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Chongqing Machinery & Electric Co., Ltd.*
重慶機電股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02722)

CONNECTED TRANSACTION
DISPOSAL OF TARGET EQUITY

THE EQUITY TRANSFER AGREEMENT

On 12 October 2026, the Company and Silian Group (a wholly-owned subsidiary of the Controlling Shareholder of the Company) has entered into the Equity Transfer Agreement with, pursuant to which the Company agreed to transfer and Silian Group agreed to acquire 51% of the equity interest (i.e. the Target Equity) of the Target Company (a wholly-owned subsidiary of the Company) held by the Company at a Disposal Consideration of RMB89.7916 million.

LISTING RULES IMPLICATION

As of the date of this announcement, the Company directly holds 100% equity interest in the Target Company and is the sole shareholder of the Target Company, whereas Silian Group is a direct wholly-owned subsidiary of the Controlling Shareholder of the Company. Parties under the Equity Transfer Agreement are therefore connected persons of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

In view of good corporate government practices, Mr. Yue Xiangjun (an executive Director and the Chairman of the Company), who currently also serves as a member of the Party Committee of the Controlling Shareholder of the Company, has voluntarily abstained from voting. As Mr. Lei Bin (a non-executive Director of the Company) is also currently the Chief Financial Officer and director of the Controlling Shareholder of the Company, and Ms. Zhu Ying (a non-executive Director of the Company) is also currently the Chairman of a subsidiary of Yufu Holding (the associate of the Controlling Shareholder of the Company), they are deemed to have a material interest in the Disposal and have abstained from voting on the relevant Board resolution to approve the Disposal. Saved as disclosed above, none of the other Directors has any material interest in the Disposal and none of them is required to abstain from voting on the relevant Board resolution to approve the Disposal.

EQUITY TRANSFER AGREEMENT

On 12 October 2026, the Company and Silian Group entered into the Equity Transfer Agreement, pursuant to which the Company agreed to transfer, and Silian Group agreed to acquire 51% equity interest of the Target Company at a Disposal Consideration of RMB89.7916 million.

The principal terms of the Equity Transfer Agreement are summarised as follows:

DATE OF ENTERING INTO EQUITY TRANSFER AGREEMENT

12 October 2026

PARTIES OF THE AGREEMENT

1. The Company (as the transferor); and
2. Silian Group (as the transferee)

THE DISPOSAL

Pursuant to the Equity Transfer Agreement, the Company (as the transferor) agreed to transfer, and Silian Group (as the transferee) agreed to acquire the Target Equity. Immediately prior to the Disposal, the Company directly held 100% equity interest in the Target Company.

DISPOSAL CONSIDERATION

Pursuant to the Equity Transfer Agreement, the Disposal Consideration for the Target Equity is RMB89.7916 million, the Disposal Consideration was determined with reference to the factors set out below and after arm's length negotiation: (i) the total consideration of Disposal is calculated by multiplying the valuation of the Target Company (i.e. RMB176.0619 million) set out in the valuation report issued by the Independent Valuer as at the Valuation Benchmark Date by the 51% equity interest that is to be transferred; and (ii) subject to appropriate rounding adjustments. The final Disposal Consideration is determined based on the appraised value of the total equity interest of the Target Company and is subject to the filing record of Machinery and Electronics Group by the Company.

In accordance with the Asset Valuation Report, the valuation target is the value of the entire equity interest of the Target Company, the scope of the valuation includes all the assets and liabilities declared by the Target Company. After comparing the common valuation methods, including asset-based approach, the income approach and market approach, the asset-based approach is adopted for the following reasons, and is considered as the most appropriate valuation method:

- (1) The asset-based approach determines the value of the Target Company by reasonably evaluating its value of assets and liabilities based on its balance sheet as at the Valuation Benchmark Date. As the list of appraised assets of the Target Company as entrusted is easier to access, the prevailing prices of individual assets can be obtained through the market survey method. In addition, the valuation conclusion reached by adopting the asset-based approach is based on the replacement cost of assets as the valuation standard, reflecting the socially necessary labor expended on the purchase and construction of the assets, is relatively easy to verify in the market with fewer future uncertainties, and the valuation conclusion is more readily accepted by both parties to the transaction. The Independent Valuer considers the asset-based approach to be the most appropriate valuation method, the asset-based approach is therefore used for this valuation;
- (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, there is a certain gap between the Target Company and the listed companies in terms of scale, customer base, profitability and product diversity, and it is difficult to fully quantify and adjust these differences, the reliability of the valuation results is therefore subject to certain limitations. Thus, the Independent Valuer considers that the market approach is not the most appropriate method, it was not adopted, nor was it used in determining the Disposal Consideration, and the Independent Valuer did not include any valuation results derived from the market approach;

- (3) The income approach determines the value of the subject asset by capitalizing or discounting the expected income. However, due to the downturn in the commercial vehicle market, the Target Company is shifting its focus from commercial vehicles to passenger cars and new energy businesses, undergoing a business transition period and there is a certain customer reliance risk. Therefore, the Independent Valuer considers that the income approach is not an appropriate valuation method, it was not adopted, nor was it used in determining the Disposal Consideration, and the Independent Valuer did not include any valuation results derived from the income approach.

In view of the above, the asset-based approach is the sole valuation method adopted to determine the Disposal Consideration.

The specific methods of the asset-based approach is as follows:

The appraised value of all shareholders' interest = $\sum$ appraised value of each asset – $\sum$ appraised value of each liability

KEY QUANTITATIVE INPUT PARAMETERS

In the valuation process, the Independent Valuer adopted different valuation methods for each asset and liability based on specific circumstances, a summary of each asset valuation method is as follows:

1. INVESTMENT PROPERTY

The investment property included in the scope of valuation comprises a standalone villa with a book value of RMB7.8287 million. The valuer collected information on the property title deed for the investment property, the characteristics of the asset being valued, and transaction data for comparable properties in the area. Through a comprehensive analysis, the market approach was adopted for this valuation. By referring to comparable transaction cases for similar residential properties in the vicinity at the Valuation Benchmark Date, and after making appropriate adjustments of transaction condition, transaction dates, area-specific factors and individual factors, the valuation was determined. The formula is as follows:

Valuation of property being valued = Price of comparable transactions $\times$ Transaction condition adjustment coefficient $\times$ Transaction date adjustment coefficient $\times$ Area adjustment coefficient $\times$ Individual adjustment coefficient

The appraised value of the investment property was RMB6.2870 million with a valuation decrement of RMB1.5417 million.

2. EQUIPMENT

As it is difficult to find the same or similar transaction cases for the equipment being valued on the market, the valuer adopted the replacement cost method for the valuation, that is according to the current purchase price of the equipment, transport and miscellaneous costs, installation and commissioning costs, and other reasonable purchase and construction costs to calculate the full replacement cost, combined with the condition of the equipment and maintenance status to determine the residue ratio and come up with the appraised value by multiplying the aforesaid figures. The formula is as follows:

Machinery and equipment full replacement cost = Equipment purchase price + Transport and miscellaneous costs + Installation and commissioning costs + Equipment base costs + Other costs + Cost of capital

Electronic office equipment full replacement cost = Equipment purchase cost

Vehicle full replacement cost = Vehicle replacement purchase price + Purchase tax surcharge + License handling fee and other fees

Imported equipment full replacement cost = FOB price of equipment + Overseas freight + Overseas insurance premium + Customs duties + Foreign trade handling fees + Bank charges + Commodity inspection fees + Domestic transport and miscellaneous costs + Installation and commissioning costs + Equipment base costs + Other expenses + Cost of capital

The valuer examined the equipment's acquisition, usage and maintenance, and assessed its current operational status, functionality and efficiency, and determine the newness rate using a combination of the scoring method and the useful life method, based on the overall condition of the equipment.

Finally, the valuer determined the full replacement cost of the equipment was RMB199.0257 million and the net appraised value was RMB59.4915 million. The specific breakdown is as follows:

Unit: RMB'0,000

Fixed asset category	Machinery equipment	Electronic Equipment	Vehicles	Total
Number of units (sets) in book records	916	322	6	1,244
Original book value	21,101.23	320.39	94.52	21,516.14
Net book value	5,967.99	58.83	21.16	6,047.98
Full replacement cost	19,614.51	216.19	71.87	19,902.57
Appraised value	5,874.39	44.36	30.40	5,949.15
Valuation appreciation	-93.60	-14.47	9.24	-98.83

3. *OTHER INTANGIBLE ASSETS*

(1) *PATENT RIGHTS*

The 20 patent rights filed by Chongqing CAFF were being valued, the book value was RMB0.00 million. The cost approach was adopted in the valuation. The formula is as follows:

Valuation of patent rights = Full replacement cost of patent rights $\times$ (1 – Depreciation rate)

Replacement cost of patent rights = R&D costs + Official fees + Agency fees + Capital costs + Reasonable profit

Depreciation rate = Years of use $\div$ (Years of use + Remaining useful life) $\times$ 100%

Finally, the valuer determined that the appraised value of the patent rights was RMB0.1882 million, representing a valuation appreciation of RMB0.1882 million.

(2) *EXTERNALLY PURCHASED SOFTWARE*

12 softwares were included in the scope of valuation, the book value was RMB1,200. It primarily consists of office software, acquired through outsourced development, mainly comprises bespoke software and is currently in normal use. The replacement cost method is adopted for the valuation. The formula is as follows:

Valuation of software = Full replacement cost $\times$ (1 – Depreciation rate)

Full replacement cost = Original book value $\times$ Software index

Finally, the valuer determined that the valuation of externally purchased software was RMB79,300 with a valuation appreciation of RMB78,100.

(3) *TRADEMARK RIGHTS*

10 trademarks were included in the scope of this valuation with book value of RMB0.00 million, the cost approach was adopted for the valuation. The formula is as follows:

Valuation of trademark rights = Trademark replacement cost

Acquisition cost of trademark rights = Design costs + Register fees + Capital costs + Profits

Finally, the valuer determined that the valuation of the trademark was RMB17,100, representing a valuation appreciation of RMB17,100.

4. **INVENTORIES**

Inventories mainly comprise raw materials, finished goods, work in progress and goods dispatched, etc.

The valuation of raw materials is determined based on their verified book value.

The formula for the valuation of finished goods (goods dispatched) that have been in stock for less than one year is as follows:

Valuation of finished goods (goods dispatched) = Selling price of the products, excluding tax and sales discount – Sales tax – Selling expenses – Freight and other costs yet to be incurred – Income tax – Reasonable profit

Finally, the valuer determined that the valuation of the inventories was RMB90.5573 million, representing a valuation appreciation of RMB1.0685 million. The valuation of inventories by specific category is as follows:

Unit: RMB'0,000

Item	Book Value	Appraised Value	Valuation Variance
Raw Materials	882.08	882.08	0.00
Commissioned Processing Materials	43.29	43.29	0.00
Finished Goods (Inventory Goods)	6,039.50	6,177.16	137.66
Work In Progress (Self-manufactured semi-finished products)	1,191.09	1,106.35	-84.74
Good Dispatched	792.92	846.85	53.93
Total	8,948.88	9,055.73	106.85

5. **OTHER ASSETS, CLAIMS AND LIABILITIES**

The Independent Valuer examined the authenticity and legality of other assets and claims, and liabilities, and determined the appraised value after investigation and verification. For the account receivables, the valuer took the substitute procedure to confirm the authenticity of the balance, and aging analysis was conducted to assess its solvency, whereas for the account payables, the appraised value was determined by assessing the actual payables of the valuation entity.

The valuation of other assets, claims and liabilities is as follows:

Unit: RMB'0,000

No.	Item	Book Value	Appraised Value	Variance
1	Monetary fund	8,643.95	8,643.95	—
2	Financial assets held for trading	254.80	254.80	—
3	Bill receivables	6,744.11	6,744.11	—
4	Trade receivables	10,323.47	10,323.47	—
5	Trade receivables financing	9,295.62	9,295.62	—
6	Prepayments	85.17	85.17	—
7	Other receivables	144.48	144.48	—
8	Contract assets	32.46	32.46	—
9	Construction in progress	608.19	594.15	-14.04
10	Right-of-use asset	507.39	507.39	—
11	Long-term deferred expenses	136.58	46.07	-90.51
12	Deferred tax assets	656.84	641.14	-15.71
13	Other non-current assets	247.91	245.66	-2.25
14	Total other assets	37,680.96	37,558.45	-122.51
15	Notes payable	14,948.97	14,948.97	—
16	Accounts payable	14,548.79	14,557.54	8.75
17	Contract liabilities	366.71	366.71	—
18	Employee benefits payable	139.73	139.73	—
19	Taxes payable	176.02	178.86	2.84
20	Other payables	3,784.57	3,784.57	—
21	Non-current liabilities due within one year	510.03	510.03	—
22	Other current liabilities	47.67	47.67	—
23	Long-term payables	1.40	1.40	—
24	Estimated liabilities	688.88	688.88	—
25	Deferred income	609.92	313.83	-296.08
26	Deferred income tax liabilities	76.11	76.11	—
27	Total other liabilities	35,898.80	35,614.31	-284.49
28	Net other assets and liabilities	1,782.16	1,944.14	161.98

The Independent Valuer adopted solely the asset-based approach to assess the market capitalization of all shareholdings held by the shareholders of the Target Company as at the Valuation Benchmark Date. The book value of the assets was RMB175.6202 million, whereas the appraised value of total shareholders' equity interest was RMB176.0619 million, representing an appreciation of RMB0.4417 million, an appreciation rate of 0.25%. Based on such appraised value, the consideration of the Disposal was determined after calculating the corresponding appraised value of the Target Equity.

This valuation is conducted with assumptions including:

- (i) the information provided by the Target Company is credible and accurate;
- (ii) there is no violation on the Target Company's rights of continuous operation, and of legal possession, use and disposal of assets and enjoying profit from such assets, and is assumed to be in full compliance with all relevant laws and regulations;
- (iii) the Target Company's production and operation premises may be leased on a continuing basis;
- (iv) the buyers and sellers with voluntary trading intentions have a reasonable knowledge background of the assets entrusted for valuation, market, and relevant factors which could affect the value of assets entrusted for valuation. Relevant parties will autonomously and independently decide their transaction behaviors without any external pressure or coercion. Public bidding, auction and listing for trading are implemented in the principle of fairness, the interested buyers make rational offers and participate in bidding in an equal and independent manner, and none of the obligee, principal, other interested parties and their connected persons in relation to the transaction corresponding to the valuation purpose enjoys the priority, nor interferes with the transaction price;
- (v) there is no material change in the laws, regulations, policy environment, social and economic environment, international politics and economic environment as well as the interest rate, exchange rate and price level of the place where the Target Company is located as compared with the situation on the Valuation Benchmark Date; and
- (vi) there are no other force majeure events or unforeseeable factors that would have a material adverse effect on the appraisal value.

This valuation was conducted under the assumption of a going concern, taking into full consideration factors such as the purpose of the valuation, market conditions, and the specific conditions of the total equity value of the shareholders, to assess the total equity value of the Target Company's shareholders. As such, the appraised value is determined by the Independent Valuer based on the market value of the total equity value of the Target Company's shareholders at the Valuation Benchmark Date by assessing the estimated value of the Target Company in a normal and fair transaction at the Valuation Benchmark Date between a willing transferor and a willing transferee, each acting rationally and without any coercion.

According to the Asset Valuation Report which used audited financial data, the net asset value of the Target Company as at the Valuation Benchmark Date was RMB176.0619 million. Compared with the net asset book value of the Target Company as at the Valuation Benchmark Date, which was RMB175.6202 million, the appraised value appreciation is RMB0.4417 million with a value of appreciation rate of 0.25%. The valuation appreciation was primarily attributable to (i) a valuation appreciation of RMB1.0685 million on inventories, which mainly includes finished goods (goods dispatched), whose book value reflected only the production cost and the corresponding sales profit was not included; and (ii) a valuation appreciation of RMB0.2835 million on intangible assets, which mainly includes patent rights and trademarks with no carrying amount, which resulted in a valuation appreciation arising from the adoption of cost approach. The abovementioned appreciation was offset by the following impairment items (i) an impairment loss of RMB1.5417 million on investment property, primarily due to a downturn in the property market; and (ii) an impairment loss of RMB0.9883 million on machinery and equipment, primarily due to a fall in the purchase price of equipment, and a portion of equipment was booked in later than its commencement date thereby causing the undepreciated ratio to be higher than the newness rate.

This valuation is prepared by PRC qualified Independent Valuer, Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd. and set out in the Asset Valuation Report dated 6 September 2026. The two signing independent valuers for this valuation are members of the China Appraisal Society and possess the relevant qualifications to prepare the valuation report. As at the date of the announcement, the Independent Valuer has confirmed that it is a third party independent of the Company and its connected persons and it has no existing or prospective interest in the Disposal in relation to the Company, Silian Group or any of their respective associate(s), nor does it have any existing or potential interest connection with the parties involved in the transaction that might affects its independence and holds no bias towards any relevant party.

This valuation relies on principal data sources including (i) the audited financials of the Target Company and the special audit report issued by Baker Tilly China (天職國際); (ii) the detailed asset appraisal declaration statements and list of relevant assets and liabilities prepared by the Target Company; (iii) the asset ownership certificates, accounting vouchers, material contracts and payment vouchers; (iv) information obtained by Independent Valuer through site surveys, interviews and confirmation letters; (v) open market prices and inquiry data; and (vi) relevant laws and regulations, asset valuation standards and approvals on economic activities.

Taking into consideration the above, including reviewing the Asset Valuation Report and taking into account that (i) the Independent Valuer has prepared the Asset Valuation Report in accordance with the relevant valuation procedures, standards, laws and regulations of the PRC; (ii) the Independent Valuer has conducted review of the financial data, operating data and other relevant data relating to the Target Company 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 valuation and valuation results, the Board (including the independent non-executive Directors) are of the view that the consideration for the Disposal is fair and reasonable and in the interests of the Company and Shareholders as a whole.

AGREEMENT EFFECTIVE DATE

The Equity Transfer Agreement has been approved by the Board on 12 October 2026 and was entered into by the Company and Silian Group on 12 October 2026 and became effective on the same day.

COMPLETION AND PAYMENT OF THE DISPOSAL CONSIDRATION

Upon completion of the Disposal, Silian Group will hold 51% equity interest in the Target Company, whereas the Company will hold 49% equity interest in the Target Company.

The transferor and the transferee agreed that the transferee shall pay the Disposal Consideration to the transferor within 5 working days of the agreement becoming effective.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC in June 2003. As at the date of this announcement, its registered capital is RMB232.80 million. It is primarily engaged in the research, development and production of steering tie rod (joint) assemblies and thrust rod assemblies for commercial vehicles, suspension subframes and control arm assemblies for passenger cars, and structural components for new energy battery enclosures and energy storage equipment.

The audited financial information of the Target Company for the three financial years ended 31 December 2025 and six months ended 30 June 2026 prepared in accordance with the PRC Accounting Standards for Business Enterprises is set out below:

Unit: RMB'0,000

Item	For the financial year ended 31 December 2023 (audited)	For the financial year ended 31 December 2024 (audited)	For the financial year ended 31 December 2025 (audited)	For the six months ended 30 June 2026 (audited)
Total assets	43,104.92	42,692.00	48,203.15	53,461
Net assets	22,375	17,369	17,371	17,562
Total operating revenue	24,809	27,799	36,042	25,253
Total profit (loss is expressed with “-”)	79	-5,270	52	195
Net profit (net loss is expressed with “-”)	42	-5,007	-4	194

As of 31 December 2025, the total assets and net assets of the Target Company amounted to RMB482.0315 million and RMB173.71 million respectively. As of 30 June 2026, the total assets and net assets of the Target Company amounted to RMB534.61 million and RMB175.62 million respectively.

Upon the valuation of Independent Valuer, the entire equity interest of the shareholders of the Target Company as at 30 June 2026 was RMB176.0619 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

With the Target Company engaging mainly in the manufacturing and services of automotive components, it lacks synergies with the Company's clean energy equipment and high-end smart equipment businesses, making the formation of an upstream and downstream industrial support difficult; the Disposal will enable the Company to focus on its main businesses and optimize its strategic layout. Therefore, following the Disposal, the Target Company will no longer be consolidated into the Company's consolidated statements, which is conducive for the Company to optimize its industrial layout, and concentrate its efforts and resources on exploring the development of its main businesses, thereby promoting, strengthening and enhancing the Company's core industries.

At the same time, Silian Group's transportation equipment segment focuses on three major business segments "Basic Automotive Components + Automotive Electronics + Sensor Control" and is committed to building a leading enterprise in automotive components. With the Target Company's controlling stake being held by Silian Group, the integration of the Target Company's resources with those of Silian Group's internal clients and distribution channels will be further intensified, forming an industry chain synergistic effect that brings better development opportunities for the Target Company and strengthens its market competitiveness and profitability.

Having considered the above factors, the Board is of the view that the Disposal aligns with the long-term strategic positioning of the Group and in the interest of the Company and Shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL AND THE INTENDED USE OF PROCEEDS

Upon completion of the Disposal, the Company will hold 49% equity interest in the Target Company, which will no longer be a subsidiary of the Company, its financial results will not be consolidated into the consolidated financial statements of the Company. The net proceeds from the Disposal, after deducting the Disposal related expenses, are estimated to be approximately RMB89.7916 million. The Company intends to use all the net proceeds from the Disposal as general working capital for the Group. Upon completion of the Disposal, it is expected that the Group's liquidity will be improved, whilst enabling the Group to focus more on its core businesses.

The Group expects to record a loss of approximately RMB6.86 million in respect of the Disposal for the current period, as a result of the loss of control arising from the disposal of a 51% equity interest in the Target Company, the gain or loss on disposal is calculated as follows:

Investment income = Disposal Consideration + Fair value of the remaining 49% equity interest on the date of loss of control (calculated based on the appraised value of the entire shareholders' equity of the Target Company of RMB176,061,900 as per the valuation report multiplied by 49%, which is approximately RMB86,270,300) – Net assets of the Target Company as at the date of this announcement – Goodwill originally recognized in the consolidated financial statements + Reclassification amount of other comprehensive income/other capital reserve related to the equity investment in the original subsidiary that can be reclassified to profit or loss.

The above gain or loss is still subject to final review and audit by the auditors of the Company.

INFORMATION ABOUT THE COMPANY AND SILIAN GROUP

The Company primarily engaged in the manufacturing and sales of power equipment, general machinery and CNC machine tools, etc.

Silian Group, formerly the Sichuan Instrument General Plant, which was established in 1965 through the Third Front Relocation Programme and originally under the Ministry of Machine Industry. Its registered capital is RMB2 billion and it is a wholly-owned subsidiary of the Machinery and Electronics Group, which primarily engaged in industrial segments such as electronics manufacturing, discrete industry automation and precision components.

APPROVAL AND OPINIONS OF THE BOARD

The Equity Transfer Agreement and the transaction contemplated thereunder (i.e. the Disposal) have been unanimously approved by all Directors at the 2026 seventh extraordinary meeting of the Company's seventh Board of Directors. The Board (including the independent non-executive Directors) are of the view that:

- (1) The terms set out in the Equity Transfer Agreement and the transaction contemplated thereunder (i.e. the Disposal) are fair and reasonable. The Disposal is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and is in the interests of the Company and Shareholders as a whole;
- (2) The decision and approval procedures of the Equity Transfer Agreement and the transaction contemplated thereunder (i.e. the Disposal) are in compliance with the Company Law of the PRC, the Listing Rules and the Articles of Association of the Company;
- (3) The terms and conditions set out in the Equity Transfer Agreement and the transaction contemplated thereunder (i.e. the 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.

LISTING RULES IMPLICATION

As of the date of this announcement, the Company directly holds 100% equity interest in the Target Company and is the sole shareholder of the Target Company, whereas Silian Group is a direct wholly-owned subsidiary of the Controlling Shareholder of the Company. Parties under the Equity Transfer Agreement are therefore connected persons of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

In view of good corporate government practices, Mr. Yue Xiangjun (an executive Director and the Chairman of the Company), who currently also serves as a member of the Party Committee of the Controlling Shareholder of the Company, has voluntarily abstained from voting. As Mr. Lei Bin (a non-executive Director of the Company) is also currently the Chief Financial Officer and director of the Controlling Shareholder of the Company, and Ms. Zhu Ying (a non-executive Director of the Company) is also currently the Chairman of a subsidiary of Yufu Holding (the associate of the Controlling Shareholder of the Company), they are deemed to have a material interest in the Disposal and have abstained from voting on the relevant Board resolution to approve the Disposal. Saved as disclosed above, none of the other Directors has any material interest in the Disposal and none of them is required to abstain from voting on the relevant Board resolution to approve the Disposal.

DEFINITIONS

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

“Asset Valuation Report”	the valuation report dated 6 September 2026, prepared and issued by the Independent Valuer in accordance with the PRC Asset Valuation Standards, contents of which are related to the valuation of the Target Equity as at the Valuation Benchmark Date in accordance with the relevant PRC laws, regulations and valuation standards, the report is effective from 30 June 2026 (i.e. Valuation Benchmark Date) to 29 June 2027
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Chongqing SASAC”	Chongqing State-owned Assets Supervision and Administration Commission, which is the ultimate holding company of the Company

“Company”	Chongqing Machinery & Electric Co., Ltd., 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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder” or “Machinery and Electronics Group”	Chongqing Machinery and Electronics Holding (Group) Company, a limited liability company established in the PRC, which is the direct Controlling Shareholder of 61.04% of the issued share capital of the Company, and has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	pursuant to the Equity Transfer Agreement, the Company agrees to transfer, and Silian Group agrees to acquire, 51% equity interest in the Target Company held by it
“Disposal Consideration”	the consideration payable by the Silian Group to the Company in respect of the Disposal, RMB89.7916 million (tax inclusive)
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company (as transferor) and Silian Group (as transferee) on 12 October 2026 in respect of the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and the Taiwan region
“RMB”	the lawful currency of the PRC
“Share(s)”	the domestic shares and foreign shares or the H Shares of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Silian Group”	China Silian Instrument Group Co., Ltd., a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Controlling Shareholder 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 “a subsidiary” means any one of them
“Target Company”	Chongqing CAFF Automotive Braking & Steering Systems Co., Ltd., a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company as at the date of this announcement
“Target Equity”	51% equity interest in the Target Company proposed to be transferred by the Company under the Equity Transfer Agreement
“Valuation Benchmark Date”	30 June 2026, being the benchmark date for the valuation of the market value of the entire equity interest of the shareholders of the Target Company
“Yufu Holding”	Chongqing Yufu Holding Group Co., Ltd., a company established in the PRC with limited liability, holds 80% of the issued share capital of the Company’s Controlling Shareholder and the associate of the Controlling Shareholder of the Company
“%”	per cent

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

Chongqing, the PRC
12 October 2026

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

* *For identification purposes only*