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CQME

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

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

CONNECTED TRANSACTION
SALE OF TARGET ASSET PACKAGE OF A BRANCH COMPANY

BUSINESS AGREEMENT

On 27 November 2025, the Company entered into an Asset Transfer Agreement with 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 for a consideration of RMB4,885,400.

IMPLICATIONS OF THE LISTING RULES

As of the date of this announcement, 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 Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

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

No Director has a material interest in the Disposal, nor was any Director required to abstain from voting on the relevant resolution of the Board approving the Disposal.

ASSET TRANSFER AGREEMENT

On 27 November 2025, the Company entered into an Asset Transfer Agreement with 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 for a consideration of RMB4,885,400.

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

Date of Execution of the Asset Transfer Agreement

27 November 2025

Parties to the Asset Transfer Agreement

Transferor: The Company

Transferee: Zhuoyue Company

The Disposal

Pursuant to the Asset Transfer Agreement, the Transferor agrees to transfer the Target Asset Package in its entirety to the Transferee.

Target Asset Package

Pursuant to the Asset Transfer Agreement, the Target Asset Package comprises specific assets and corresponding liabilities under the business operations of the “Chongqing Machinery and Electric Procurement Trading Platform” operated by Shengpu Technology.

The “Chongqing Machinery and Electric Procurement Trading Platform” is an integrated service platform encompassing procurement, payment, contracts, invoicing and data management.

Transaction Consideration and Valuation

Pursuant to the Asset Transfer Agreement, the consideration for the Target Asset Package is RMB4,885,400, which was determined through fair negotiation between the Company and Zhuoyue Company, with reference to the asset valuation report issued by the Independent Valuer as at the Valuation Base Date. The final disposal consideration shall be subject to the filing outcome with the state-owned assets management authority.

Pursuant to the Asset Valuation Report, the Independent Valuer conducted the valuation of the Target Asset Package using the cost approach and income approach, based on the audited financial information of Shengpu Technology for the six months ending 30 June 2025. The core business asset software platform of the ‘Chongqing Machinery and Electric Procurement Trading Platform’ business asset package has yet to be fully constructed and launched, with certain functionalities remain under development. Consequently, future revenues and profits remain subject to significant uncertainty. The cost approach reflects the fair market value of assets from a replacement perspective. As such, the Independent Valuer opined that the result derived from the cost approach is more reliable.

Cost Approach

The cost approach refers to a collective term for valuation methods that determine the value of an asset by considering the cost of reconstructing or replacing it, using such reconstruction or replacement cost as the basis for valuation, then deducting relevant depreciation.

The specific valuation method employed for the “Chongqing Machinery and Electric Procurement Trading Platform” is as follows:

The cost approach is an appraisal method that determines the current value of an asset by calculating the difference between the total cost required to acquire or construct a new equivalent asset under current conditions and the asset’s physical, functional and economic depreciation. Alternatively, it may be determined based on a composite newness rate. Its calculation formula is:

$$\text{Valuation} = \text{Replacement Cost} \times \text{Newness Rate}$$

(1) Estimation of Replacement Cost

$$\text{Replacement Cost} = \text{Direct Software Costs} + \text{Indirect Software Costs} + \text{Capital Costs} + \text{Reasonable Profit Margin}$$

1) Direct Software Costs

a) Function Point Counting

In accordance with the national standard “Software Engineering Software Development Cost Measurement Specification” (GB/T36964-2018), the “Estimated Function Points” method is employed to measure software size. The project scope and system boundaries are defined according to the technical (implementation) solution documentation, encompassing fundamental business requirements and subsystem/module divisions. Each subsystem is described or explained to ensure that the estimated function point counting can be derived from the project scope specification document.

b) Scale Adjustment Factor

In accordance with the “Implementation Procedures for Software Cost Assessment (T/CCUA005-2023)” issued by the China Computer Users Association and the “2024 China Software Industry Benchmark Data (CSBMK)”, the commissioned software has been delivered and is now in the post-delivery and operational maintenance phase. Consequently, the scale adjustment factor for this assessment is set at 1.00.

c) Development Language Adjustment Factor and Development Team Background Adjustment Factor

The Development Language Adjustment Factor (SL) is set at 1.0, as it pertains to “Java, C++, C# and other languages/platforms of equivalent level”.

The Development Team Background Adjustment Factor (DT) is set at 1.0, as it pertains to “having developed similar software for other industries, or having developed different but related software for this industry”.

2) Indirect Software Costs (Direct Non-Personnel Costs, DNC)

Includes office expenses, travel expenses, training fees, business expenses, procurement costs and any other expenditure incurred by the developer for this project not listed above. Indirect software costs are not applicable in this instance.

3) Capital Costs

Determined based on the benchmark interest rate for RMB loans as of the Valuation Base Date, calculated according to the monthly progress of cost outlays.

4) Reasonable Profit Margin

Determined by reference to the historical average cost-to-profit ratio of listed software development companies on the A-share market.

(2) *Newness Rate*

Determines the economic useful life of the Target Asset Package by combining its statutory useful life and economic useful life

$$\begin{aligned}\text{Newness rate} &= (\text{Economic useful life} - \text{Years already used}) \div \text{Economic useful life} \times 100\% \\ &= (10 - 0.083)/10 \\ &= 99.17\%\end{aligned}$$

Independent Valuer's Analysis

Given the characteristics of this valuation project, the current status of the “Chongqing Machinery and Electric Procurement Trading Platform”, and the findings of the investigation, after repeated analysis and assessment, it has been determined that the commissioned “Chongqing Machinery and Electric Procurement Trading Platform” have been delivered for use and the source code and function point data have been provided. The software development workload can be estimated by using software function points. Therefore, the Independent Valuer considers that applying the cost approach to value the commissioned “Chongqing Machinery and Electric Procurement Trading Platform” is reasonable.

Valuation Assumptions

General Assumptions

(i) Transaction Assumption

It is assumed that all assets under valuation are already in the process of being transacted. The Independent Valuer estimates the value by simulating the market based on the transaction terms of the assets under valuation;

(ii) Open Market Assumption

The open market assumption is a presumption regarding the conditions of the market into which an asset is intended to enter, and the influences to which the asset would be subject under such market conditions. An open market denotes fully developed and well-functioning market conditions, referring to a competitive market with willing buyers and sellers. In such a market, buyers and sellers are on equal footing, both having access to sufficient market information and time. Transactions between buyers and sellers are conducted voluntarily, rationally, and without coercion or restriction.

(iii) Assumption of Continued Asset Use

The assumption of continued asset use constitutes a presumption regarding the conditions under which an asset is expected to enter the market and the state of the asset within such market conditions. Firstly, the asset under valuation is deemed to be in a state of use; secondly, it is assumed that the asset in this state of use will continue to be utilised. Under the going concern assumption, no consideration is given to changes in the asset's purpose or conditions of optimal utilisation, thereby limiting the scope of application of the valuation results; and

(iv) Going Concern Assumption for Asset Package Operations

This represents an evaluation assumption made with the asset package being the subject of assessment. Specifically, the asset group is treated as an operating entity that continues its operations under its external environment and in accordance with its operational objectives. The asset package operator is responsible and capable of fulfilling its obligations; the asset package operates lawfully and is able to generate appropriate profits to sustain its ongoing operational capacity.

Specific Assumptions

- (i) There shall be no material changes to the relevant laws, regulations and policies currently in force in the PRC, nor to the PRC's macroeconomic conditions; nor shall there be any material changes to the political, economic and social environment in the regions where the parties to this transaction are located.
- (ii) It is assumed that the operators of the Asset Package are responsible, and that the management of the Asset Package is capable of performing their duties.
- (iii) Unless otherwise stated, it is assumed that the Asset Package fully complies with all relevant laws and regulations.
- (iv) There are no material changes in interest rates, exchange rates, tax bases and rates, or policy-based levies.
- (v) No other force majeure or unforeseeable factors have a material adverse effect on the asset package.
- (vi) It is assumed that the commissioned software will prove useful in the future, with anticipated economic benefits covering costs incurred up to the Valuation Base Date.
- (vii) It is assumed that the asset holder will maintain the current scope and manner of operations consistent with the existing management approach and level of management.
- (viii) It is assumed that the cash flows of the asset package are generated evenly across each year, with annual income realised at the mid-year point.
- (ix) It is assumed that long-term assets will be renewed at replacement cost as at the Valuation Base Date upon expiry of their economic life.
- (x) It is assumed that the relevant data provided by the property owner is accurate and complete.

Valuation

The Independent Valuer has completed a comprehensive inventory and valuation of the assets and liabilities corresponding to the Target Asset Package using the cost approach, with the net asset valuation amounting to RMB4,885,400. Based on this valuation, the consideration for the Disposal was determined following calculation of the corresponding valuation of the Target Asset Package.

Having reviewed the relevant pricing basis, the Directors (including the independent non-executive Directors) consider the disposal consideration to be fair and reasonable, and in the interests of the Company and its shareholders as a whole.

Effective Date of Agreement

The Asset Transfer Agreement was approved by the Board and entered into and became effective between the Transferor and the Transferee on 27 November 2025.

Completion and Payment of Transaction Consideration

The Transferor and the Transferee agree that the Completion Date for the Target Asset Package shall be 30 November 2025.

The Transferee shall pay the entire Transaction Consideration to the Transferor in a single instalment within five working days after the Agreement becomes effective and all completion conditions are satisfied.

Rights and Obligations of the Target Asset Package

From the Valuation Base Date to the Completion Date, the profits and losses generated by the business modules corresponding to the Target Asset Package (including related contractual rights, software copyrights, data resources, customer relationships, etc.) and the associated staff costs shall be borne by the Transferee.

From the Completion Date, the Transferee shall assume ownership, usage rights and income rights of the Target Asset Package (including relevant contractual rights, software copyrights, data resources, customer relationships, etc.), along with the obligations pertaining to corresponding liabilities (including disclosed and contingent liabilities). Shengpu Technology shall continue to operate as a branch company of the Company.

Information on Shengpu Technology

Shengpu Technology was established in November 2024 through the restructuring of Chongqing Shengpu Materials Co., Ltd.* (重慶盛普物資有限公司), the Company's former wholly-owned subsidiary. It principally engages in the "Chongqing Machinery and Electric Procurement Trading Platform", trade and asset management operations. The Target Asset Package commenced operation from the date of Shengpu Technology's establishment.

The audited financial information of Shengpu Technology concerning the Target Asset Package for the six months ended 30 June 2025, prepared in accordance with the Chinese Accounting Standards for Business Enterprises, is set out below:

Unit: Ten thousand Renminbi

Items	For the six months ended 30 June 2025
Total Assets	1,898.80
Total Liabilities	1,413.24
Net Assets	485.56

For the six months ended 30 June 2025, the unaudited total profit of the Target Asset Package was approximately RMB40,600, and the unaudited net profit was approximately RMB30,500.

For the financial year ended 31 December 2024, the unaudited total loss of the Target Asset Package was RMB87,700.

Financial Impact of the Disposal

The Group anticipates to record a gain of RMB29,800 from the Disposal; the proceeds from the Disposal are expected to be deployed into the Group's industrial services segment operations.

Reasons for and Benefits of the Disposal

To further advance the Group's strategic development plan and business collaboration by refocusing on core operations, enhancing strategic and operational synergies, and consolidating resources through divesting non-core assets from the Group's principal entities to concentrate efforts on sustaining the Group's high-end equipment business segment. This will continuously improve development quality, strengthen the Group's competitiveness and create long-term value for shareholders.

Information on the Parties to the Asset Transfer Agreement

The Company principally engages in the production, sale and servicing of clean energy equipment and high-end intelligent manufacturing equipment.

Zhuoyue Company was established in September 2003 with a registered capital of RMB280 million. As a subsidiary of the Controlling Shareholder, it serves as the Group's supply chain service platform and is managed by the Controlling Shareholder. Its principal business scope includes: sales of metal materials; sales of needle textiles and raw materials; sales of daily consumer goods; sales of household appliances; sales of pulp; sales of paper products; sales of building materials; and sales of chemical products.

Implications of the Listing Rules

As of the date of this announcement, 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 Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

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

BOARD APPROVAL AND OPINION

The Asset Transfer Agreement and the Disposal contemplated thereunder have been unanimously approved by all Directors. No Director has a material interest in the Asset Transfer Agreement or the Disposal contemplated thereunder, nor was any Director required to abstain from voting on the aforementioned resolution. The Board (including the independent non-executive Directors) considers that:

- (1) the terms set out in the Asset Transfer Agreement and the Disposal thereunder are fair and reasonable, the Disposal is being conducted in the ordinary and usual course of business of the Group on normal commercial terms, and is in the interests of the Company and its shareholders as a whole;
- (2) the decision and approval procedures for the Asset Transfer Agreement and the Disposal thereunder comply with the PRC Company Law, the Listing Rules and the Company's Articles of Association; and
- (3) the terms and conditions set out in the Asset Transfer Agreement and the Disposal thereunder were entered into by the parties on an arm's length basis and in accordance with the principle of equivalent consideration.

DEFINITION

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

“Asset Transfer Agreement”	the asset transfer agreement dated 27 November 2025 entered into between the Transferor and the Transferee in relation to the Disposal
“Asset Valuation Report”	the valuation report dated 25 September 2025 issued by the Independent Valuer, which details the valuation of the Target Asset Package as at the Valuation Base Date, determined in accordance with relevant Chinese laws, regulations and valuation standards
“Board”	the board of Directors of the Company
“Company” or “Transferor”	Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司), a company incorporated in China with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 02722)
“Completion Date”	30 November 2025
“connected person”	has the meaning ascribed to it under the Listing Rules

“Controlling Shareholder”	Chongqing Machinery & Electronics Holding (Group) Co., Ltd.* (重慶機電控股(集團)公司), a limited liability company incorporated in the PRC, is the direct controlling shareholder holding 61.04% of the issued share capital of the Company, and has the meaning ascribed to it under the Listing Rules
“Director”	a director of the Company
“Disposal”	the transfer by the Transferor to the Transferee of the Target Asset Package pursuant to the Asset Transfer Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Chongqing Tianjian Asset Appraisal & Real Estate Valuation Co., Ltd.* (重慶天健資產評估房地產估價有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region
“RMB”	the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares of the Company
“Shares”	the Domestic Shares and the Foreign Shares or H Shares of the Company
“Shengpu Technology”	Shengpu Technology Branch Company of Chongqing Electromechanical Co., Ltd.* (重慶機電股份有限公司昇普科技分公司), a branch company of the Company without independent legal personality
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, and a subsidiary may refer to any one of them

“Target Asset Package”	the specific asset package and corresponding liabilities under the relevant business operations of the “Chongqing Machinery and Electric Procurement Trading Platform (重慶機電採購交易平台)” operated by Shengpu Technology
“Transaction Consideration”	the consideration payable by the Transferee to the Transferor in respect of the Disposal, namely RMB4,885,400
“Valuation Base Date”	30 June 2025, being the base date on which the market value of the Target Asset Package is assessed
“Zhuoyue Company” or “Transferee”	Chongqing Zhuoyue Industrial Development Co., Ltd.* (重慶卓越實業發展有限公司), a limited liability company established in the People’s Republic of China and a subsidiary of the Controlling Shareholder
“%”	percentage

By Order of the Board
Chongqing Machinery & Electric Co., Ltd.*
Yue Xiangjun
Executive Director and General Manager
(performing duties and powers as chairman of the Board)

Chongqing, the PRC
27 November 2025

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*