly adopted for valuing other receivables of a similar nature and are also consistent with normal market practices. We therefore consider the current assets valuation to be fair and reasonable.

Prepayments were valued based on the amount of goods or corresponding rights obtainable upon maturity, with verification of original purchase contracts and post-balance-sheet date receipts. Inventories, which include raw materials, work in progress, finished goods and goods dispatched, were valued using a mixed approach. Raw materials were valued at current market price plus reasonable freight. Finished goods were valued by taking the ex-factory sales price excluding VAT and deducting selling expenses, sales taxes and surcharges, income tax and a portion of net profit, reflecting a lack of immediate marketability or a forced liquidation discount. Work in progress with a high degree of completion was converted into equivalent units of finished goods and valued accordingly, while work in progress with low completion was taken at carrying amount as no significant value change had occurred. Goods dispatched, being finished goods sold but not yet recognised for revenue, were valued similarly to finished goods but with deductions depending on whether risk had been transferred. We also note from the Independent Valuer that the “portion of net profit” to be deducted is determined based on the risk transfer and marketability of each product type. While the exact percentage is not disclosed in the report, the resulting surplus on inventories was small, indicating that the effect is not material. Contract assets, representing receivables from sales of goods and unexpired warranty retention monies, were valued based on estimated recoverable amounts with the impairment allowance account on the books valued at zero. Other current assets consisting of prepaid property tax and land use tax were valued at verified carrying amount. The overall small surplus on current assets indicates that the Target Company’s short-term assets are carried on the balance sheet at amounts close to their market value. Based on our discussions with the Valuer, we understand that the above approaches are commonly adopted for valuing other current assets of a similar nature and are also consistent with normal market practices. We therefore consider the current assets valuation to be fair and reasonable.

5.2.3.3 Valuation of liabilities

Liabilities were revalued downward by approximately RMB4.94 million, from a carrying amount of RMB1,822,834,500 to an appraised value of RMB1,817,894,500, representing an impairment rate of 0.27%. This reduction was primarily due to the revaluation of non-current liabilities, as the Independent Valuer determined that certain liability items that the Target Company is required to assume after the realisation of the valuation purpose were less than the carrying amounts. We have obtained and reviewed the supporting documents and confirmed that the Independent Valuer had verified each liability item and taken only the amounts that the Target Company is actually required to assume. Current liabilities, including short-term borrowings, notes payable, accounts payable, contract liabilities, employee compensation payable, taxes payable, other payables and non-current liabilities due within one year, were valued at their verified carrying amounts because no adjustment was considered necessary. The reduction in non-current liabilities contributed positively to the final equity value.

5.2.3.4 Final determination of valuation conclusion

The value of all shareholders' equity under the market approach was RMB1,038,419,000, while the value under the asset-based approach was RMB1,064,657,900, resulting in a difference of RMB26,238,900 between the two approaches, with a difference rate of 2.46%, which is relatively small. Given that PRC's multi-tiered capital market system still requires further development and refinement, the value multiples employed under the market approach are subject to significant fluctuations in the share prices of comparable listed companies, and the adjustment framework for the market approach is not yet fully developed; consequently, the market approach is not the most appropriate method. Therefore, following a comprehensive analysis, the market approach is not considered the most appropriate method. Consequently, the Independent Valuer did not adopt the market approach in this valuation at all, nor did the Independent Valuer adopt it in determining the Consideration, and that the Independent Valuer has not included any valuation results derived from the market approach. We consider that given the asset-based approach applies appropriate valuation methods to all assets and liabilities, including off-balance sheet assets, based on relevant price levels and newness rates as of the valuation reference date, and fully considers the contribution of each asset and liability to the value of all shareholders' equity. In contrast, the market approach is significantly affected by fluctuations in the stock prices of comparable listed companies. Therefore, we concur with the Independent Valuer that the asset-based approach results to be more reliable for the proposed capital increase of RMB270 million in Chongqing Chengfei New Material Co., Ltd.. We therefore consider the final valuation to be fair and reasonable.

Based on our review of the Valuation Report, the underlying documents as mentioned above and our interview with the Valuer, the Company's representation to the Independent Valuer is aligned with our understanding. Based on the above, we consider that the above basis and assumptions made by the Independent Valuer in this regard are fair and reasonable.

6. Potential financial effects of the Transaction

Upon completion of the Capital Increase, the registered capital of the Target Company will be increased from RMB892.5 million to RMB1,118.84 million. Upon the completion of the Equity Transfer and 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.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the entering into of the Capital Increase Agreement is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We are of the opinion that the terms of the Capital Increase Agreement are on normal commercial terms, fair and reasonable, and the Proposed Capital Increase is in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the proposed resolution at the EGM to approve the entering into of the Capital Increase Agreement.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Thomas Lai
Chief Executive Officer

Mr. Thomas Lai is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulatory activity under the SFO and has over 35 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors, chief executive or supervisors of the Company or their respective associates (as defined under the Listing Rules) had any interests or short positions in the Shares, underlying Shares or debt securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (not being a Director, chief executive or supervisor of the Company) had interests in the Shares of the Company as recorded in the register (the “**Register**”) required to be kept under section 336 of the SFO:

Long position in domestic shares and H shares of RMB1.00 each of the Company

Name of shareholders	Number of shares	Stock category	Status	Notes	Percentage of total issued domestic shares (%)	Percentage of total issued H shares (%)	Percentage of total issued shares (%)
Chongqing Machinery and Electronics Holding (Group) Co., Ltd.	2,156,357,703	Domestic shares	Beneficial owner	(1)	83.44 (L)	-	58.52
	92,670,000	H Shares	Beneficial owner	(1)	-	8.42 (L)	2.52
Chongqing Yufu Holdings Group Co., Ltd.	232,132,514	Domestic shares	Beneficial owner	(1)	8.98 (L)	-	6.30
China CITIC Financial Asset Management Co., Ltd.	195,962,467	Domestic shares	Beneficial owner	(2)	7.58 (L)	-	5.32
Chongqing State-owned Assets Supervision and Administration Commission	2,388,490,217	Domestic shares	Controlled corporation interest	(1)	92.42 (L)	-	64.82
	92,670,000	H Shares	Beneficial owner	(1)	-	8.42 (L)	2.52
Ministry of Finance of the PRC	195,962,467	Domestic shares	Controlled corporation interest	(2)	7.58 (L)	-	5.32

(L) Long Position

Notes:

- 1) As Chongqing Machinery and Electronics Holding (Group) Co., Ltd. and Chongqing Yufu Holdings Group Co., Ltd. are wholly owned by Chongqing State-owned Assets Supervision and Administration Commission, Chongqing State-owned Assets Supervision and Administration Commission is deemed to be interested in 2,156,357,703 domestic shares and 92,670,000 H shares as well as 232,132,514 domestic shares of the Company held by the two companies respectively.
- 2) China CITIC Financial Asset Management Co., Ltd. (previously called China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司)) is held as to 63.36% directly by the Ministry of Finance of the People's Republic of China and as to 4.22% indirectly by the Ministry of Finance of the People's Republic of China through China Life Insurance (Group) Company, its wholly-owned subsidiary. Therefore, the Ministry of Finance of the People's Republic of China is deemed to be interested in 195,962,467 domestic shares of the Company held by China CITIC Financial Asset Management Co., Ltd.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any persons (other than the Directors, Supervisors and chief executives of the Company) holding any interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which have been recorded in the Register required to be maintained pursuant to section 336 of the SFO.

4. DIRECTORS' AND SUPERVISORS' INTERESTS AND OTHER INTERESTS IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date, none of the Directors and the supervisors of the Company had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Company were made up. As at the Latest Practicable Date, none of the Directors and the supervisors of the Company was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which do not expire or are not terminable by relevant members of the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTEREST

Mr. Yue Xiangjun (Chairman, a executive Director and the General Manager of the Company) currently is also a director of the Chongqing General Industry and Target Company. As the Board is independent of the board of directors of Chongqing General Industry and Target Company, and Mr. Yue Xiangjun has no control over the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the business of Parent Company.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business (other than the business of the Group) which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

No member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERT'S QUALIFICATION AND CONSENT

The qualifications of the experts who have given opinion or advice which is contained in this circular are set out as follows:

Name	Qualification
Messis Capital Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong)
Pan-China (Chongqing) Assets & Real Estate Appraisal Co., Ltd*	Independent professional valuer

The abovenamed experts have not given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or opinions and/or the references to their name in the form and context in which they respectively appear.

As at the Latest Practicable Date, (i) the abovenamed experts did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) the abovenamed experts did not have any shareholding interests, direct or indirect, in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any members of the Group.

The letters given by the abovenamed experts are given as of the date of this circular for incorporation herein.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being a contract entered into in the ordinary course of business) were entered into by the Group within the two years immediately preceding the Latest Practicable Date and is, or may be material:

- (i) On 23 January 2024, the Company, China's Agriculture Development Key Construction Fund Co., Ltd. ("**Agriculture Development Fund**") and Chongqing Gas Compressor Factory Co., Ltd. ("**Gas Compressor Company**") entered into the equity transfer agreement ("**Equity Transfer Agreement 1**"), pursuant to which Agriculture Development Fund agreed to sell and the Company agreed to acquire 35.79% equity interest in Gas Compressor Company held by Agriculture Development Fund at a consideration of RMB67,000,000 ("**Acquisition 1**"). Upon completion of the Acquisition 1, Gas Compressor Company will become a wholly-owned subsidiary of the Company. The Company holds 64.21% equity interest in Gas Compressor Company, and Agriculture Development Fund holds 35.79% equity interest in Gas Compressor Company, which is a substantial shareholder of Gas Compressor Company and a connected person of the Company at the subsidiary level. Accordingly, the Acquisition 1 under the Equity Transfer Agreement 1 constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the connected transaction aforementioned have been disclosed in the announcement of the Company dated 23 January 2024.

On 29 November 2024, Chongqing General Industry and CQMEHG Asset Management Co., Ltd. (a wholly-owned subsidiary of the Controlling Shareholder of the Company (being the Parent Company) ("**Asset Company**") entered into the equity transfer agreement ("**Equity Transfer Agreement 2**"), pursuant to which Chongqing General Industry agreed to acquire and the Asset Company agreed to sell the target equity held by it at a consideration of approximately RMB9,955,600 ("**Acquisition 2**"). Chongqing General Industry holds 40% equity interest in the target company, which is a subsidiary of the Company, whereas the Asset Company directly holds approximately 33.33% equity interest in the target company and is the substantial shareholder of the target company. Meanwhile, Chongqing General Industry is a wholly-owned subsidiary of the Company, and the Asset Company is a wholly-owned subsidiary of the Controlling Shareholder of the Company. Accordingly, all parties under the Equity Transfer Agreement 2 are connected persons of the Company. Therefore, the Acquisition 2 constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the connected transaction aforementioned have been disclosed in the announcement of the Company dated 29 November 2024.

- (ii) On 7 November 2025, the Company entered into an asset transfer agreement with Chongqing Zhuoyue Industrial Development Co., Ltd.* ("**Zhuoyue Company**") (a wholly-owned subsidiary of the Controlling Shareholder), pursuant to which the Company agreed to sell, and Zhuoyue Company agreed to acquire, the target asset package of Shengpu Technology Branch Company of Chongqing Machinery & Electric Co., Ltd.* ("**Shengpu Technology**") for a consideration of RMB4,885,400. Zhuoyue Company is a subsidiary of the Controlling Shareholder, while Shengpu Technology is a branch company of the Company without separate legal personality. Consequently, Zhuoyue Company constitutes a connected person

of the Company, and the transfer by the Company to the Zhuoyue Company of the target asset package pursuant to the asset transfer agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.. Details of the connected transaction aforementioned have been disclosed in the announcement of the Company dated 27 November 2025.

11. MISCELLANEOUS

- (i) The registered office and principal place of business in the PRC of the Company are No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC.
- (ii) The principal place of business of the Company in Hong Kong is Room 1204-06, 12/F, The Chinese Bank Building, 61 Des Voeux Road Central, Central, Hong Kong.
- (iii) The Company's H Share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The company secretary of the Company is Ms. Chiu Hoi Shan, who is a practicing solicitor of the High Court of Hong Kong.
- (v) Unless stated otherwise, in the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's HKEXnews website (<http://www.hkexnews.hk>) and the Company's website (<http://www.chinacqme.com>) for the period of 14 days commencing from the date of this circular:

- (i) the letter from the Independent Board Committee to the Independent Shareholders, the full text of which is set out in Appendix I of this circular;
- (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the full text of which is set out in Appendix II of this circular;
- (iii) extract of Valuation Report, the full text of which is set out in Appendix IV of this circular;
- (iv) a copy of the Capital Increase Agreement; and
- (v) the written consent referred to in the section headed "9. EXPERT'S QUALIFICATION AND CONSENT" of this appendix.

* *For identification purposes only*

I. CHANGE OF CAPITAL INCREASE SUBJECT

According to the minutes of the third 2026 general managers' office meeting of CQMEHQ* (重慶機電控股(集團)公司), on 4 February 2026, the meeting of CQMEHQ* resolved, after deliberation, to approve the initiation of the RMB270 million capital increase project in Chongqing Chengfei New Material Co., Ltd. (重慶成飛新材料股份公司) by either Chongqing Machinery & Electric Co., Ltd.* or CQMEHQ*.

According to the resolution of the second 2026 meeting of the fourth board of directors of CQMEHQ*, the meeting considered and approved the following decision: "It is resolved to approve the RMB270 million capital increase in Chongqing Chengfei New Material Co., Ltd. by CQMEHQ*". According to the capital increase plan proposal considered by the board of directors of CQMEHQ*, CQMEHQ* will in this instance adopt the valuation report issued by the intermediary institution engaged by Chongqing Machinery & Electric Co., Ltd.*

The valuation object of this valuation report is the value of all shareholders' equity of Chongqing Chengfei New Material Co., Ltd., and the valuation scope covers all assets and liabilities of Chongqing Chengfei New Material Co., Ltd. as of the valuation reference date. The valuation value type is market value. Market value refers to the estimated amount for which the valuation object could be exchanged on the valuation reference date in an arm's length transaction between a willing buyer and a willing seller, each acting rationally and without being under any compulsion. The valuation conclusion determined under market value does not take into account special transaction circumstances, special buyer or seller factors. Based on this, we confirm that this valuation report will not have any impact on the valuation conclusion as a result of the change of the proposed capital increase party from Chongqing Machinery & Electric Co., Ltd.* to CQMEHQ*.

II. CORRESPONDING ECONOMIC ACTIVITY UNDER THE VALUATION

The economic activity in this valuation is Chongqing Machinery & Electric Co., Ltd.*'s proposed capital increase in Chongqing Chengfei New Material Co., Ltd.

III. VALUATION PURPOSE

According to the Reply on the Project Approval for Capital Increase in Chengfei New Material of CQMEHQ* (Yu Ji Dian Kong Fa [2025] No. 243) (《重慶機電控股(集團)公司關於對成飛新材增資項目立項的批復》(渝機電控發(2025)243號)), Chongqing Machinery & Electric Co., Ltd.* proposes to increase capital in Chongqing Chengfei New Material Co., Ltd. Therefore, it is necessary to value all shareholders' equity of Chongqing Chengfei New Material Co., Ltd., so as to provide a value reference opinion for the aforesaid economic act of Chongqing Chengfei New Material Co., Ltd.

IV. VALUATION OBJECT AND VALUATION SCOPE

(I) Valuation Object

The valuation object is the value of all shareholders' equity of Chongqing Chengfei New Material Co., Ltd.

(II) Valuation Scope

The valuation scope covers all assets and liabilities of Chongqing Chengfei New Material Co., Ltd. as of the valuation reference date. After audit (on the basis of the parent company's financial statements), the carrying amount of total assets is RMB2,662,740,300, the carrying amount of total liabilities is RMB1,822,834,500, and the carrying amount of owners' equity is RMB839,905,800 (all amounts in RMB). The entrusted valuation object and valuation scope are consistent with the valuation object and scope involved in the economic act. As of the valuation reference date, the carrying amounts of assets and liabilities within the valuation scope have been audited by Lixin Certified Public Accountants (Special General Partnership) Chongqing Branch (立信會計師事務所(特殊普通合伙)重慶分所), which has issued the Special Audit Report of Chongqing Chengfei New Material Co., Ltd. (Xin Hui Shi Yu Bao Zi [2026] No. 20111) (《重慶成飛新材料股份有限公司專項審計報告》(信會師渝報字[2026]第20111號)). The special audit covers the financial period from 1 January 2024 to 31 July 2025, with both the audit cutoff date and audit benchmark date being 31 July 2025.

The carrying amounts of various categories of assets and liabilities are presented in the table below:

Summary Table of Asset Valuation Declaration

		<i>Unit: RMB0'000</i>
Item		Carrying amount
1	Current assets	227,353.33
2	Non-current assets	38,920.70
3	Including: Long-term equity investment	30,762.21
4	Investment properties	—
5	Fixed assets	6,129.64
6	Construction in progress	37.17
7	Intangible assets	964.78
8	Including: land use rights	747.48
9	Right-of-use assets	80.62
10	Long-term deferred expenses	81.73
11	Deferred income tax assets	542.13
12	Other non-current assets	322.42
13	Total assets	266,274.03
14	Current liabilities	165,800.22
15	Non-current liabilities	16,483.23
16	Total liabilities	182,283.45
17	Net assets (owners' equity)	83,990.58

V. VALUATION TYPES

The valuation type of this valuation is market value. The term “market value” as used in this report refers to the estimated amount for which the appraisal object would be exchanged on the valuation reference date in an arm’s length transaction between a willing buyer and a willing seller, each acting rationally and without being under any compulsion.

VI. VALUATION REFERENCE DATE

The valuation reference date is 31 July 2025.

VII. VALUATION BASIS

The economic act basis, laws and regulations basis, valuation standards basis, asset ownership basis and valuation basis followed in this valuation are as follows:

(I) Economic Act Basis

*Reply on the Project Approval for Capital Increase in Chengfei New Material of CQMEHQ**
(Yu Ji Dian Kong Fa [2025] No. 243).

(II) Legal Basis Provided by Laws and Regulations

1. The Asset Valuation Law of the People’s Republic of China (Order No. 46 of the President of the People’s Republic of China, adopted at the 21st Session of the Standing Committee of the 12th National People’s Congress on 2 July 2016);
2. The Civil Code of the People’s Republic of China (Order No. 45 of the President of the People’s Republic of China, adopted at the Third Session of the 13th National People’s Congress on 28 May 2020);
3. The Enterprise State-Owned Assets Law of the People’s Republic of China (Order No. 5 of the President of the People’s Republic of China in 2008);
4. The Company Law of the People’s Republic of China (revised and adopted at the 7th Session of the Standing Committee of the 14th National People’s Congress of the People’s Republic of China on 29 December 2023);
5. The Enterprise Income Tax Law of the People’s Republic of China (amended at the 26th Session of the Standing Committee of the 12th National People’s Congress on 24 February 2017);
6. The Urban Real Estate Administration Law of the People’s Republic of China (third amendment adopted at the 12th Session of the Standing Committee of the 13th National People’s Congress on 26 August 2019);

7. The Land Administration Law of the People’s Republic of China (third amendment adopted at the 12th Session of the Standing Committee of the 13th National People’s Congress on 26 August 2019);
8. The Interim Regulations of the People’s Republic of China on Value-Added Tax (Order No. 538 of the State Council of the People’s Republic of China, revised on 30 October 2017);
9. The Interim Measures for the Administration of State-Owned Assets Valuation of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
10. The Measures for the Supervision and Administration of State-Owned Assets Transaction of Enterprises (Order No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance);
11. The Measures for the Administration of State-Owned Assets Valuation (Order No. 91 of the State Council in 1991, amended by Order No. 732 of the State Council in 2020);
12. The Notice on Strengthening the Administration of State-Owned Assets Valuation of Enterprises (Zi Chan Quan [2006] No. 274 of the State-owned Assets Supervision and Administration Commission of the State Council);
13. The Detailed Rules for the Implementation of the Interim Regulations of the People’s Republic of China on Value-Added Tax (Order No. 50 of the Ministry of Finance and the State Administration of Taxation, revised on 28 October 2011);
14. The Announcement on Policies Related to Deepening the Reform of Value-Added Tax (Announcement No. 39 of 2019 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs);
15. The Interim Measures of Chongqing Municipality for the Administration of State-Owned Assets Valuation of Enterprises (Yu Guo Zi [2007] No. 20);
16. The Notice of Chongqing Municipal State-owned Assets Supervision and Administration Commission on Strengthening the Administration of State-Owned Assets Valuation of Enterprises (Yu Guo Zi [2018] No. 373);
17. Other relevant laws, regulations, and documents.

(III) Basis of Valuation Standards

1. Basic Asset Valuation Standards (Cai Zi [2017] No. 43);
2. Professional Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
5. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
6. Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practice Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practice Guidelines for Asset Valuation – Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
9. Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
10. Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
12. Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
13. Practice Guidelines for Asset Valuation – Intellectual Property (Zhong Ping Xie [2023] No. 14);
14. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
15. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

16. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
17. Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48).
18. Guiding Opinions on Patent Asset Valuation (Zhong Ping Xie [2017] No. 49);
19. Guiding Opinions on Trademark Asset Valuation (Zhong Ping Xie [2017] No. 51).

(IV) Asset Ownership Basis

1. The appraised company's business license, articles of association, etc.;
2. Real estate ownership certificates;
3. Land use rights grant contracts;
4. Major equipment purchase contracts, invoices, and relevant agreements, contracts and other materials;
5. Trademark registration certificates;
6. Patent certificates and the latest payment vouchers;
7. Other ownership documents.

(V) Basis for Valuation

1. Asset Valuation Declaration Form provided by the appraised company;
2. Construction Project Cost Quota of Inner Mongolia Autonomous Region (DNM-200-2017);
3. Construction Project Cost Quota of Jiangsu Province (2014);
4. Notice of the Ministry of Finance on Issuing the Regulations on the Administration of Construction Costs of Capital Construction Projects (Cai Jian [2016] No. 504);
5. Data and information from Inner Mongolia engineering cost information website;
6. Data and information from Chongqing engineering cost information website;
7. Data and information from Jiangsu Province engineering cost information website;

8. Drawings, contracts, preliminary and final accounts of major engineering projects provided by the appraised company;
9. Handbook of Common Methods and Parameters for Asset Valuation (Machinery Industry Press, 2011);
10. Price index data obtained through inquiries on RoyalFlush iFinD;
11. Information on similar engineering costs collected by valuation professionals;
12. 2025 Mechanical and Electrical Products Price Information Inquiry System by Machinery Industry Press;
13. Price inquiry bases obtained by valuation professionals through inquiries with relevant manufacturers, distributors and online sources;
14. Construction contracts, invoices, relevant agreements, project approval documents and other materials for construction in progress provided by the appraised company;
15. Land transaction cases of similar land use rights from the Land Market website;
16. Land price monitoring data published by the China Land Price Information Service Platform;
17. Materials collected by valuation professionals through site inspections and market surveys;
18. Financial statements, audit reports and other relevant financial information provided by the appraised company;
19. RMB loan prime rate (LPR) published by the People's Bank of China on the valuation reference date;
20. Financial and operational information provided by the appraised company, as well as financial documents such as relevant agreements, contracts, invoices and documentation relating to project approvals and construction applications;
21. Other information related to this asset valuation.

VIII. VALUATION APPROACHES

(I) Introduction to Valuation approaches

The basic approaches for enterprise value valuation include the asset-based approach, the income approach, and the market approach.

The asset-based approach in enterprise value valuation, also known as the cost approach, refers to a valuation method which determines the value of the appraised company by valuing the assets and liabilities within the statement of financial position as of the valuation reference date of the valued company as well as the identifiable off-balance sheet assets and liabilities, based on the statement of financial position of the valuation object.

The income approach in enterprise value valuation refers to a valuation method which determines the value of the valuation object by capitalizing or discounting expected income. Common specific approaches under the income approach include the dividend discount method and the discounted cash flow method. The income approach measures the value of an enterprise from the perspective of its profitability, based on the expected utility theory in economics.

The market approach in enterprise value valuation refers to a valuation method which determines the value of the valuation object by comparing the valuation object with comparable listed companies or comparable transaction cases. Two common specific approaches under the market approach are the listed company comparison method and the transaction case comparison method.

(II) Selection of Valuation Methods

The appraised company is able to provide, and the valuer can also collect from external sources, the data required for the asset-based approach, allowing for a comprehensive inventory and valuation of the assets and liabilities of the appraised company. Therefore, the asset-based approach is applicable to this valuation.

From the perspective of the applicability conditions of the income approach, the development of the wind power industry is affected by multiple factors, as detailed below: (1) Strong cyclical fluctuations: The orders and revenue of the enterprise are highly dependent on the installation cycle of the downstream wind turbine industry, which is heavily influenced by renewable energy policies (such as subsidies, electricity tariffs, installation targets) of various countries and globally, exhibiting a “policy-driven market” characteristic. Historical financial data are difficult to rely upon as a basis for forecasting long-term stable growth in the future. (2) Dual pressure on prices and costs: The industry is highly competitive, and blade products face continuous pressure from turbine manufacturers to reduce costs. At the same time, prices of major raw materials (resin, carbon fiber, core materials) fluctuate dramatically due to the impact of oil, commodities and geopolitics. Future gross profit margins are difficult to predict accurately, and assumptions for key parameters (such as gross margin) in the profit forecast model carry extremely high risk. (3) Technological iteration risk: Blade technology is currently undergoing rapid upscaling, material innovation (e.g., increasing application proportion of carbon fiber) and process

changes. Major technological route changes may lead to rapid depreciation of the value of existing production lines, molds and patents. The scale and timing of future capital expenditure and R&D investment are highly uncertain, directly affecting cash flow forecasts. Therefore, after comprehensive analysis, the income approach is not considered appropriate for this valuation.

The market approach determines the value of the valuation object by referencing valuation multiples of comparable listed companies or comparable transaction cases. Its effectiveness is more pronounced in the following aspects: (1) The market effectively reflects a comprehensive judgement of all known risks, including industry cyclicity, policy dependence and technological change. (2) The market approach does not rely on specific financial forecasts of the enterprise's own distant future, but rather focuses on assessing the relative differences between the subject company and comparable companies in terms of profitability, growth stage, asset size, risk profile, etc. By adjusting for these differences, a relatively reasonable value range based on current market sentiment can be derived, effectively circumventing the core difficulty of "forecast failure" in the income approach. (3) In the A-share market, there are several listed companies whose principal business is wind power blade manufacturing or composite materials, with transparent and publicly available financial data, making them comparable. Given that PRC's multi-tiered capital market system still requires further development and refinement, the value multiples employed under the market approach are subject to significant fluctuations in the share prices of comparable listed companies, and the adjustment framework for the market approach is not yet fully developed; consequently, the market approach is not the most appropriate method. Therefore, following a comprehensive analysis, the market approach is not considered the most appropriate method. Consequently, the Independent Valuer did not adopt the market approach in this valuation at all, nor did the Independent Valuer adopt it in determining the Consideration, and that the Independent Valuer has not included any valuation results derived from the market approach.

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.

In summary, the asset-based approach is the only valuation method adopted for determining the Consideration for this valuation.

(III) Description of Specific Valuation Methods

Asset-Based Approach

The asset-based approach in enterprise value valuation refers to a valuation method which determines the value of the valuation object by reasonably valuing the assets and liabilities of the enterprise based on its statement of financial position as of the valuation reference date.

Value of all shareholders' equity = Market value of assets – Market value of liabilities

The valuation process for each category of assets and liabilities is described as follows:

1. *Valuation of Current Assets and Liabilities*

Current assets include monetary funds, notes receivable, accounts receivable, financing receivables, prepayments, other receivables, inventories, contract assets and other current assets. Liabilities include short-term borrowings, notes payable, accounts payable, contract liabilities, employee compensation payable, taxes payable, other payables and non-current liabilities due within one year.

- (1) Monetary funds: including cash at bank and other monetary funds. They are first reconciled with bank statements and balance reconciliation statements, and after sending confirmation letters to banks for verification, the valuation is determined based on the verified carrying amount.
- (2) Notes receivable: all are bank acceptance bills. The valuation professionals verified the book records, reviewed the notes receivable register, and conducted a physical count and reconciliation of the notes. For notes receivable with relatively large amounts, original records such as corresponding sales contracts and delivery notes (dispatch notes) were also examined, and the valuation was determined based on the verified carrying amount.
- (3) Accounts receivable and other receivables: The valuation of various receivables is determined based on the amount likely to be recovered for each item, on the basis of being verified as correct. For amounts that are fully believed to be recoverable with sufficient grounds, the valuation is calculated at the full receivable amount. For amounts that may be partially irrecoverable, if the amount of irrecoverable portion is difficult to determine, historical data and information obtained from site investigations are used to specifically analyze the amount, time and reasons for overdue status, collection status, the debtor's capital, credit, and current operating management situation. With reference to the credit loss risk allowance recognized in the books, the portion likely to be irrecoverable is estimated, and the valuation is calculated after deducting such risk loss. For amounts that are conclusively shown to be irrecoverable, the valuation is taken as zero. The allowance for bad debts account on the books is valued at zero.

- (4) Prepayments: The valuation professionals examine the original entry vouchers of prepayments, such as purchase contracts and payment vouchers, and also check post-balance sheet date receipt of goods and settlement status. The valuation is determined based on the amount of goods or corresponding rights that can be obtained from each prepayment upon maturity.
- (5) Financing receivables: Financing receivables consist of bank acceptance bills, commercial acceptance bills or supply chain notes receivable by Chongqing Chengfei Company. The valuation professionals determine the valuation based on the amount stated on the bills after verification.
- (6) Inventories

Inventories include goods dispatched, raw materials, work in progress and finished goods.

- 1) Raw materials and goods dispatched: The cost approach is adopted for valuation, whereby the valuation is determined by multiplying the actual quantity by the current market price of each type of material, plus reasonable freight and other reasonable expenses.
- 2) Finished goods: For products sold in the normal course of business, the market approach is adopted for valuation, whereby the valuation unit price is determined by taking the ex-factory sales price excluding tax and deducting selling expenses, sales taxes and surcharges, income tax and a portion of net profit, and the valuation is then determined by multiplying the actual quantity by such unit price. That is:

$$\text{Valuation of finished goods} = \text{Quantity of finished goods} \times (\text{Ex-factory sales price excluding tax} - \text{Freight} - \text{Selling expenses} - \text{Sales taxes and surcharges} - \text{Income tax} - \text{Portion of net profit})$$

- 3) Work in progress

For work in progress and self-manufactured semi-finished products with a relatively high degree of completion, they are converted into equivalent units of finished goods, and the finished goods valuation method is adopted for valuation. For work in progress and self-manufactured semi-finished products with a relatively low degree of completion, as the labor and material costs have been incurred for a relatively short period of time and the value has not changed significantly, the valuation is taken as the verified carrying amount.

- 4) Goods dispatched: Goods dispatched are finished goods that have been sold but for which revenue and cost have not yet been recognized. The valuation formula for this valuation is as follows:

Valuation of goods dispatched = Quantity of finished goods × (Ex-factory sales price excluding tax – Freight – Sales taxes and surcharges – Income tax – Portion of net profit)

Whether freight and selling expenses need to be deducted is determined based on the timing of recognition under the selling expenses and freight recognition principles of the appraised company. Whether a portion of net profit needs to be deducted is determined based on whether the risk has been transferred.

- (7) Contract assets: Contract assets mainly represent receivables from sales of goods and unexpired warranty retention monies. On the basis of verification, the valuation is determined according to the amount likely to be recovered for each item. For amounts that are fully believed to be recoverable with sufficient grounds, the valuation is calculated at the full receivable amount. For amounts that may be partially irrecoverable, if the amount of irrecoverable portion is difficult to determine, historical data and information obtained from site investigations are used to specifically analyze the amount, time and reasons for overdue status, collection status, the debtor's capital, credit, and current operating management situation. With reference to the credit loss risk allowance recognized in the books, the portion likely to be irrecoverable is estimated, and the valuation is calculated after deducting such risk loss. For amounts that are conclusively shown to be irrecoverable, the valuation is taken as zero. The "impairment allowance" account on the books is valued at zero.
- (8) Other current assets: These represent property tax and land use tax prepaid. The valuation is determined based on the verified carrying amount.
- (9) Liabilities: The valuation of each category of liabilities is determined on the basis of verification and review, according to the liability items and amounts that the appraised company is actually required to assume after the realization of the valuation purpose.

2. *Valuation of Non-current Assets*

(1) Long-term equity investments

For long-term equity investments in holding subsidiaries, the enterprise value valuation method is adopted to conduct a comprehensive valuation of the investee company, and the valuation of the long-term equity investment is then calculated based on the equity interest percentage held by the appraised company. That is: Valuation = (Total shareholders' equity value of the investee company after valuation as of the reference date + Unpaid capital contributions payable by all shareholders) × Shareholding percentage – Unpaid capital contributions payable by the appraised company.

(2) Buildings (structures)

For ancillary production facilities, as there are very few transaction cases of similar assets and the assets being appraised do not have independent profit-generating capabilities, the cost approach is considered appropriate for valuation based on the valuation purpose and the actual use and condition of the assets being appraised. The cost approach is a valuation method that determines the present value of the valuation object by taking the total cost required to repurchase or reconstruct the valuation object in a new condition under current circumstances, minus physical deterioration, functional obsolescence and economic obsolescence. The valuation formula is as follows:

$$\text{Valuation} = \text{Replacement cost} \times \text{Comprehensive newness rate}$$

1) Determination of replacement cost

$$\text{Replacement cost} = \text{Comprehensive construction cost} + \text{Preliminary and other costs} + \text{Cost of capital} - \text{Deductible input VAT}$$

① Comprehensive construction cost

This mainly refers to various materials, machinery shift costs and labor costs directly or indirectly consumed in the construction of the building (structure), determined based on information on construction costs of similar buildings in the region or the final account settlement data of the building being appraised.

② Preliminary and other costs

This mainly includes costs such as engineering survey and design fees, bidding and tender entrustment fees, project supervision fees, infrastructure supporting fees, construction management fees, project insurance premiums, etc., which are included or excluded based on the actual circumstances of the location of the building (structure).

③ Cost of capital

The cost of capital is determined based on factors such as the reasonable construction period of the major project and the method of capital input. The cost of capital rate is referenced to the loan prime rate (LPR) published by the National Interbank Funding Centre as authorized on the reference date, and capital is calculated on the basis of average input during the construction period.

④ Deductible input VAT

The appraised company is a general VAT payer. The deductible input VAT is calculated separately based on the applicable VAT rates for comprehensive construction cost and preliminary and other costs.

2) Estimation of comprehensive newness rate

The main basis of each formula used in the valuation are “Asset Valuation Practice Standards – Immovable Properties*” (Zhong Ping Xie [2017] No. 38) (《資產評估執業準則 – 不動產》(中評協[2017]38號)) (“**Practice Standards No. 38**”), “Asset Valuation Practice Standards – Machinery and Equipment*” (Zhong Ping Xie [2017] No. 39) (《資產評估執業準則 – 機器設備》(中評協[2017]39號)) (“**Practice Standards No. 39**”) and “Handbook on Commonly Used Methods and Parameters in Asset Valuation*” (《資產評估常用方法與參數手冊》) (the “**Handbook**”). Practice Standards No. 39 is applicable to vehicles, hence, there is no separate practice standard for vehicles.

According to Articles 24 and 25 of Practice Standards No. 38, when valuing immovable assets adopting cost approach, analysis and judgment should be made based on: (i) remaining period of land usage rights; (ii) economic life of the building; and (iii) economic life of the facilities and equipment, in relation to the immovable assets, so as to determine the economic life of the immovable assets, and calculate each form of depreciation by comprehensively considering the main factors which may cause the depreciation of the immovable assets.

According to point No. 3 of Article 20 of Practice Standards No. 39, when assessing machinery and equipment (including vehicles) adopting the cost approach, understandings of the actual depreciation, functional depreciation and economic depreciation of machinery and equipment, as well as each of the factors which may result in the depreciation of machinery and equipment, should be made, and calculate each form of depreciation by using scientific method.

These two practice standards did not directly stipulate the valuation model and method. The formulae on calculating the newness rate of each form of assets, which include buildings (structures), equipment-type assets and vehicles, are mainly derived by considering each situation involving depreciation, pursuant to practice standards requirements. With the main references being the Handbook and industrial norms, the formulae are compliant with the valuation methods commonly used in industry.

After analysis, the buildings (structures) being appraised have no functional obsolescence or economic obsolescence, therefore the primary consideration is the physical newness rate, as detailed below:

Comprehensive newness rate = Survey newness rate \times 60% + Theoretical newness rate \times 40%

① Formula for estimating theoretical newness rate

Theoretical newness rate = Remaining useful life/(Useful life already used + Remaining useful life) \times 100%

② Estimation of site survey newness rate

After conducting a site survey of the structure, scores are assigned to the structure and foundation of the structure in accordance with the site survey scoring standards for structures, and the site survey newness rate of the building is calculated item by item based on the weighting factors.

(1) Equipment-type assets

The equipment included in the valuation scope consists of three major categories: machinery equipment, vehicles and electronic equipment. As there are very few transaction cases of similar assets, and the assets being valued do not have independent profit-generating capabilities, the cost approach is considered appropriate for valuation based on the valuation purpose and the actual use and condition of the assets being valued. The cost approach is a valuation method that determines the present value of the valuation object by taking the total cost required to repurchase or reconstruct the valuation object in a new condition under current circumstances, minus physical deterioration, functional obsolescence and economic obsolescence. The valuation formula is as follows:

1) Determination of replacement cost

I. Formula or method for calculating replacement cost

① Machinery equipment

Replacement cost = Equipment purchase price + Freight + Equipment base costs + Installation and commissioning cost + Preliminary and other costs + Cost of capital – Deductible input VAT

② Vehicles

For transport equipment, the replacement cost is determined based on the current purchase price of the vehicle, vehicle purchase tax, license handling fees, etc. The calculation formula is as follows:

Replacement cost of vehicle = Vehicle purchase price (excluding VAT) + Vehicle purchase tax + License handling fees

③ Office electronic equipment

Office electronic equipment mainly consists of small electronic equipment such as computers and printers. The equipment purchase price is obtained primarily through market enquiries. Freight and installation and commissioning costs can be ignored as equipment suppliers generally provide free delivery and installation/commissioning services. Therefore, the market price of the equipment (excluding VAT) obtained from market enquiries is taken as its valuation replacement cost.

II. Determination of rates and expenses related to equipment

① Equipment purchase price

Based on enquiries with suppliers and reference to recent contract prices of similar equipment, the current market price is comprehensively estimated.

② Freight

Considered based on the characteristics of the equipment and the transportation distance.

③ Base and pipeline network costs

Based on the characteristics of the equipment and with reference to the Methods for Compilation of Budgets and Various Budgetary Indicators for Mechanical Industry Construction Projects, such costs are calculated on the basis of the purchase price at different installation rates. For small equipment that does not require a foundation, base costs are not considered. Where pipeline costs are separately presented as fixed assets, pipeline network costs are no longer considered.

④ Installation and commissioning costs

Based on the characteristics of the equipment and with reference to the Handbook of Common Methods and Parameters for Asset Appraisal, financial finalization data and industry experience, such costs are calculated on the basis of the purchase price at different base rates.

⑤ Preliminary and other costs

Preliminary and other costs include construction unit management fees, survey and design fees, construction supervision fees, joint commissioning fees, management fees, etc., which are determined based on the specific circumstances of the machinery equipment being valued with reference to market conditions or relevant documents.

⑥ Cost of capital

Determined based on the construction period of major equipment capable of forming independent production capacity and with reference to the loan prime rate (LPR) published by the National Interbank Funding Centre as authorized by the People's Bank of China during the same period, with capital input assumed to be evenly invested.

⑦ Deductible input VAT

The appraised company is a general VAT payer. Input VAT shall be deducted from expenses such as equipment purchase price, base costs, installation and commissioning costs, design fees and supervision fees in the replacement cost.

2) Determination of comprehensive newness rate

After analysis, the equipment being valued has no functional obsolescence or economic obsolescence, therefore the primary consideration is the physical newness rate, as detailed below:

- I. For large and key equipment, the comprehensive newness rate is determined by weighting the survey newness rate and the useful life newness rate.

$$\text{Physical newness rate} = \text{Useful life newness rate} \times 40\% + \text{Survey newness rate} \times 60\%$$

① Useful life newness rate

$$\text{Useful life newness rate} = (\text{Economic useful life} - \text{Years already used}) / \text{Economic useful life} \times 100\%$$

② Survey newness rate

The survey newness rate is determined primarily based on the actual condition of the equipment group. Scores are assigned item by item to different parts of the equipment based on its technical condition, working environment, maintenance situation, and actual site inspection, to determine the survey newness rate.

II Determination of comprehensive newness rate for vehicles

The comprehensive newness rate is determined by combining the useful life newness rate, mileage newness rate and technical newness rate, whereby the lower of the economic useful life newness rate and the mileage newness rate is taken as the theoretical newness rate, which is then weighted with the technical newness rate to determine the comprehensive newness rate. The economic useful life newness rate and the mileage newness rate are estimated based on the statutory useful life and statutory mileage as prescribed by the state.

① Determination of theoretical newness rate (η_1)

Useful life newness rate = (Economic useful life – Years already used)/Economic useful life × 100%

Mileage newness rate = (Statutory mileage – Mileage already used)/Statutory mileage × 100%

The theoretical newness rate (η_1) is determined based on the lower of the useful life newness rate and the mileage newness rate.

② Determination of survey newness rate (η_2)

For the determination of the technical newness rate of vehicles, the valuation professionals first understand the performance, usage condition, intensity of use, accident history, etc., of the vehicle. Through site inspection, they examine the vehicle's appearance condition, interior decoration, air conditioning and audio functionality, engine operation (noise, fuel consumption, power performance), braking performance, lighting and other aspects of vehicle usage, and assign evaluation scores to each functional component of the vehicle. The sum of the evaluation scores for each component of the vehicle is the site survey newness rate (η_2).

③ Determination of comprehensive newness rate (η)

Comprehensive newness rate (η) = Theoretical newness rate (η_1) \times 40% + Survey newness rate (η_2) \times 60%

- III. For small equipment and office electronic equipment with relatively low value and simple structure, the useful life method is primarily adopted, taking into account the maintenance and external condition of the equipment, to estimate the newness rate. The estimation formula is as follows:

Newness rate = (Economic useful life – Years already used)/Economic useful life \times 100%

- IV. For equipment that has exceeded its economic useful life but remains basically usable for normal operation, the comprehensive newness rate shall not be less than 15%.

For office electronic equipment that was purchased relatively early, has been discontinued and has no comparable market price, the valuation is determined primarily by reference to second-hand transaction prices.

(4) Construction in progress

Construction in progress is valued using the replacement cost approach. For construction projects where the commencement date is more than six months before the reference date, if the carrying amount does not include the cost of capital, the cost of capital shall be added.

Cost of capital = (Declared carrying amount – Unreasonable expenses) \times $((1 + \text{Interest rate})^{\wedge(\text{Time incurred}/2)} - 1)$

(5) Land use rights

It is difficult for the land parcels being valued to generate land income independently, making the income capitalization approach inappropriate. There are already completed buildings on the land parcels being valued, making the residual approach inappropriate. Although the land parcels being valued fall within the coverage of the benchmark land price, considering that the benchmark land price was not established for valuation purposes, the benchmark land price approach is inappropriate. There are few recent cases of land acquisition in the vicinity of the land parcels being valued, making the cost approach inappropriate. There are recent cases of transactions of similar

land parcels in the vicinity of the land parcels being valued, making the market approach appropriate.

The market approach is based on the substitution principle, whereby the land parcels being valued are compared with comparable land parcels that are substitutable and were transacted in the recent market near the valuation date, and the transaction prices of the comparable land parcels are adjusted for differences, to estimate the value of the land parcels being valued.

Calculation formula: $P = P_B \times A \times B \times C \times D \times E$

Where:

P – Price of the land parcel being valued;

P_B – Price of the comparable case;

A – Transaction circumstances index of the land parcel being valued/
Transaction circumstances index of the comparable land parcel;

B – Land price index as of the appraisal date for the land parcel being valued/
Land price index as of the transaction date for the comparable land parcel;

C – Regional factors condition index of the land parcel being valued/
Regional factors condition index of the comparable land parcel;

D – Individual factors condition index of the land parcel being valued/
Individual factors condition index of the comparable land parcel;

E – Term correction index of the land parcel being valued/
Term correction index of the comparable case.

(VI) Other intangible assets

Other intangible assets mainly consist of trademark rights, patent rights, software copyrights, non-patented technology and externally purchased software.

1. Valuation method for externally purchased software

For various types of system software and office software in normal use, the valuation is determined based on the recent replacement price (excluding VAT) as of the valuation reference date, ascertained through online inquiries and enquiries with software providers.

2. *Valuation method for patents*

The patents being valued are used in the daily production and operation of the Company, but the excess income generated from their use is difficult to estimate, and there is a lack of information on similar patent transactions in the open market, making the income approach and market approach unsuitable for valuation. The patents being valued can be valued based on historical R&D costs, by adjusting them to estimate their replacement value, and then determining the valuation after taking into account the newness rate. In view of the pace of development of wind turbine blade manufacturing technology, the economic life of invention patents is estimated to be 15 years. For invention patents exceeding 15 years, as such patents no longer possess technological advancement, their valuation is taken as zero. For utility model patents, the estimated economic life is 8 years; therefore, utility model patents exceeding 8 years are valued at zero.

3. *Valuation method for trademark rights*

The Company is primarily engaged in the manufacturing of wind turbine blades. The trademarks serve merely as service identifiers of the Company and do not generate excess income. Therefore, the cost approach is adopted for valuation, whereby the replacement value is determined as the value required to re-obtain or repurchase the trademark assets. The replacement value of trademark assets includes design costs, official fees charged by the State Trademark Office and other expenses (fees charged by agency representatives). The calculation formula is as follows:

$$\text{Valuation} = \text{Replacement value} \times \text{Remaining useful life ratio}$$

$$\text{Replacement value} = \text{Design costs} + \text{Official fees} + \text{Other expenses}$$

The statutory useful life of each trademark is 10 years, and upon expiration, the trademark may be renewed upon payment of fees. It is understood that, under current circumstances, it is common practice for enterprises to engage agency representatives for trademark registration and renewal, which is also in compliance with relevant laws and regulations. It is understood that the sum of the expenses incurred for renewal through an agency representative is equivalent to the sum of the official fees and other expenses incurred for re-registration. That is to say, this portion of expenses has a limited useful life, being the statutory useful life of 10 years. As for the design costs, once the trademark design is completed, it can be used indefinitely, so this portion has no life limitation. Therefore, the above formula can be extended as follows:

$$\text{Valuation} = \text{Replacement value of design costs} + (\text{Replacement value of official fees} + \text{Replacement value of other expenses}) \times \text{Remaining useful life ratio}$$

$$\text{Remaining useful life ratio} = \text{Remaining statutory life} \div \text{Statutory useful life} \times 100\%$$

4. *Valuation method for software copyrights*

The software copyrights being valued are primarily used in the daily production and operation of the Company, but the excess income generated from their use is difficult to estimate, and there is a lack of information on similar transactions in the open market, making the income approach and market approach unsuitable for valuation. The software copyrights being valued can be valued based on historical R&D costs, by adjusting them to estimate their replacement value, and then determining the valuation after taking into account the newness rate. In view of the pace of economic obsolescence of software copyrights and the type of software, the estimated economic life is 15 years. For software copyrights exceeding 15 years, as they no longer possess technological advancement, their valuation is taken as zero.

5. *Non-patented technology*

Non-patented technology refers to production technology accumulated, researched and discovered by the enterprise over many years in the course of production. For the valuation of non-patented technology, the valuation professionals primarily verify the authenticity and accuracy of its historical costs and analyze the reasonableness of its amortization period. On this basis, the valuation is determined as the net value after amortization.

(VII) Right-of-use assets

Right-of-use assets represent the recognized right to use the leased assets within the lease term. The valuation professionals analyzed and reviewed the accounting recognition and amortization process of the right-of-use assets, and took the verified carrying amount as the valuation.

(VIII) Long-term deferred expenses

Long-term deferred expenses mainly consist of the amortized balance of tooling molds and decoration costs. The valuation professionals analyzed and reviewed the accounting recognition and amortization process of the long-term deferred expenses, and took the verified carrying amount as the valuation.

(IX) Deferred tax assets

These represent deductible temporary differences arising from the difference between the carrying amount of assets and their tax base in the subsequent measurement process of the Company's accounting, due to the differences between the provisions of the enterprise accounting standards and tax laws. In this valuation, based on the reasons for the generation of deferred tax assets, the valuation status of the basis for the current period's provision, and a judgement on the Company's future operating conditions, for deductible temporary differences arising from the difference between the carrying amount of assets and their tax base, the valuation is estimated as the difference between the value after valuation and the tax base, multiplied by the applicable tax rate.

(X) Other non-current assets

Other non-current assets consist of prepayments reclassified from other accounts and labor costs of research projects in progress. For prepayments reclassified from other accounts, the valuation is determined based on the carrying amount after verifying the authenticity of the carrying amount. For the labor costs of research projects in progress, the replacement cost approach is adopted for valuation, taking into account the changes in labor costs in Chongqing.

IX. VALUATION ASSUMPTIONS**(I) General Assumptions**

1. Transaction assumption: It is assumed that all assets to be valued are already in the process of being transacted, and the valuer performs valuation based on simulated market conditions such as the transaction conditions of the assets to be valued.
2. Open market assumption: The open market assumption is an assumption regarding the conditions of the market into which the assets are to enter and the impact on the assets under such market conditions. An open market refers to a fully developed and well-established market condition, specifically a competitive market with willing buyers and sellers. In such a market, buyers and sellers have equal status and both have the opportunity and time to obtain sufficient market information. Transactions between buyers and sellers are conducted on a voluntary, rational, non-compulsory and unrestricted basis.

3. Continuing use assumption: The continuing use assumption is an assumption regarding the conditions of the market into which the assets are to enter and the state of the assets under such market conditions. First, it is assumed that the assets being valued are in a state of use. Second, it is assumed that the assets in use will continue to be used. Under the continuing use assumption, no consideration is given to changes in the use of the assets or optimal utilization conditions, and the scope of application of the valuation results is limited.
4. Going concern assumption: This is a valuation assumption made when taking the entire enterprise assets as the valuation object. That is, the enterprise, as an operating entity, will continue to operate in accordance with its operating objectives under the external environment in which it operates. The enterprise's management is responsible for and capable of fulfilling its responsibilities; the enterprise operates lawfully and is able to obtain appropriate profits to maintain its ability to continue as a going concern.

(II) Specific Assumptions

1. There will be no significant changes in the current relevant laws, regulations and policies of the state, or in the macroeconomic situation of the country; there will be no significant changes in the political, economic and social environment of the region in which the transacting parties operate.
2. The Company fully complies with all relevant laws and regulations, operates normally during its operating period, and will not experience any significant operational safety accidents.
3. The accounting policies to be adopted by the Company in the future will be generally consistent in material respects with the accounting policies adopted in preparing this report.
4. Based on the Company's existing management methods and management level, its mode of operation will remain consistent with the current direction.
5. There will be no significant changes in relevant interest rates, exchange rates, tax bases and tax rates, or policy-based levies and fees.
6. There are no other force majeure events or unforeseeable factors that would have a material adverse effect on the Company.
7. It is assumed that the relevant disclosure information of comparable listed companies obtained from the stock exchange and relevant information websites is legal and valid, and that the comparable listed companies have made timely and complete information disclosures to the public. As a mature securities market, the stock prices in the securities market where the comparable companies operate can fairly reflect the market value of the comparable companies.

8. The parameter values calculated in this valuation are determined on a constant price system, without considering the impact of inflation.
9. Apart from their publicly disclosed information, there will be no factors causing significant changes in the operations of the comparable listed companies.
10. Chongqing Chengfei New Material Co., Ltd. has stated that in recent years, Jilin Chongtong Chengfei New Material Co., Ltd. (吉林重通成飛新材料股份公司) (formerly known as Chongqing Chengfei New Material Co., Ltd. (重慶成飛新材料股份公司)) has co-owned certain patents with Chongqing General Industry (Group) Co., Ltd. (重慶通用工業(集團)有限責任公司) (hereinafter referred to as the “**General Group**”). In this valuation, it is assumed that the two parties have a 50% ownership interest in such intangible assets.
11. According to the statement of Chongqing Chengfei New Material Co., Ltd., the Company and its four subsidiaries have a total of 226 patents within their statutory protection period. Regardless of whether such patents are co-owned by two companies or applied for by a single company, they are developed, designed and maintained by Chongqing Chengfei New Material Co., Ltd., and all subsidiaries are licensed to use them free of charge. These patents are off-balance sheet intangible assets. In this valuation, it is assumed that all off-balance sheet patents are intangible assets of the parent company and are included in the valuation of “Intangible assets – Other intangible assets” of the parent company, Chongqing Chengfei New Material Co., Ltd.

X. VALUATION CONCLUSION

(I) Valuation Results under the Asset-Based Approach

Using the asset-based approach, the carrying amount of total assets of Chongqing Chengfei New Material Co., Ltd. was RMB2,662,740,300, the valuation value was RMB2,882,552,400, representing an appreciation of RMB219,812,100 with an appreciation rate of 8.26%; the carrying amount of total liabilities was RMB1,822,834,500, the valuation value was RMB1,817,894,500, representing an impairment of RMB4,940,000 with an impairment rate of 0.27%; and the carrying amount of net assets was RMB839,905,800, the valuation value was RMB1,064,657,900, representing an appreciation of RMB224,752,100 with an appreciation rate of 26.76%.

The summary of the valuation is set out in the table below:

Table of Summary of Asset Valuation Results

		<i>Unit: RMB0'000</i>			
		Carrying amount	Appraised value	Added value	Appreciation rate %
Item		A	B	C=B-A	D=C/A×100
1	Current assets	227,353.33	227,835.82	482.49	0.21
2	Non-current Assets	38,920.70	60,419.42	21,498.72	55.24
3	Including: Long-term equity investments	30,762.21	48,182.09	17,419.88	56.63
4	Investment properties	-	-	-	-
5	Fixed assets	6,129.64	5,907.56	-222.08	-3.62
6	Construction in progress	37.17	37.17	-	-
7	Intangible assets	964.78	5,401.50	4,436.72	459.87
8	Including: land use rights	747.48	1,112.54	365.06	48.84
9	Right-of-use assets	80.62	80.62	-	-
10	Long-term deferred expenses	81.73	197.40	115.67	141.53
11	Deferred income tax assets	542.13	287.76	-254.37	-46.92
12	Other non-current assets	322.42	325.32	2.90	0.90
13	Total assets	266,274.03	288,255.24	21,981.21	8.26
14	Current liabilities	165,800.22	165,800.22	-	-
15	Non-current liabilities	16,483.23	15,989.23	-494.00	-3.00
16	Total liabilities	182,283.45	181,789.45	-494.00	-0.27
17	Net assets (owners' equity)	83,990.58	106,465.79	22,475.21	26.76

Note: Please refer to the Detailed Statement of Asset Valuation for details of the valuation conclusion.

The reasons for and basis of the changes in the book value of the main items are as follows:

I. Explanation of Increases and Decreases in Value in the Current Valuation

The conclusion of this valuation is as follows: the market value of the Target Company's total equity as at the Valuation Benchmark Date is RMB1,064.6579 million (in words: One Billion Sixty-Four Million Six Hundred Fifty-Seven Thousand Nine Hundred Yuan), representing a valuation increase of RMB224.7521 million compared to the book value. The main items showing a valuation increase are long-term equity investments, intangible assets (patented technology and land use rights), and deferred expenses; the items showing a valuation decrease are fixed assets, deferred tax assets, and non-current liabilities (deferred income);

Specifically, as the Target Company's book value for long-term equity investments is based on historical investment cost, but the actual financial data of the entity being valued, such as its balance sheet, has changed significantly since the date of investment. Accordingly, when analysed at the level of the Target Company, there exists a material difference between the assessed increase or decrease in value and the actual increase or decrease.. If analysed by looking through to the carrying net assets of the long-term equity investment entity, the increase in value of the long-term equity investments amounts to RMB66.6865 million; The actual capital gain from the valuation of the assets within the Target Company's consolidated scope covered by this valuation is RMB117.2398 million. Please refer to the table below for details:

Table 1 Summary of the Target Company's Asset Valuation Results

		<i>Unit: RMB0,000</i>			
		Book Value	Valuation	Increase in	Rate of
Item		A	B	C=B-A	D=C/A×100
1	Current Assets	227,353.33	227,835.82	482.49	0.21
2	Non-current Assets	38,920.70	60,419.42	21,498.72	55.24
3	Of which: Long-term Equity Investments	30,762.21	48,182.09	17,419.88	56.63
4	Investment Property	-	-	-	-
5	Fixed Assets	6,129.64	5,907.56	-222.08	-3.62
6	Construction in Progress	37.17	37.17	-	-
7	Intangible Assets	964.78	5,401.50	4,436.72	459.87
8	Of which: Land Use Rights	747.48	1,112.54	365.06	48.84
9	Right-of-use Assets	80.62	80.62	-	-
10	Deferred Expenses	81.73	197.40	115.67	141.53
11	Deferred Tax Assets	542.13	287.76	-254.37	-46.92
12	Other Non-current Assets	322.42	325.32	2.90	0.90
13	Total Assets	266,274.03	288,255.24	21,981.21	8.26
14	Current Liabilities	165,800.22	165,800.22	-	-
15	Non-current Liabilities	16,483.23	15,989.23	-494.00	-3.00
16	Total Liabilities	182,283.45	181,789.45	-494.00	-0.27
17	Net Assets (Owners' Equity)	83,990.58	106,465.79	22,475.21	26.76

Table 2: Statement of the Valuation Changes of Long-Term Investment Entities of the Target Company

Unit: RMB0,000

Long-term Investment Entity	Net Book Value of Chongqing Chengfei	Net Book Assets of Long-term Investments Entities	Valuation of Long-term Investment Entities	Valuation Changes on Long-term Investments Entities	Major Value-Added Items
Gansu Chongtong Chengfei New Materials Co., Ltd.* (甘肅重通成飛新材料有限公司)	5,000.00	15,435.54	16,883.78	1,448.24	Inventory
Chongtong Chengfei Wind Power Equipment (Jiangsu) Co., Ltd.* (重通成飛風電設備江蘇有限公司)(“Chongqing Chengfei”)	10,000.00	8,905.00	13,279.49	4,374.49	Inventories, fixed assets and intangible assets
Xinjiang Chengfei New Materials Co., Ltd.* (新疆成飛新材料有限公司)	5,000.00	5,944.95	6,531.01	586.07	Inventories, deferred expenses
Jilin Chengfei New Materials Co., Ltd.* (吉林成飛新材料有限公司)	10,762.21	11,227.95	11,487.81	259.86	Inventory, fixed assets, deferred expenses
Total	30,762.21	41,513.44	48,182.09	6,668.65	

Analysed on a consolidated basis, the main components of the valuation changes in this valuation are valuation gains on inventories, valuation gains on fixed assets and deferred expenses, and valuation gains on intangible assets. The following sections will primarily explain the valuation changes for these three components separately. Valuation changes for other accounts are routine in nature; as the amounts involved are small and the rates of change are minimal, they will not be discussed further separately.

II. Explanation of the Inventory Valuation

(a) Overview of the Inventory Valuation

The inventory covered by this valuation comprises five categories: raw materials, finished goods in stock, self-manufactured semi-finished products, goods in transit and raw materials in circulation. The overall valuation increase for inventory was RMB22.4505 million, representing a rate of increase of 3.22%. Among these, finished goods in stock showed the most significant change in valuation, with an increase of RMB25.1128 million, representing a rate of increase of 5.98%. The valuation of inventory items for the Parent Company and long-term investment is shown in the table below:

Table 3: Detailed Valuation of Inventory Items

Item	Book Value	Valuation	Unit: RMB0,000	
			Valuation Changes	Rate of Change
Finished Goods in Stock	41,961.24	44,472.52	2,511.28	5.98%
Raw Materials	11,295.19	11,295.11	-0.09	0.00%
Goods in Transit	1,168.04	1,154.83	-13.21	-1.13%
Work in Progress	16,208.34	15,881.73	-326.61	-2.02%
Turnover Materials in Use	—	73.68	73.68	/
Impairment Provision on the Books	-962.26			
Total	69,670.55	72,877.86	2,245.05	3.22%

Table 4: Valuation of Finished Goods in Stock by Entity

Entity/Finished Goods in Stock	Book Value	Valuation	Unit: RMB0,000	
			Valuation Changes	Rate of Change
Target Company (Parent Company)	11,455.37	11,357.11	-98.27	-0.86%
Gansu Chongtong Chengfei New Materials Co., Ltd.* (甘肅重通成飛新材料有限公司)	13,267.32	14,584.21	1,316.89	9.93%
Chongtong Chengfei Wind Power Equipment (Jiangsu) Co., Ltd.* (重通成飛風電設備江蘇有限公司)	7,284.47	8,131.43	846.96	11.63%
Xinjiang Chengfei New Materials Co., Ltd.* (新疆成飛新材料有限公司)	4,892.41	5,283.08	390.67	7.99%
Jilin Chengfei New Materials Co., Ltd.* (吉林成飛新材料有限公司)	5,061.66	5,116.69	55.03	1.09%
Total	41,961.24	44,472.52	2,511.28	5.98%

(b) Explanation of Valuation Changes of Inventories

The Valuation Changes of inventories included in the scope of this valuation primarily consist of an increase in the value of finished goods in stock. The reasons for this increase are as follows:

1. The valuation model used for this valuation of finished goods in stock is as follows:

Valuation of finished goods in stock = Quantity of finished goods × (Unit sales price excluding tax – Selling expenses – Sales taxes and surcharges – Income tax – Portion of net profit)

The unit sales price (excluding tax) used in this valuation is the average unit sales price for a period prior to the enterprise's valuation benchmark date. This unit sales price exceeds the cost value recorded in the enterprise's accounts, and the value remaining after deducting selling expenses, sales taxes and surcharges, income tax and a portion of net profit is still greater than the cost value recorded in the accounts.

This calculation model is a general-purpose model for valuing finished goods in stock, and the values assigned to each parameter in the model used during the valuation process are consistent with the enterprise's actual operating conditions.

2. Finished goods in stock comprises goods that the enterprise has actually completed and are pending sale; the revaluation gain represents the share of profits attributable to the production stage of these goods. Provided the enterprise is profitable and there is no oversupply of products, such revaluation gains are consistent with commercial logic and market conditions. The enterprise's historical ratio of (Revenue – Cost – Tax – Selling Expenses)/Cost has consistently exceeded 10% (on a consolidated basis: 15.83% in 2023, 10.87% in 2024, and 10.27% for January – July 2025). The rate of increase for this valuation is 6.08%. The discrepancy between the two figures is primarily attributable to the uncertainty arising from the fact that inventory has not yet been fully sold. Based on a comprehensive analysis, this rate of increase is considered reasonable.

III. EXPLANATION OF THE VALUATION OF FIXED ASSETS AND LONG-TERM DEFERRED EXPENSES

(a) Explanation of the Valuation of Fixed Assets

1. Overview of the Valuation of Fixed Assets

The fixed assets covered by this valuation consist primarily of buildings/structures and equipment. The total increase in the valuation of fixed assets amounts to RMB10.2357 million, mainly attributable to the increase in the value of the Jiangsu Company's buildings and structures. The detailed valuation breakdown for each entity is set out in the table below:

Table 5: Detailed Valuation of Fixed Assets

Entity/Fixed Assets (Buildings/ Structures)	Book value		Valuation		Valuation Changes		Rate of Increase (%)	
	Original		Original		Original		Original	
	value	Net value	value	Net value	value	Net value	value	Net value
Target Company (Parent Company)	6,570.72	4,706.10	6,013.93	4,480.10	-556.79	-226.00	-8.47	-4.80
Chongtong Chengfei Wind Power Equipment (Jiangsu Co., Ltd.* (重通成 飛風電設備江蘇 有限公司) (“Jiangsu Company”))	20,501.36	16,762.84	22,486.00	18,317.54	1,984.64	1,554.70	9.68	9.27
Subtotal	27,072.08	21,468.94	28,499.93	22,797.64	1,427.85	1,328.70	1.21	4.47

Entity/Fixed Assets (Equipment)	Book value		Valuation		Valuation Changes		Rate of Increase (%)	
	Original		Original		Original		Original	
	value	Net value	value	Net value	value	Net value	value	Net value
Target Company (Parent Company)	3,564.12	1,423.53	3,094.48	1,427.46	-469.64	3.92	-5.99	20.01
Gansu Chongtong Chengfei New Materials Co., Ltd. (甘肅重通成飛新材 料有限公司)	5,028.88	2,899.43	4,302.17	2,853.62	-726.71	-45.81	-14.45	-1.58
Chongtong Chengfei Wind Power Equipment (Jiangsu Co., Ltd. (重通成飛 風電設備江蘇有限 公司))	10,146.30	4,857.97	8,337.54	4,504.67	-1,808.76	-353.30	-17.83	-7.27

Entity/Fixed Assets (Equipment)	Book value		Valuation		Valuation Changes		Rate of Increase (%)	
	Original value	Net value	Original value	Net value	Original value	Net value	Original value	Net value
Xinjiang Chengfei New Materials Co., Ltd. (新疆成飛新材料有 限公司)	1,561.97	1,135.58	1,436.03	1,154.70	-125.94	19.12	-8.06	1.68
Jilin Chengfei New Materials Co., Ltd. (吉林成飛新材料有 限公司)	2,479.13	1,809.63	3,454.27	1,880.56	975.14	70.93	39.33	3.92
Subtotal	22,780.40	12,126.15	20,624.49	11,821.01	-2,155.92	-305.13	-7.00	16.76
Total	49,852.48	33,595.08	49,124.42	4,618.65	-728.06	1,023.57	-5.79	21.23

2. Analysis of Valuation Changes of Buildings/Structures

In this valuation, the primary reasons for the appreciation in value of the buildings/structures are as follows:

- (1) The buildings/structures included in the scope were predominantly constructed in 2016 and 2019. By the Valuation Benchmark Date, labour costs in the region had risen, and the prices of key building materials, such as steel reinforcement and aggregates, had increased, leading to a rise in replacement costs. Consequently, the assessed original value is higher than the original book value.
- (2) The valuation is based on replacement cost adjusted for the degree of wear and tear, whilst the net book value is calculated by deducting depreciation from the original book value over the accounting depreciation period. As the accounting depreciation period of the assessed entities is shorter than the economic life considered in the valuation, the amount of accounting depreciation exceeds the depreciation amount considered in the valuation; consequently, the net valuation exceeds the net book value.

3. Analysis of Valuation Changes of Equipment Assets

- (1) With the exception of Jilin Chengfei New Materials Co., Ltd.* (吉林成飛新材料有限公司), the decline in the assessed original value of equipment assets was primarily due to market influences, resulting in a decrease in the replacement value of the equipment.

The main reason for the increase in the original value of equipment of Jilin Chengfei New Materials Co., Ltd.* (吉林成飛新材料有限公司) is: as the assets were transferred into the accounts, the original book value recorded in the financial statements does not represent the original value of the assets, but rather the net book value after depreciation; therefore, changes in the original value are not comparable;

- (2) The primary reason for the increase in the net valuation of equipment assets is that the accounting depreciation period of the entities being valued is shorter than the economic life considered in the valuation. Consequently, the amount of accounting depreciation exceeds the amount of depreciation considered in the valuation, resulting in the net valuation exceeding the net book value.

(b) Explanation of the Valuation of Long-term Deferred Expenses

The deferred expenses included in the scope of this valuation primarily comprise the assessed entities' engineering and fit-out assets. The valuation resulted in a surplus of RMB4.5753 million. The primary reason for this surplus is that the assessed entities' accounting amortisation period is shorter than the economic life considered in the valuation; consequently, the amount of accounting amortisation exceeds the amount of amortisation considered in the valuation, resulting in the net valuation being higher than the book net value.

Table 6: Detailed Valuation of Deferred Expenses

Entity/Deferred Expenses	Book value		Valuation		Valuation Changes		Rate of Increase (%)	
	Original	Net value	Original	Net value	Original	Net value	Original	Net value
	value		value		value		value	
Target Company								
(Parent Company)	269.03	81.73	269.03	197.40	-	115.67	0	141.52
Gansu Chongtong								
Chengfei New Materials Co., Ltd.* (甘肅重通成飛新材料有限公司)	731.70	570.54	731.70	612.17	-	41.63	0	7.30
Chongtong Chengfei								
Wind Power Equipment (Jiangsu) Co., Ltd.* (重通成飛風電設備江蘇有限公司)	185.41	92.47	185.41	138.94	-	46.47	0	50.25
Xinjiang Chengfei New Materials Co., Ltd.* (新疆成飛新材料有限公司)	935.57	703.46	935.57	823.24	-	119.78	0	17.03
Jilin Chengfei New Materials Co., Ltd.* (吉林成飛新材料有限公司)	581.18	389.78	581.18	523.76	-	133.98	0	34.37
Subtotal	2,702.89	1,837.99	2,702.89	2,295.52	-	457.53	0	24.89

Unit: RMB0,000

IV. EXPLANATION OF THE VALUATION OF INTANGIBLE ASSETS

The intangible assets included in the scope of this valuation consist primarily of land use rights and patented technology; the total increase in value resulting from this valuation amounts to RMB64.5668 million, with the specific breakdown shown in the table below:

Table 7: Detailed Valuation of Intangible Asset Valuation

Entity/Land Use Rights	Book value		Valuation		Valuation Changes		Rate of Increase (%)	
	Original	Net value	Original	Net value	Original	Net value	Original	Net value
	value	value	value	value	value	value	value	value
<i>Unit: RMB0,000</i>								
Target Company								
(Parent Company)	962.43	747.48	1,112.54	1,112.54	150.11	365.06	15.60	48.84
Chongtong Chengfei Wind Power Equipment (Jiangsu) Co., Ltd.* (重通成飛風電設備江蘇有限 公司)	5,287.31	4,297.84	6,317.80	6,317.80	1,030.49	2,019.96	19.49	47.00
Subtotal	6,249.74	5,045.32	7,430.34	7,430.34	1,180.60	2,385.02	18.89	47.27
Entity/Patented Technology, etc.	Original	Net value	Original	Net value	Original	Net value	Original	Net value
	value	value	value	value	value	value	value	value
Target Company (Parent Company)	12,826.11	217.30	9,103.86	4,288.96	-3,722.25	4,071.66	-29.02	1,873.76
Subtotal	12,826.11	217.30	9,103.86	4,288.96	-3,722.25	4,071.66	-29.02	1,873.76
Total	19,075.84	5,262.62	16,534.20	11,719.30	-2,541.64	6,456.68	-13.32	122.69

(a) Explanation of Land Valuation Appreciation

The land included in the scope of this valuation covers the period from 2014 to 2020. Over time and with regional development, by the Valuation Benchmark Date, the plot had benefited from the maturation of surrounding infrastructure and industrial areas, whilst transaction prices for neighbouring plots had risen, leading to an increase in the value of the plot under valuation.

(b) Explanation of Valuation Appreciation for Other Intangible Assets

Assets such as other intangible assets included in the scope of this valuation comprise five categories: non-patented technology, patent assets, trademarks, software copyright, and software.

The increase in valuation in this valuation primarily relates to patent assets, amounting to RMB39.9765 million. The main reason for this is that these assets are off-balance-sheet assets with no original book value; trademarks and software copyright are off-balance-sheet assets, resulting in a revaluation gain; software has seen a slight revaluation gain due to changes in market value.

Table 8: Detailed Valuation of Patent Technologies, etc.

Unit: RMB0,000

Item	Number of Items	Original Book Value	Net book Value	Assessed	
				Original Value	Net Valuation
Non-patented Technology	24	12,632.47	147.01	149.06	149.06
Patent Assets	226	–	–	8,882.15	3,997.65
Trademarks	28	–	–	4.28	3.76
Software Copyrights	3	–	–	68.37	46.87
Software	5	193.63	70.29	–	91.62
Total	286	12,826.11	217.30	9,103.86	4,288.96

(II) Valuation Results under the Market Approach

Using the market approach, the valuation value of all shareholders' equity of Chongqing Chengfei New Material Co., Ltd. as of the valuation reference date was RMB1,038,419,000, representing an appreciation of RMB198,513,200 over the carrying amount of net assets of RMB839,905,800, with an appreciation rate of 23.64%.

(III) Final Determination of Valuation Conclusion

The value of all shareholders' equity under the market approach was RMB1,038,419,000, while the value under the asset-based approach was RMB1,064,657,900, resulting in a difference of RMB26,238,900 between the two approaches, with a difference rate of 2.46%, which is relatively small.

The theoretical basis of the market approach is that enterprises of the same type, of similar operating scale and with the same profit-generating capability should have the same or similar market value. Considering that China's multi-tiered capital market system still requires further cultivation and improvement, the valuation multiples under the market approach are significantly affected by fluctuations in the stock prices of comparable listed companies. The asset-based approach applies appropriate valuation methods to all assets (including off-balance sheet assets) and liabilities of the company, valuing them based on the relevant price levels and newness rates as of the valuation reference date, and fully considers the contribution of each asset and liability to the value of all shareholders' equity. Compared with the market approach, the valuation results under the asset-based approach are more reliable. Therefore, the valuation results under the asset-based approach has been selected as the valuation conclusion for this valuation.

Accordingly, the valuation conclusion for the market value of all shareholders' equity of Chongqing Chengfei New Material Co., Ltd. as of the valuation reference date is RMB1,064,657,900 (In words: RMB one billion sixty-four million six hundred fifty-seven thousand nine hundred only).

XI. VALIDITY PERIOD OF THE VALUATION

The valuation conclusion set forth in this valuation report is valid only for the corresponding economic act of this project. The valid period for the use of the asset valuation result is one year from the valuation reference date, i.e., from valuation reference date 31 July 2025 to 30 July 2026. When the valuation purpose is achieved within the validity period, the valuation conclusion shall be used as a reference for value (with adjustments also to be made for post-valuation-reference-date events). If the period exceeds one year, the asset valuation shall be performed again.

XII. VALUER IDENTITY, QUALIFICATIONS AND INDEPENDENCE

Chongqing Tianjian Asset Valuation & Real Estate Appraisal Co., Ltd. (重慶天健資產評估房地產估價有限公司) was engaged by the Company to perform the valuation in respect of the proposed capital increase in Chongqing Chengfei New Material Co., Ltd. by Chongqing Machinery & Electric Co., Ltd.*, covering all shareholders' equity of Chengfei New Material, with 31 July 2025 as the valuation reference date, and has issued the asset valuation report. The signing valuers for this valuation are 王亞 and 李波. Both valuers possess professional practising qualifications and are full members of the China Appraisal Society, with valuer registration numbers 50210021 and 50000341, respectively.

Chongqing Tianjian Asset Valuation & Real Estate Appraisal Co., Ltd. is independent of the relevant signing parties to the proposed transaction and their respective connected persons. It has no existing or prospective interest in the proposed transaction, nor does it have any existing or potential interest connection with the parties involved in the transaction and holds no bias towards any relevant party.

* For identification purposes only

Pursuant to Article 14 of the Notice of the Ministry of Finance on Matters Relating to the Administration of Filing for Asset Valuation Institutions (Cai Zi [2017] No. 26) (《財政部關於做好資產評估機構備案管理工作的通知》(財資〔2017〕26號)), Chongqing Tianjian Asset Valuation & Real Estate Appraisal Co., Ltd. meets the conditions for a practising institution as stipulated in Article 15 of the Asset Appraisal Law. The Company has undertaken that: it possesses the corresponding practising qualifications; the valuation object and valuation scope are consistent with those agreed in the asset valuation entrustment contract; it has performed the necessary verification and validation procedures on the valuation subject and related assets; the valuation method has been selected strictly in accordance with the asset valuation standards, with full consideration of the various factors affecting the valuation value, and the valuation conclusion is reasonable; the valuation work has not been subject to any unlawful interference, and the valuation practice remains independent, objective and fair.

Before the amendment	After the amendment
<p>Article 151</p> <p>The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance department of the State Council.</p>	<p>Article 151</p> <p>The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations, <u>the provisions of relevant national authorities, and the applicable regulations of domestic and overseas securities regulatory authorities.</u></p>
<p>Article 152</p> <p>At the end of each fiscal year, the Company shall prepare a financial report which shall be audited by an accounting firm in compliance with the laws.</p> <p>The fiscal year of the Company shall coincide with the calendar year, i.e. From January 1 to December 31 on the Gregorian calendar.</p>	<p>Article 152</p> <p>At the end of each fiscal year, the Company shall prepare a financial report <u>which shall be audited by an audit firm in accordance with generally accepted accounting standards, as required by the laws. Subject to Article 153, the generally accepted auditing standards referred to in this Article may be the accounting standards of a country or jurisdiction other than that in which the Company is registered. In such cases, the financial statements and financial reports shall disclose this fact and specify the country or jurisdiction in question.</u></p> <p>The fiscal year of the Company shall coincide with the calendar year, i.e. From January 1 to December 31 on the Gregorian calendar.</p>
<p>Article 153</p> <p>The Board shall place before the shareholders at every annual shareholders' meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.</p>	<p>Article 153</p> <p>The Board shall place before the shareholders at every annual shareholders' meeting such financial reports as are required by any laws, administrative regulations or <u>normative documents</u> promulgated by competent regional and central governmental authorities to be prepared by the Company.</p> <p><u>Such financial reports shall be prepared in accordance with applicable laws, administrative regulations and the securities regulatory rules at the place where the Company's shares are listed overseas; where the securities regulatory rules at the place where the Company's shares are listed overseas prescribe otherwise with respect to financial reports, those provisions shall prevail.</u></p>

<p>Article 155 The financial statements of the Company shall, in addition to being be prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or accounting standards which are recognized by stock exchange of the overseas place where the Company’s shares are listed. If there is any material difference (if any) between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be made in the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements (if any) shall be adopted.</p>	<p>Article 155 The financial statements of the Company shall <u>be</u> prepared in accordance with PRC accounting standards and regulations, <u>or</u> either international accounting standards or accounting standards which are recognized by stock exchange of the overseas place where the Company’s shares are listed. If there is any material difference (if any) between the financial statements prepared respectively in accordance with the two <u>or more than two</u> accounting standards, explanations shall be made in the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements (if any) shall be adopted. <u>Where the securities regulatory rules at the place where the Company’s shares are listed overseas prescribe otherwise with respect to the basis for profit distribution, those provisions shall prevail.</u></p>
<p>Article 156 Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or accounting standards which are recognized by stock exchange of the overseas place where the Company’s shares are listed.</p>	<p>Article 156 Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations, and <u>or</u> either international accounting standards or accounting standards which are recognized by stock exchange of the overseas place where the Company’s shares are listed. <u>Where the securities regulatory rules at the place where the Company’s shares are listed overseas prescribe otherwise with respect to the basis for the preparation of interim results or financial information, or the disclosure requirements, those provisions shall prevail.</u></p>

**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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**Meeting**” or “**EGM**”) 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, 23 July 2026 at 9:00 a.m. (or any adjournment thereof) for the following purposes:

ORDINARY RESOLUTION

1. To consider and approve the capital increase agreement entered into between Chongqing Machinery and Electronic Holding (Group) Co., Ltd.*, Chongqing Chengfei New Materials Co., Ltd.* (“**Target Company**”), the Company, Chongqing General Industry (Group) Co., Ltd.* and Xizang Xuhuo Venture Capital Partnership (Limited Partnership)* on 22 May 2026 (the “**Capital Increase Agreement**”) and the transactions contemplated thereunder (being, (i) 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**”); and (ii) each of the Company, Chongqing General Industry (Group) Co., Ltd.* and Xizang Xuhuo Venture Capital Partnership (Limited Partnership)* has waived its pre-emptive right to subscribe for the Capital Increase in respect of the Target Company on a pro-rata basis); and to authorize the directors of the Company to do all such further acts and things and execute all such further documents and take all such steps that are ancillary to the Capital Increase Agreement and the transactions contemplated thereunder, and of administrative nature which, in their absolute discretion, to implement and/or give effect to the matters contemplated under this resolution.

SPECIAL RESOLUTION

2. To consider and approve the amendments of the Articles of Association of the Company.

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

Chongqing, the PRC
8 July 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 17M Floor, 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, 20 July 2026 to Thursday, 23 July 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 Friday, 17 July 2026.

As at the date of the notice, 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*