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CQME

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

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

(1) CONTINUING CONNECTED TRANSACTIONS; AND
(2) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

References are made to the announcement of the Company dated 7 April 2022 and the circular of the Company dated 24 May 2022 in relation to, among others, the Existing Master Sales Agreement, the Existing Master Supplies Agreement, the Existing Master Leasing Agreement, the Existing Group Financial Services Framework Agreement and the Existing Parent Group Financial Services Framework Agreement, which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and will expire on 31 December 2025.

CONTINUING CONNECTED TRANSACTIONS

2026-2028 Master Sales Agreement

On 7 April 2022, the Company entered into the Existing Master Sales Agreement, pursuant to which the Group agreed to sell materials, components, accessories or raw materials, finished goods and other relevant or similar items, power generation equipment and parts (including certain products such as control valves, parts for steering systems, gears, clutch, the BV series of electric cables) and other products, to the Parent Group.

As the Existing Master Sales Agreement will expire on 31 December 2025, the Company renewed the Existing Master Sales Agreement with the Parent Company under the similar terms by entering into the 2026-2028 Master Sales Agreement on 23 April 2025.

* For identification purposes only

2026-2028 Master Supplies Agreement

On 7 April 2022, the Company entered into the Existing Master Supplies Agreement with the Parent Company, pursuant to which the Parent Group agreed to supply the Group with intelligent equipment, component parts (such as standard component, electric machine, control cabinet, component parts, etc.) and other relevant or similar products, industry services (such as transport and storage services, contract energy management services) etc.

As the Existing Master Supplies Agreement will expire on 31 December 2025, the Company renewed the Existing Master Supplies Agreement with the Parent Company under the similar terms by entering into the 2026-2028 Master Supplies Agreement on 23 April 2025.

2026-2028 Master Leasing Agreement

On 7 April 2022, the Company entered into the Existing Master Leasing Agreement with the Parent Company for the leasing of land and buildings from the Parent Group to the Group as offices, production facilities, workshops and staff quarters.

As the Existing Master Leasing Agreement will expire on 31 December 2025, the Company renewed the Existing Master Leasing Agreement with the Parent Company under similar terms by entering into the 2026-2028 Master Leasing Agreement on 23 April 2025.

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

2026-2028 Group Financial Services Framework Agreement

As the Existing Group Financial Services Framework Agreement will expire on 31 December 2025, on 23 April 2025, the Company and the Finance Company entered into the 2026-2028 Group Financial Services Framework Agreement, pursuant to which, the Finance Company will provide financial services to the Group, including loan services, non-financing guarantee letter services and other financial services. Subject to the approval of the Independent Shareholders, the Finance Company will provide deposit services to the Group. The Group is not under any obligation to obtain any or all of the financial services from the Finance Company and may obtain relevant financial services based on its business needs.

2026-2028 Parent Group Financial Services Framework Agreement

As the Existing Parent Group Financial Services Framework Agreement will expire on 31 December 2025, on 23 April 2025, the Parent Company and the Finance Company entered into the 2026-2028 Parent Group Financial Services Framework Agreement, pursuant to which, the Finance Company will provide financial services to the Parent Group, including deposit services, non-financing guarantee letter services and other financial services. Subject to the approval of the Independent Shareholders, the Finance Company will provide loan services to the Group.. The Finance Company is not under any obligation to provide any or all of the financial services to the Parent Group and may provide relevant financial services based on its business needs.

IMPLICATIONS UNDER THE LISTING RULES

2026-2028 Master Sales Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. Therefore, the transactions contemplated under the 2026-2028 Master Sales Agreement constitute continuing connected transactions of the Company. As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the annual caps under the 2026-2028 Master Sales Agreement exceed 5% and such annual caps exceed HK\$10,000,000, accordingly, the 2026-2028 Master Sales Agreement constitutes Non-exempted Continuing Connected Transactions 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.

2026-2028 Master Supplies Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. Therefore, the transactions contemplated under the 2026-2028 Master Supplies Agreement constitute continuing connected transactions of the Company. Since the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps under the 2026-2028 Master Supplies Agreement exceeds 0.1% but all percentage ratios are less than 5%, accordingly, such transactions contemplated are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

2026-2028 Master Leasing Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. Therefore, the transactions contemplated under the 2026-2028 Master Leasing Agreement constitute continuing connected transactions of the Company. Since the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps under the 2026-2028 Master Leasing Agreement exceeds 0.1% but all percentage ratios are less than 5%, accordingly, such transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

2026-2028 Group Financial Services Framework Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, accordingly, the Parent Group is a connected person of the Group under the Listing Rules. The Finance Company, which is held as to 30% by the Parent Company, is an associate of the Parent Company. Therefore, the transactions contemplated under the 2026-2028 Group Financial Services Framework Agreement constitute continuing connected transactions of the Company.

As the interest rate for deposit services to be provided by the Finance Company to the Group will not be lower than the interest rates for deposits of similar type and similar period provided to the Group by other independent commercial banks (at least two) in the PRC, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the deposit services exceed 5% and such annual caps exceed HK\$10,000,000, accordingly, the deposit services under the 2026-2028 Group Financial Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, as one or more of the applicable percentage ratios calculated in respect of the maximum daily deposit amount exceed 25%, accordingly, such transactions also constitute major transactions of the Company under Rule 14.06(3) of the Listing Rules, being the Non-exempted Continuing Connected Transactions of the Company, and are subject to the reporting, announcement and Shareholders' approval requirements for major transactions under Chapter 14 of the Listing Rules.

As the fees charged by the Finance Company for provision of loan services to the Group will not be higher than the interest rates charged by other independent commercial banks (at least two) in the PRC on the Group for loans of similar type and similar period, and such loan services are for the benefit of the Group, and are not secured by the Group's assets in respect of such services, accordingly, pursuant to Rule 14A.90 of the Listing Rules, the loan services under the 2026-2028 Group Financial Services Framework Agreement are exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of non-financing guarantee letter services to the Group will not be higher than the fees charged by any independent third parties (at least two) on the Group for the services of similar type and similar period or the fees charged by the Finance Company on any third parties of same credit rating for such services and such non-financing guarantee letter services are for the benefit of the Group, and are not secured by the Group's assets in respect of such services, accordingly, pursuant to Rule 14A.90 of the Listing Rules, the non-financing guarantee letter services under the 2026-2028 Group Financial Services Framework Agreement are exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of other financial services to the Group will not be higher than the fees charged by any independent third parties (at least two) on the Group for the services of similar type and similar period, and one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated in accordance with the Listing Rules in respect of the fees of other financial services exceed 0.1% but all percentage ratios are less than 5%, accordingly, such transactions are only subject to the reporting, annual review, and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

2026-2028 Parent Group Financial Services Framework Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. The Finance Company is a subsidiary owned as to 70% by the Company. Pursuant to the Listing Rules, the Finance Company is a connected person of the Company. Therefore, the transactions contemplated under the 2026-2028 Parent Group Financial Services Framework Agreement constitute continuing connected transactions of the Company.

As the interest rate for deposit services to be provided by the Finance Company to the Parent Group will not be higher than interest rates for deposits of similar type and similar period provided to Parent Group by other independent commercial banks (at least two) in the PRC and such deposit services to be provided are for the benefit of the Group, and are not secured by the Group's assets in respect of such services, pursuant to Rule 14A.90 of the Listing Rules, accordingly, the deposit services under the 2026-2028 Parent Group Financial Services Framework Agreement are exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the interest rate for loan services to be provided by the Finance Company to the Parent Group will not be lower than the interest rates for loans of similar type and similar period charging the Parent Group by other independent commercial banks (at least two) in the PRC, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the loan services exceed 5% and such annual cap exceeds HK\$10,000,000, accordingly, the loan services under the 2026-2028 Parent Group Financial Services Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, as one or more of the applicable percentage ratios calculated in respect of the maximum daily loan amount exceed 25%, accordingly, such transactions also constitute major transactions of the Company under Rule 14.06(3) of the Listing Rules, being the Non-exempted Continuing Connected Transactions of the Company, and are subject to the reporting, announcement and shareholders' approval requirements for major transactions under Chapter 14 of the Listing Rules.

As the fees charged by the Finance Company for the provision of non-financing guarantee letter services to the Parent Group will not be lower than the fees charged by any independent third parties (at least two) on the Parent Group for the services of similar type and similar period or the fees charged by the Finance Company on any independent third parties of same credit rating for such services, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the non-financing guarantee letter services exceed 0.1% but are less than 5%, accordingly, such transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of other financial services to the Parent Group will not be lower than the fees charged by any independent third parties (at least two) to the Parent Group for the services of similar type and similar period, and one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated in accordance with the Listing Rules in respect of the fees of other financial services exceed 0.1% but all percentage ratios are less than 5%, accordingly, such transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Independent Board Committee comprising all independent non-executive Directors has been formed in accordance with the Listing Rules to consider as to whether the 2026-2028 Master Sales Agreement and the transactions contemplated thereunder, the deposit services under the 2026-2028 Group Financial Services Framework Agreement, the loan services under the 2026-2028 Parent Group Financial Services Framework Agreement as well as the adoption of relevant proposed annual caps, are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and advise the Independent Shareholders in this regards. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the agreements for the above Non-exempted Continuing Connected Transactions and the transactions contemplated thereunder as well as their respective annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and the above continuing connected transactions are conducted in the ordinary and usual course of business of the Company and entered into on normal commercial terms.

As time is needed to finalize the contents of the circular which contains, among other things, further information on the 2026-2028 Master Sales Agreement, the 2026-2028 Group Financial Services Framework Agreement, the 2026-2028 Parent Group Financial Services Framework Agreement and the transactions contemplated thereunder as well as the adoption of relevant proposed annual caps, a letter of advice from the Independent Board Committee, a letter of recommendation from the Independent Financial Adviser and a notice of the AGM, the circular is expected to be dispatched to the Shareholders on 22 May 2025.

The AGM will be convened by the Company at which resolutions will be proposed to seek consideration and (if thought fit), among other, approval from the Independent Shareholders for the 2026-2028 Master Sales Agreement and the transactions contemplated thereunder, the deposit services under the 2026-2028 Group Financial Services Framework Agreement and the loan services under the 2026-2028 Parent Group Financial Services Framework Agreement as well as the adoption of relevant proposed annual caps. As the Parent Company is a Controlling Shareholder of the Company, and Yufu Holding is the direct Controlling Shareholder of the Parent Company, both of which are materially interested in the Non-exempted Continuing Connected Transactions, accordingly, Parent Company and its associates, as well as Directors appointed by Yufu Holding, will respectively abstain from voting on the relevant resolutions to be proposed at the AGM.

Given the sound corporate governance practices, Mr. Fu Yihong (a non-executive Director of the Company) currently holds a management position in the Parent Company (the deputy director of the Strategy and Technology Department in the Parent Company), and he is deemed to have material interests in the Non-exempt Continuing Connected Transactions, and has abstained from voting on the relevant Board resolutions to approve the Non-exempt Continuing Connected Transactions. Save as disclosed above, none of the other Directors has any material interest in the Non-exempted Continuing Connected Transactions, and none of them is required to abstain from voting on the relevant resolutions passed by the Board to approve the Non-exempted Continuing Connected Transactions.

CONTINUING CONNECTED TRANSACTIONS

Background

References are made to the announcement of the Company dated 7 April 2022 and the circular of the Company dated 24 May 2022 in relation to, among others, the Existing Master Sales Agreement, the Existing Master Supplies Agreement and the Existing Master Leasing Agreement, which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and will expire on 31 December 2025.

2026-2028 Master Sales Agreement

On 7 April 2022, the Company entered into the Existing Master Sales Agreement, pursuant to which the Group agreed to sell materials, components, accessories or raw materials, finished goods and other relevant or similar items, power generation equipment and parts (including certain products such as control valves, parts for steering systems, gears, clutch, the BV series of electric cables) and other products, to the Parent Group.

As the Existing Master Sales Agreement will expire on 31 December 2025, the Company renewed the Existing Master Sales Agreement with the Parent Company under the similar terms by entering into the 2026-2028 Master Sales Agreement on 23 April 2025, details of which are set out as follows:

Date:

23 April 2025

Parties:

- (i) the Company, as supplier; and
- (ii) the Parent Company, as purchaser

Term:

Subject to the approval being obtained from the Independent Shareholders, 2026-2028 Master Sales Agreement becomes effective from 1 January 2026 and expire on 31 December 2028.

Nature of transaction:

The Group has agreed to sell materials, components, accessories or raw materials, finished goods and other relevant or similar items, engine equipment and components, structural components, electrical control cabinets, refrigeration systems, intelligent production line and electronic products to the Parent Group.

Payment terms:

The payment terms will be otherwise specified on each separate contract to be entered into by both parties on normal commercial terms.

Pricing Basis for the 2026-2028 Master Sales Agreement

The 2026-2028 Master Sales Agreement was entered into in the ordinary and usual course of business of the Group. The relevant terms of agreement were negotiated on an arm's length basis and on normal commercial terms. The pricing or consideration under the 2026-2028 Master Sales Agreement will be determined with reference to:

- (i) the market price obtained through prices quoted on industry websites (including website of Alibaba at www.1688.com) or by inquiring in the market from at least two independent third parties (i.e. the price of the same or similar product provided to independent third parties by suppliers other than the Company and its subsidiaries in the same region during the ordinary course of business on normal commercial terms);

- (ii) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party;
- (iii) if none of the above prices are applicable, the price (taxed price) is determined by the cost plus method, that is, $\text{price} = \text{cost} \times (1 + \text{percentage mark-up})$, where the cost profit margin is not less than 20%, and the cost profit margin of 20% is determined based on the average gross margin of the Group in the past three years.

All the products sold by the Group to the Parent Group are fully competitive products that are open to the market. Therefore, the pricing basis (i) and (ii) were and will be generally adopted in the Existing Master Sales Agreement and the 2026-2028 Master Sales Agreement, except that pricing basis (iii) was and will be adopted for the price of software (since they are customized and designed according to the needs of different customers).

After reviewing the relevant basis, the Directors (including the independent non-executive Directors) are of the view that the 2026-2028 Master Sales Agreement are entered into on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The historical transaction records and the annual cap amounts under the Existing Master Sales Agreement are set out below:

	For the year ended 31 December 2022 <i>RMB in million</i>	For the year ended 31 December 2023 <i>RMB in million</i>	For the year ended 31 December 2024 <i>RMB in million</i>
Annual cap amount	336.2	227.0	220.0
Historical transaction record	77.8	22.9	46.1
Utilization rate	23.1%	10.1%	21.0%

The proposed annual caps for the three years ending 31 December 2028 under the 2026-2028 Master Sales Agreement is set out below:

	For the year ending 31 December 2026 <i>RMB in million</i>	For the year ending 31 December 2027 <i>RMB in million</i>	For the year ending 31 December 2028 <i>RMB in million</i>
Proposed annual cap amount	280.0	300.0	320.0

Basis of the Revised Annual Caps

The proposed annual caps for the 2026-2028 Master Sales Agreement are determined with reference to:

1. the price fluctuations of raw materials like copper and steel and the expected increase in demand for the production and sales of products such as wires, cables, copper busbars and engine equipment, affected by market environment and other external factors;
2. the estimated sales volume of the Group for each of the three fiscal years ending 31 December 2028;
3. the historical transaction amount of the transactions under the Existing Master Sales Agreement for the fiscal year ended 31 December 2024;
4. according to the 14th Five-Year Plan of Chongqing Rail Transit, it is estimated that by 2025, Chongqing will have a rail transit operation network of about 600 kilometers. According to the Chongqing Central Urban Area Urban Rail Transit Network Plan (2021-2035)* (《重慶市中心城區城市軌道交通線網規劃(2021年至2035年)》), by 2035, the core metropolitan area of Chongqing will establish a multi-tiered rail transit network, comprising a total of 24 urban rail lines with an overall length of approximately 1,312 kilometers. The Parent Group's subsidiary, the Engineering Company, has undertaken the general contracting projects for Line 15 and the post-station works of Chongqing East Station. In the future, it is expected to secure additional relevant rail transit projects in Chongqing. Between 2026 and 2028, several subsidiaries of the Group, Chongqing General Industry Group (can undertake engineering projects related to station ventilation and air conditioning, with an estimated contract value of approximately RMB100 million), Pigeon Company (can engage in cable-related projects within the rail transit construction sector, with an estimated contract value of approximately RMB30 million), Chongqing Pump Company (can undertake structural parts and other products, with an estimated contract value of approximately RMB100 million), and others, can participate in rail transit projects, and it is expected that the future business volume will achieve greater growth;
5. in accordance with the reform and restructuring requirements for key municipal state-owned enterprises set forth by the Chongqing Municipal Government and the State-owned Assets Supervision and Administration Commission ("SASAC"), the restructuring and integration of Chongqing Light Textile Holdings (Group) Company (hereinafter referred to as "Light Textile Group") with the Parent Group is scheduled for completion within 2025. The Group will have the opportunity to participate in Light Textile Group's paper machinery business, enterprise digitalized production line transformation, structural parts and other businesses; and
6. in 2025, Yufu Holding will inject capital into the Parent Group with a consideration of RMB5 billion, laying a solid foundation for the future business development of the Parent Group. As a key business segment of the Parent Group, the Group undertakes critical strategic objectives of the Parent Group, and is expected to achieve greater growth in business volume in the future.

The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps are fair and reasonable and that the transactions contemplated under the 2026-2028 Master Sales Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the 2026-2028 Master Sales Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

2026-2028 Master Supplies Agreement

On 7 April 2022, the Company entered into the Existing Master Supplies Agreement with the Parent Company, pursuant to which the Parent Group agreed to supply the Group with intelligent equipment, component parts (such as standard component, electric machine, control cabinet, component parts, etc.) and other relevant or similar products, industry services (such as transport and storage services, contract energy management services).

As the Existing Master Supplies Agreement will expire on 31 December 2025, the Company renewed the Existing Master Supplies Agreement with the Parent Company under the similar terms by entering into the 2026-2028 Master Supplies Agreement on 23 April 2025, details of which are set out below;

Date:

23 April 2025

Parties:

- (i) the Company, as purchaser; and
- (ii) the Parent Company, as supplier

Term:

2026-2028 Master Supplies Agreement becomes effective from 1 January 2026 and expires on 31 December 2028.

Nature of transaction:

Parent Group has agreed to supply transport and storage services, components and raw materials such as gears, standard component, transformers and information-based intelligent control equipment, etc. to the Group.

Payment terms:

The payment terms will be otherwise specified on each separate commercial contract to be entered into by the parties on normal commercial terms.

Pricing Basis for the 2026-2028 Master Supplies Agreement

The 2026-2028 Master Supplies Agreement was entered into in the ordinary and usual course of business of the Group. The relevant terms of the agreement were negotiated on an arm's length basis and on normal commercial terms. The pricing or consideration of the 2026-2028 Master Supplies Agreement will be determined with reference to the following:

- (i) the market price of at least two independent third parties obtained through prices quoted on industry websites or by inquiring in the market (i.e. the price of the same or similar product provided to independent third parties by suppliers other than the Parent Company and its associates in the same region during the ordinary course of business on normal commercial terms);
- (ii) if there is no market price determined by independent third parties, the transaction price between the Group and an independent third party;
- (iii) if none of the above prices are applicable, the price (taxed price) is determined by the cost plus method, that is, $\text{price} = \text{cost} \times (1 + \text{percentage mark-up})$, where the cost profit margin is not less than 15%.

All the products/services sold/provided by the Parent Group to the Group are fully competitive products/services that are open to the market. Therefore, the pricing basis (i) and (ii) were and will be generally adopted in the Existing Master Supplies Agreement and the 2026-2028 Master Supplies Agreement.

After reviewing the relevant basis, the Directors (including the independent non-executive Directors) are of the view that the 2026-2028 Master Supplies Agreement are entered into on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The historical transaction records and the annual cap amounts under the Existing Master Supplies Agreement are set out below:

	For the year ended 31 December 2022 <i>RMB in million</i>	For the year ended 31 December 2023 <i>RMB in million</i>	For the year ended 31 December 2024 <i>RMB in million</i>
Annual cap amount	100.0	90.0	90.0
Historical transaction record	27.0	35.0	24.4
Utilization rate	27.0%	38.9%	27.1%

The proposed annual caps for the three years ending 31 December 2028 under the 2026-2028 Master Supplies Agreement are set out below:

	For the year ending 31 December 2026 <i>RMB in million</i>	For the year ending 31 December 2027 <i>RMB in million</i>	For the year ending 31 December 2028 <i>RMB in million</i>
Proposed annual cap amount	110.0	110.0	110.0

Basis of the Revised Annual Caps

The proposed annual caps under the 2026-2028 Master Supplies Agreement are determined with reference to:

1. Estimated supply demand in relation to transport and storage services, components and raw materials such as gears, standard component, transformers and information-based intelligent control equipment, etc.;
2. the estimated sales and procurement volume of the Group for each of the three fiscal years ending 31 December 2028;
3. the prospect of the PRC economy and expected growth in the markets relevant to the Group's business, as well as anticipated growth in transport and storage services;
4. the historical transaction amount of the master supplies transactions for the year ended 31 December 2024.

The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps are fair and reasonable and that the transactions contemplated under the 2026-2028 Master Supplies Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the 2026-2028 Master Supplies Agreement are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Reasons for and Benefits of the Transactions Contemplated under the 2026-2028 Master Sales Agreement and 2026-2028 Master Supplies Agreement

The Group has been purchasing from the Parent Group transport and storage services, components and raw materials such as gears, standard component, transformers and information-based intelligent control equipment, etc. from time to time. In light of the Group's long-term business relationship with the Parent Group, the Parent Group is familiar with the Group's product specifications and has been able to respond quickly and in a cost-efficient manner to any new requirements that the Group may request.

Meanwhile, as far as the Group is concerned, the sales of the products to the Parent Group can enable the Group to obtain reliable customer sources and stable revenue, and ensure that the sold products can be collected on time.

2026-2028 Master Leasing Agreement

On 7 April 2022, the Company entered into the Existing Master Leasing Agreement with the Parent Company for the leasing of land and buildings from the Parent Group to the Group as offices, production facilities, workshops and staff quarters.

As the Existing Master Leasing Agreement will expire on 31 December 2025, the Company renewed the Existing Master Leasing Agreement with the Parent Company under similar terms by entering into the 2026-2028 Master Leasing Agreement on 23 April 2025, the major terms of which are set out below:

Date:

23 April 2025

Parties:

- (i) the Company, as tenant; and
- (ii) the Parent Company, as landlord

Term:

2026-2028 Master Leasing Agreement becomes effective commences from 1 January 2026 and expires on 31 December 2028.

Nature of transaction:

The Parent Group has agreed to lease out land and buildings to the Group to be used as offices, production facilities, factories and staff quarters.

Payment terms:

The payment terms will be otherwise specified on each separate contract to be entered into by both parties on normal commercial terms.

Pricing Basis for the 2026-2028 Master Leasing Agreement

The 2026-2028 Master Leasing Agreement was entered into in the ordinary and usual course of business of the Group. The relevant terms of the agreement were negotiated on an arm's length basis and on normal commercial terms. The rents under the 2026-2028 Master Leasing Agreement will be determined with reference to:

1. the appraised value of the buildings;
2. compare the rental prices of buildings and land of the same type in the market;
3. due consideration of the actual situations of the site of the leased buildings and land; and
4. consensus reached and confirmed upon negotiations between the parties on good faith.

After reviewing the relevant basis, the Directors (including the independent non-executive Directors) are of the view that the 2026-2028 Master Leasing Agreement are entered into on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The historical transaction records and the annual cap amounts under the Existing Master Leasing Agreement are set out below:

	For the year ended 31 December 2022 <i>RMB in million</i>	For the year ended 31 December 2023 <i>RMB in million</i>	For the year ended 31 December 2024 <i>RMB in million</i>
Annual cap amount	45.0	45.0	45.0
Historical transaction record	17.8	16.0	26.0
Utilization rate	39.5%	35.6%	57.8%

The proposed annual caps for the three years ending 31 December 2028 under the 2026-2028 Master Leasing Agreement are set out below:

	For the year ending 31 December 2026 <i>RMB in million</i>	For the year ending 31 December 2027 <i>RMB in million</i>	For the year ending 31 December 2028 <i>RMB in million</i>
Proposed annual cap amount	45.0	45.0	45.0

Basis of the Determined Annual Caps

The proposed annual caps for the 2026-2028 Master Leasing Agreement are determined with reference to:

1. the estimated demand of the Group for land and buildings as offices, production facilities, workshops and staff quarters for each of the three fiscal years ending 31 December 2028;
2. the historical transaction amounts of leasing transactions for the year ended 31 December 2024.

The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps are fair and reasonable and that the transactions contemplated under the 2026-2028 Master Leasing Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of 2026-2028 Master Leasing Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Reasons for and Benefits of Transactions Contemplated under the 2026-2028 Master Leasing Agreement

The properties are leased from the Parent Group instead of being transferred to the Group because these properties, being land parcels that have been administratively allocated, are not easily transferable and, even if they are transferable, it may not be in the commercial interest of the Group because of the substantial amount of the land premium required to be paid which may put a strain on the financial resources the Group. It is in the interest of the Group as a whole for the Group, to lease from the reliable and cooperative owner (being the Parent Group) at market price, on normal commercial terms, and on terms no less favorable than those offered by independent third parties to the Group.

Internal Control of the 2026-2028 Master Sales Agreement, the 2026-2028 Master Supplies Agreement and the 2026-2028 Master Leasing Agreement

The Company has implemented the following measures regarding internal control system for the connected transactions:

1. the Company has established a special department with dedicated personnel in place to monitor and manage the connected transactions;
2. the special department will review the implementation of annual caps and pricing terms for connected transactions on a quarterly basis to ensure full compliance with annual caps and pricing benchmarks; and
3. the Audit and Risk Management Committee of the Company will check the relevant connected transactions amount occurred with the third-party auditors at the half year and at the end of the year, respectively, to ensure that the amounts are accurate and do not exceed the annual caps.

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Background

References are made to the announcement of the Company dated 7 April 2022 and the circular of the Company dated 24 May 2022 in relation to, among others, the Existing Group Financial Services Framework Agreement and the Existing Parent Group Financial Services Framework Agreement. Pursuant to Chapter 14 and Chapter 14A of the Listing Rules, these agreements constitute major transactions and continuing connected transactions of the Company and will expire on 31 December 2025.

2026-2028 Group Financial Services Framework Agreement

As the Existing Group Financial Services Framework Agreement will expire on 31 December 2025, on 23 April 2025, the Company and the Finance Company entered into the 2026-2028 Group Financial Services Framework Agreement, major terms of which are set out below:

Date:

23 April 2025

Parties:

- (i) the Company; and
- (ii) the Finance Company

Term:

Subject to the approval being obtained from the Independent Shareholders, the terms of deposit services under the 2026-2028 Group Financial Services Framework Agreement becomes effective from 1 January 2026 and expires on 31 December 2028. The terms of loan services, non-financing guarantee letter services and other financial services under the 2026-2028 Group Financial Services Framework Agreement becomes effective from 1 January 2026 and expires on 31 December 2028.

Nature of transaction:

Pursuant to the 2026-2028 Group Financial Services Framework Agreement, the Finance Company has agreed to provide financial services to the Group, including deposit services, loan services, non-financing guarantee letter services and other financial services.

The Finance Company undertakes under the 2026-2028 Group Financial Services Framework Agreement that the terms of any financial services to be provided by the Finance Company to the Group will not be less favorable than those of financial services of similar type and similar period provided by independent third parties to the Group (subject to no violation of relevant laws and regulations).

The Group is not under any obligation to obtain any or all of the financial services from the Finance Company and may obtain relevant financial services based on its business needs.

Payment terms:

The payment terms will be otherwise specified on each separate contract to be entered into by both parties on normal commercial terms.

Pricing standards:

The pricing standards of the financial services provided by the Finance Company are as follows:

Deposit services

The interest rates of deposits provided by the Finance Company will not be lower than the interest rates for deposits of similar type and similar period provided to the Group by other independent commercial banks (at least two) in the PRC.

The Company will obtain the interest rates for deposits of similar type and similar period from at least two banks among the national commercial banks in China or local commercial banks in Chongqing that have business relations with the Company, and compare it with the interest rates provided by the Finance Company to the Group for deposits of such type to ensure that the interests the Group will receive on its deposits are in consistent with the above pricing standards for deposit services.

Loan services

The interests rates on loans provided by the Finance Company to the Group will not be higher than the interest rates for loans of similar type and similar period charged to the Group and its subsidiaries by other independent commercial banks (at least two) in the PRC.

Non-financing guarantee letter services

The fees charged by the Finance Company for the provision of non-financing guarantee letter services to the Group will not be higher than the fees charged by any independent third parties (at least two) on the Group and its subsidiaries for the services of similar type and similar period.

Other financial services (including bill discounting services, consultancy services and agency services, etc.)

The fees charged by the Finance Company for the provision of other financial services to the Group will not be higher than the fees charged by independent third parties (at least two) on the Group and its subsidiaries for the services of similar type and similar period.

Proposed Annual Cap for Each Category of the Financial Services under the 2026-2028 Group Financial Services Framework Agreement

Deposit services

The historical transaction records and the annual cap amounts for the deposit services under the Existing Group Financial Services Framework Agreement are set out below:

	For the year ended 31 December 2022 <i>RMB in million</i>	For the year ended 31 December 2023 <i>RMB in million</i>	For the year ended 31 December 2024 <i>RMB in million</i>
Annual cap amount (including corresponding interest)	3,479.0	3,320.0	3,433.0
Daily balance of deposits (including corresponding interest)	2,034.3	2,382.9	2,223.6
Utilization rate	58.5%	71.8%	64.8%

The proposed annual caps for the deposit services for the three years ending 31 December 2028 under the 2026-2028 Group Financial Services Framework Agreement are set out below:

	For the year ending 31 December 2026 <i>RMB in million</i>	For the year ending 31 December 2027 <i>RMB in million</i>	For the year ending 31 December 2028 <i>RMB in million</i>
Proposed annual cap amount (including corresponding interest)	7,993.0	10,836.0	11,920.0

Basis of the Revised Annual Caps

The proposed annual caps for deposit services under the 2026-2028 Group Financial Services Framework Agreement are determined with reference to the following basis:

- | | |
|--|---|
| (1) The Group's development expectation from now until 31 December 2028 | Amid a complex and volatile international environment, the domestic economy has achieved overall balance, steady progress, and improved quality and efficiency through intensified macroeconomic regulation, deepened reforms, expanded domestic demand, and optimized economic structures. Against this backdrop, the Group has diligently advanced its strategic development plan, actively expanded its business, further optimized asset allocation efficiency, and significantly enhanced operational quality and operating cash flow, which lays a solid foundation for stable development over the next three years (from 2026 to 2028). |
| (2) The Group's expected increase in operating revenue from now until 31 December 2028 | Based on the Group's strategic development plan for the next three years, and with reference to the increase in the Group's operating revenue in 2024 compared with 2023, it is expected that the annual growth rate of operating revenue from 2026 to 2028 will be approximately 10%. |
| (3) The Group's expected operating monetary funds from now until 31 December 2028 | According to the growth rate of operating revenue, the amount of monetary funds of the Group is expected to be RMB3.422 billion, RMB3.764 billion, and RMB4.141 billion respectively from 2026 to the end of 2028. |
| (4) The Group's expected debt management needs from now until 31 December 2028 | The Group expects that bank loans of approximately RMB1.804 billion, RMB1.984 billion, and RMB2.183 billion will mature annually from 2026 to 2028, respectively. To address loan repayments, the Group may need to prepare and deposit cash in advance with the Finance Company to ensure robust liquidity. The peak deposit balance is expected to reach approximately RMB6.324 billion in 2028. |
| (5) The Group's expected funding needs from now until 31 December 2028 | The Group's average monetary capital from 2022 to 2024 :
2022 : RMB 2,247 million
2023 : RMB 2,359 million
2024 : RMB 2,800 million |

The maximum single-day deposit balance (including accrued interest) of the Group's deposits with the Finance Company is approximately RMB2,383 million, and based on past data and conservative estimates, the annual growth rate is expected to be 10% from 2026 to 2028. At the same time, referring to the peak historical deposits of the Group in that year from 2022 to 2024 and the highest proportion of monetary funds in that year of 101% (90.52% in 2022, 101% in 2023 and 79.43% in 2024). From 2022 to 2024, the average monetary capital of the Group was approximately RMB2.469 billion per year.

In addition, the Group expects an average of approximately RMB1.99 billion of bank loans to mature and new loans each year from 2026 to 2028, and the Group can deposit the repayment amount into the Finance Company for repayment before the loan matures, and the new loans will also be deposited into the Finance Company.

- (6) Potential mergers and acquisitions of the Group from now to 31 December 2028

The Group will continue to focus on major national strategies such as green and low-carbon transformation and innovation-driven development and the "33618" modern manufacturing cluster system in Chongqing City, and in conjunction with the Group's strategic development plan for the next three years, actively participate in upstream and downstream mergers and acquisitions of high-end clean energy equipment and intelligent manufacturing industry chains, which are expected to bring a large increase to the Group's operating revenue from 2026 to 2028.

The 2026-2028 annual caps (i.e. approximately RMB7.993 billion, RMB10.836 billion and RMB11.92 billion) are the sum of the increase in operating revenue from general monetary funds and repayment funds, new loans, fixed asset investment and potential mergers and acquisitions projects, if the merger and acquisition projects are realized.

- (7) Financial capacity of the Finance Company

The Finance Company is gradually becoming the Group's center for funds settlement, funds management, financing support, capital operations, and information services, helping the Group enhance financial control, reduce operational risks, and integrate internal resources.

With the objectives of strengthening centralized funds management and improving funds utilization efficiency, the Finance Company focuses on four key platforms: funds pooling, funds settlement, funds monitoring, and financial services. The Company's average daily total assets have remained stable. By adopting tailored deposit strategies to attract increased deposits, it has maintained stable deposit levels, enabling it to meet the diverse financial service needs of the Group's internal enterprises.

Loan services

In view of the fact that the loan services are for the benefit of the Group, and are not secured by the Group's assets, such services are exempt from Independent Shareholders' approval according to Chapter 14A of the Listing Rules, accordingly, the Directors have decided not to set a cap for the loan services.

Non-financing guarantee letter services

In view of the fact that the non-financing guarantee letter services are for the benefit of the Group, and are not secured by the Group's assets, such services are exempt from Independent Shareholders' approval according to Chapter 14A of the Listing Rules, accordingly, the Directors have decided not to set a cap for the non-financing guarantee letter services.

Other financial services (including bill discounting services, consultancy services and agency services, etc.)

The historical transaction records and the annual cap amounts for the fees of other financial services under the Group Financial Services Framework Agreement are set out below:

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2024
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
Annual cap amount	39.0	29.0	34.0
Historical transaction record	0.7	5.1	4.1
Utilization rate	1.8%	17.6%	12.1%

The proposed annual caps for the fees of other financial services for the three years ending 31 December 2028 under the 2026-2028 Group Financial Services Framework Agreement are set out below:

	For the year ending 31 December 2026	For the year ending 31 December 2027	For the year ending 31 December 2028
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
Proposed annual cap amount	29.0	34.0	39.0

Basis of the Revised Annual Caps

The proposed annual caps for other financial services under the 2026-2028 Group Financial Services Framework Agreement are determined with references to (a) the expectation of the Group's capital needs for the period from now up to 31 December 2028; and (b) the historical transaction records of other financial services.

2026-2028 Parent Group Financial Services Framework Agreement

As the Existing Parent Group Financial Services Framework Agreement will expire on 31 December 2025, on 23 April 2025, the Parent Company and the Finance Company entered into the 2026-2028 Parent Group Financial Services Framework Agreement, major terms of which are set out below:

Date:

23 April 2025

Parties:

- (i) the Parent Company; and
- (ii) the Finance Company

Term:

Subject to the approval being obtained from the Independent Shareholders, the terms of loan services under the 2026-2028 Parent Group Financial Services Framework Agreement becomes effective from 1 January 2026 and expires on 31 December 2028. The terms of deposit services, non-financing guarantee letter services and other financial services under the 2026-2028 Parent Group Financial Services Framework Agreement becomes effective from 1 January 2026 and expires on 31 December 2028.

Nature of transaction:

Pursuant to the 2026-2028 Parent Group Financial Services Framework Agreement, the Finance Company has agreed to provide financial services to the Parent Group, including deposit services, loan services, non-financing guarantee letter services and other financial services.

The Finance Company is not under any obligation to provide any or all of the financial services to the Parent Group and may provide relevant financial services based on its business needs.

Payment terms:

The payment terms will be otherwise specified on each separate contract to be entered into by both parties on normal commercial terms.

Pricing standards:

The pricing standards of the financial services provided by the Finance Company are as follows:

Deposit services

The interest rates for deposits provided by the Finance Company to the Parent Group will not be higher than the interest rates for deposits of similar type and similar period provided to the Parent Group and its associates by other independent commercial banks (at least two) in the PRC.

Loan services

The interest rates for loans provided to the Parent Group by the Finance Company will not be lower than the interest rates for loans of similar type and similar period being charged on the Parent Group by other independent commercial banks (at least two) in the PRC.

The Company will make inquiries to at least two banks among the national commercial banks in the PRC and the local commercial banks in Chongqing that have business relations with the Company in respect of loan services of similar type and similar period for the Parent Group (where banks apply a unified credit policy, i.e., the credit ratings of enterprises within the Parent Group are identical), and submit the results to the Finance Company. The Finance Company will then make the final assessments and determine the final service pricing (i.e., interest rates) provided to the Parent Group by reference to the Parent Group's business risks, comprehensive returns, capital cost of the Finance Company and regulatory indicators and other factors, so as to ensure that the interests on loans provided by the Finance Company to the Parent Group are consistent with the above pricing standards for loan services.

Non-financing guarantee letter services

The fees charged by the Finance Company for provision of non-financing guarantee letter services to the Parent Group will not be lower than the fees charged by any independent third parties (at least two) to the Parent Group for the services of similar type and similar period or the fees that might be charged by the Finance Company on any independent third parties of same credit rating for such services.

The Company will make inquiries to at least two banks or guarantee institutions among the national commercial banks in the PRC or the local commercial banks or guarantee institutions in Chongqing, which have business relations with the Company, in respect of non-financing guarantee letter services of similar type and similar period and submit the results to the Finance Company. The Finance Company will then make the final assessments and determine the final price for non-financing guarantee letter services provided to the Parent Group by reference to the Parent Group's business risks, comprehensive returns, capital cost of the Finance Company and regulatory indicators and other factors, so as to ensure that the fees charged by the Finance Company are consistent with the above pricing standards for non-financing guarantee letter services.

Other financial services (including bill discounting services, consultancy services, agency services and inter-bank lending, etc.)

The fees charged by the Finance Company for provision of other financial services to the Parent Group will not be lower than the fees charged by any independent third parties (at least two) on Party B and its associates for the services of similar type and similar period.

Proposed Annual Cap for Each Category of Financial Services under the 2026-2028 Parent Group Financial Services Framework Agreement

Deposit services

As the deposit services are for the benefit of the Group and are not secured by the Group's assets in respect thereof, such services are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Accordingly, the Directors have determined not to set a cap for the deposit services.

Loan services

The historical transaction records and the annual cap amounts for loan services under the Existing Parent Group Financial Services Framework Agreement are set out below:

	For the year ended 31 December 2022 <i>RMB in million</i>	For the year ended 31 December 2023 <i>RMB in million</i>	For the year ended 31 December 2024 <i>RMB in million</i>
Annual cap amount (including corresponding interest)	2,754.0	2,842.0	2,946.0
Daily balance of loans (including corresponding interest)	879.7	769.8	812.4
Utilization rate	31.9%	27.1%	27.6%

The proposed annual caps for the loan services under the 2026-2028 Parent Group Financial Services Framework Agreement for the three years ending 31 December 2028 are set out below:

	For the year ending 31 December 2026 <i>RMB in million</i>	For the year ending 31 December 2027 <i>RMB in million</i>	For the year ending 31 December 2028 <i>RMB in million</i>
Proposed annual cap amount (including corresponding interest)	6,200.0	6,460.0	6,720.0

Basis of the Revised Annual Caps

The proposed annual caps for loan services under the 2026-2028 Parent Group Financial Services Framework Agreement are determined with reference to the following basis:

- | | |
|---|---|
| (1) Expected loan size of the Parent Group from now until 31 December 2028 | According to the plan of the Finance Company, the total loan size from 2026 to 2028 is expected to be RMB2,580 million, RMB3,130 million and RMB3,693 million respectively, and the corresponding interests will be RMB60.85 million, RMB66.44 million and RMB69.68 million respectively. Considering that the proportion of loans issued by the Finance Company to the Parent Group over the years is approximately 35% of the total loan size and the corresponding interest proportion is 36%. The loan services (including corresponding interests) of the Parent Group and subsidiaries are : RMB924.91 million, RMB1,119.42 million and RMB1,317.63 million, respectively. |
| (2) Expected loan size after reorganization and integration of Parent Group and Light Textile Group | <p>Considering that after the reorganization and integration with the Light Textile Group, the Parent Group's funding needs are expected to increase, with an expected incremental loan demand of RMB2,500 million. The additional loan services (including the aforementioned interest) post-reorganization are estimated to amount RMB2,558.96 million, RMB2,553.07 million and RMB2,547.17 million, respectively.</p> <p>As such, the total loan services provided by the Finance Company to the Parent Group for 2026 to 2028 are expected to be RMB3,483.87 million, RMB3,672.49 million, and RMB3,864.8 million, respectively.</p> |
| (3) The Parent Group's expected loan management needs from now until 31 December 2028 | <p>During the period from 2022 to 2024, the peak loan value of the Parent Group and subsidiaries/their average daily loan value was 1.35 times. Therefore, the peak loans of the Parent Group and its subsidiaries from 2026 to 2028 are estimated at 1.35 times. In addition, the Parent Group expects bank loans of approximately RMB1,500 million to mature each year from 2026 to 2028, and the Parent Group can deposit the repayment amount into the Finance Company for repayment before the loan matures.</p> <p>In summary, it is expected that the peak value of loans provided by the Finance Company to the Parent Group in 2028 will reach approximately RMB6,720 million.</p> |

Non-financing guarantee letter services

The historical transaction records and the annual cap amounts for non-financing guarantee letter services under the Existing Parent Group Financial Services Framework Agreement are set out below:

	For the year ended 31 December 2022 <i>RMB in million</i>	For the year ended 31 December 2023 <i>RMB in million</i>	For the year ended 31 December 2024 <i>RMB in million</i>
Annual cap amount (including corresponding fees)	100.0	90.0	90.0
Historical transaction record (including corresponding fees)	0	0	0
Utilization rate	0%	0%	0%

The proposed annual caps for the non-financing guarantee letter services under the 2026-2028 Parent Group Financial Services Framework Agreement for the three years ending 31 December 2028 are set out below:

	For the year ending 31 December 2026 <i>RMB in million</i>	For the year ending 31 December 2027 <i>RMB in million</i>	For the year ending 31 December 2028 <i>RMB in million</i>
Proposed annual cap amount (including corresponding fees)	90.0	90.0	90.0

According to the requirements of the Provisional Measures for Risk Regulation Indicators Assessment of Finance Companies of Enterprise Groups* (《企業集團財務公司風險監管指標考核暫行辦法》) issued by the NFRA, the ratio of non-financing guarantee letter exposures against the total capital of the Finance Company shall be not higher than 100%. The registered capital of the Finance Company is RMB1,000,000,000. As a result, the maximum of the annual cap for the non-financing guarantee letter services from the Finance Company amounted to RMB1,000,000,000.

As at 31 December 2022, 31 December 2023 and 31 December 2024, non-financing guarantee letter provided by the Parent Company for its subsidiaries amounted to approximately RMB0 million, RMB0 million and RMB0 million, respectively. Based on the existing levels of non-financing guarantee letter used by the Parent Group, the Parent Group could easily utilize the entire annual cap available for non-financing guarantee letter provided by the Finance Company. However, the usage of non-financing guarantee letter amount highly depends on the acceptance by the beneficiary (i.e. the party in whose favor the guarantee) of the non-financing guarantee letter provided by the Finance Company.

Basis of the Determined Annual Caps

The proposed annual caps for the non-financing guarantee letter services under the 2026-2028 Parent Group Financial Services Framework Agreement are determined with reference to (a) the above requirements; (b) the guarantee capacity by the Finance Company; and (c) the historical transaction amount for the non-financing guarantee letter services.

Other financial services (including bill discounting services, consultancy services, agency services and inter-bank lending, etc.)

The historical transaction records and the annual cap amounts for the fees of other financial services under the Existing Parent Group Financial Services Framework Agreement are set out below:

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2024
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
Annual cap amount	38.5	27.5	33.0
Historical transaction record	7.9	0.5	0.8
Utilization rate	20.5%	1.8%	2.4%

The proposed annual caps for the fees of other financial services for each of the three years ending 31 December 2028 under the 2026-2028 Parent Group Financial Services Framework Agreement are set out below:

	For the year ending 31 December 2026	For the year ending 31 December 2027	For the year ending 31 December 2028
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
Proposed annual cap amount	27.5	33.0	38.5

Set out below are reasons for, and benefits of, the 2026-2028 Group Financial Services Framework Agreement between the Company and the Finance Company:

- (a) by capitalizing on the treasury management system of the Parent Company, the Finance Company will gradually become the capital settlement center, capital management center, financing support center, capital operation center and information service center of the Group, which will be able to enhance the financial management and control practices, reduce operational risk and consolidate internal resources of the Group;
- (b) the Finance Company is regulated by the PBOC and the NFRA and is required to provide its services in accordance with the rules and requirements of these regulatory authorities. In addition, capital risk can be reduced through the risk management measures;
- (c) the existing funds deposited by the Group with the Finance Company will receive interest at a rate not lower than the interest rates for deposits of similar type and similar period provided by other independent commercial banks in the PRC to the Group. Such an arrangement will enable the Group to increase its interest income more effectively; and
- (d) the Group is able to obtain loans from the Finance Company at an interest rate not higher than the interest rates for loans of similar type and similar period being charged on the Group by other independent commercial banks in the PRC, which could effectively lower its financing costs.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the proposed annual caps and pricing of the 2026-2028 Group Financial Services Framework Agreement are fair and reasonable, and the transactions contemplated thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the 2026-2028 Group Financial Services Framework Agreement are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Set out below are reasons for, and benefits of, the 2026-2028 Parent Group Financial Services Framework Agreement between the Parent Company and the Finance Company:

- (a) it will expand the business scale of the Finance Company, thus benefiting the development of the Finance Company;
- (b) it will consolidate cash resources, enhance the capital utilization efficiency and reduce the finance costs;
- (c) it will enlarge the operation scale of the Group, thus enhancing the profitability of the Group, while strengthening the financial flexibility by expanding the financing channels; and

- (d) the Company through its direct 70% equity interest in the Finance Company will be able to share the profits of the Finance Company obtained from the provision of loan services and non-financing guarantee letter services under the 2026-2028 Parent Group Financial Services Framework Agreement.

Based on the above, the Directors (including the Independent non-executive Directors) are of the view that the proposed annual caps and pricing of the 2026-2028 Parent Group Financial Services Framework Agreement are fair and reasonable, and the transactions contemplated thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the 2026-2028 Parent Group Financial Services Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Internal Control and Risk Management of 2026-2028 Group Financial Services Framework Agreement and 2026-2028 Parent Group Financial Services Framework Agreement

In order to safeguard the rights and interests of the Shareholders, the Group and the Finance Company provide for the following risk management measures:

(a) Capital requirement of the Finance Company

Pursuant to the relevant regulations set by the NFRA, financial institutions in the PRC have to comply with certain requirements, which include, among other things, the minimum total capital requirement of a capital adequacy ratio of not less than 8.5% as set out by the NFRA. Based on the registered capital of RMB1,000,000,000 of the Finance Company and that the Finance Company shall provide the financial services not exceeding the proposed annual caps, the Finance Company sets its capital adequacy ratio for the period of 2026 to 2028 at not less than 15%, which is in compliance with relevant provisions of the NFRA.

(b) Internal control of the Finance Company

The establishment of the Finance Company as a non-bank financial institution was authorized by the NFRA (formerly known as the CBIRC), which carries out on-going stringent supervision over the businesses of the Finance Company. The Finance Company is also required to provide regulatory reports to the NFRA on a monthly basis.

The Finance Company has established its own credit policies and credit approval procedures for the loan services, bills discounting services and bills acceptance services, which are designed in accordance with the relevant PBOC and NFRA regulations. Such measures are able to ensure that the various financial services provided by the Finance Company shall not exceed the proposed annual caps approved.

The Group has adopted the internal control procedures and corporate governance procedures to monitor the status of the financial condition of the Finance Company (in the case of deposit services, loan services, non-financing guarantee letter services and other financial services). The vice chairman, the chairman of the supervisory board of the Finance Company are appointed by the Company to effectively oversee and manage the daily operations of the Finance Company. The Finance Company is a non-bank financial institution approved by the NFRA (formerly known as the CBIRC) and the PBOC. It is also subject to centralized supervision and guidance from the Company's Board of Directors Office, Risk Control Department, Legal and Audit Department, Planning Department, Marketing Department, and Finance Department to ensure its stable operation. In the event of any deficiencies, the Finance Company shall be urged to take rectification measures to comply with relevant standards.

(c) *Qualifications of the Finance Company*

The management of the Finance Company has extensive experience in the financial industry where the Group operates and/or financial management. The Finance Company has certain key committees and departments in maintaining the internal control environment and the risk management functions, including the risk management committee, the loan approval committee and the supervisory committee. The risk management committee of the Finance Company has established the risk management and control strategies and policies, and monitors the implementation of the relevant policies of the Finance Company while the supervisory committee of the Finance Company will ensure the Finance Company's compliance with the relevant rules and regulations, and monitor its operational activities. The supervisory committee of the Finance Company shall ensure that the Finance Company complies with relevant regulations and rules while overseeing its operating activities. The credit review committee of the Finance Company adopts a collective decision-making process to provide decision-making recommendations regarding the development of the Finance Company's credit business. The primary function of the credit review committee is to review the opinions of the business department on corporate credit plans and the assessments of the risk review department. The committee, consisting of five members with expertise in finance, risk control and compliance, accounting, and law, shall independently provide their opinions, comprehensively evaluate the operational condition, default risks, reasonableness of capital requirements, and the adequacy of the Finance Company's risk management and control measures. All plans must be submitted to the General Manager for approval.

- (d)** The audit and risk management committee of the Company will review the implementation of connected transactions under the 2026-2028 Group Financial Services Framework Agreement and the 2026-2028 Parent Group Financial Services Framework Agreement semi annually.

Save for the risk control measures mentioned above, the 2026-2028 Group Financial Services Framework Agreement has also stipulated following internal control and risk management measures:

Internal Control and Risk Management under the 2026-2028 Group Financial Services Framework Agreement

- (a) The Finance Company and the Company shall establish and enhance their respective risk assessment, risk management, and internal control systems to ensure lawful and compliant operations. They shall implement appropriate risk management measures to prevent the spread of their respective operational risks to the other party.
- (b) The Finance Company undertakes to strictly adhere to the risk monitoring indicator standards for finance companies as promulgated by the NFRA. Key regulatory indicators, including capital adequacy ratio, liquidity ratio, and loan balance, shall meet the requirements of the “Administrative Measures for Finance Companies of Enterprise Groups《企業集團財務公司管理辦法》” and other relevant laws and regulations. The Finance Company shall not engage in businesses not approved by the NFRA or conduct any illegal activities.
- (c) The Finance Company shall formulate relevant risk control measures and internal control systems for each financial service and product, ensuring the secure operation of the funds settlement network and safeguarding the fund security and payment needs of Party B and its associates within Party A.
- (d) The Company shall have the right to periodically obtain and review the semi-annual and annual financial reports, risk indicators, and other necessary information of the Finance Company. The Finance Company shall cooperate by providing such financial reports, risk indicators, and other requisite information.
- (e) The Finance Company shall promptly inform the Company of its own risk status, actively cooperate with the Company in addressing risks and fulfill corresponding information disclosure obligations, so as to ensure the safety of the Company’s funds.

INFORMATION OF THE PARTIES

Information on the Group

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

Information on the Parent Group

The Parent Group 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.

Information on the Finance Company

The Finance Company is a non-bank financial institution established in January 2013 under the PRC laws and with the approval of the NFRA (formerly known as the CBIRC). It is subject to the regulation of the PBOC and the NFRA. Its principal business is provision of financial services (including but not limited to deposit services, loan services, non-financing guarantee letter services and other financial services) to the Group and the Parent Group.

IMPLICATIONS UNDER THE LISTING RULES

2026-2028 Master Sales Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. Therefore, the transactions contemplated under the 2026-2028 Master Sales Agreement constitute continuing connected transactions of the Company. As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the annual caps under the 2026-2028 Master Sales Agreement exceed 5% and such annual caps exceed HK\$10,000,000, accordingly, the 2026-2028 Master Sales Agreement constitutes Non-exempted Continuing Connected Transactions 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.

2026-2028 Master Supplies Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. Therefore, the transactions contemplated under the 2026-2028 Master Supplies Agreement constitute continuing connected transactions of the Company. Since the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps under the 2026-2028 Master Supplies Agreement exceeds 0.1% but all percentage ratios are less than 5%, accordingly, such transactions contemplated thereunder are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

2026-2028 Master Leasing Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. Therefore, the transactions contemplated under the 2026-2028 Master Leasing Agreement constitute continuing connected transactions of the Company. Since the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps under the 2026-2028 Master Leasing Agreement exceeds 0.1% but all percentage ratios are less than 5%, accordingly, such transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

2026-2028 Group Financial Services Framework Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, accordingly, the Parent Group is a connected person of the Group under the Listing Rules. The Finance Company, which is held as to 30% by the Parent Company, is an associate of the Parent Company. Therefore, the transactions contemplated under the 2026-2028 Group Financial Services Framework Agreement constitute continuing connected transactions of the Company.

As the interest rate for deposit services to be provided by the Finance Company to the Group will not be lower than the interest rates for deposits of similar type and similar period provided to Group by other independent commercial banks (at least two) in the PRC, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the deposit services exceed 5% and such annual caps exceed HK\$10,000,000, accordingly, the deposit services under the 2026-2028 Group Financial Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, as one or more of the applicable percentage ratios calculated in respect of the maximum daily deposit amount exceed 25%, accordingly, such transactions also constitute major transactions of the Company under Rule 14.06(3) of the Listing Rules, being the Non-exempted Continuing Connected Transactions of the Company, and are subject to the reporting, announcement and Shareholders' approval requirements for major transactions under Chapter 14 of the Listing Rules.

As the fees charged by the Finance Company for provision of loan services to the Group will not be higher than the interest rates charged by other independent commercial banks (at least two) in the PRC on the Group for loans of similar type and similar period, and such loan services are for the benefit of the Group, and are not secured by the Group's assets in respect of such services, accordingly, pursuant to Rule 14A.90 of the Listing Rules, the loan services under the 2026-2028 Group Financial Services Framework Agreement are exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of non-financing guarantee letter services to the Group will not be higher than the fees charged by any independent third parties (at least two) on the Group for the services of similar type and similar period or the fees charged by the Finance Company on any independent third parties of same credit rating for such services and such non-financing guarantee letter services are for the benefit of the Group, and are not secured by the Group's assets in respect of such services, accordingly, pursuant to Rule 14A.90 of the Listing Rules, the non-financing guarantee letter services under the 2026-2028 Group Financial Services Framework Agreement are exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of other financial services to the Group will not be higher than the fees charged by any independent third parties (at least two) on the Group for the services of similar type and similar period, and one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated in accordance with the Listing Rules in respect of the fees of other financial services exceed 0.1% but all percentage ratios are less than 5%, accordingly, such transactions are only subject to the reporting, annual review, and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

2026-2028 Parent Group Financial Services Framework Agreement

As the Parent Company is the Controlling Shareholder of the Company, holding 54.74% equity interest in the Company, the Parent Group is a connected person of the Group under the Listing Rules. The Finance Company is a subsidiary owned as to 70% by the Company. Pursuant to the Listing Rules, the Finance Company is a connected person of the Company. Therefore, the transactions contemplated under the 2026-2028 Parent Group Financial Services Framework Agreement constitute continuing connected transactions of the Company.

As the interest rate for deposit services to be provided by the Finance Company to the Parent Group will not be higher than interest rates for deposits of similar type and similar period provided to Parent Group by other independent commercial banks (at least two) in the PRC and such deposit services to be provided are for the benefit of the Group, and are not secured by the Group's assets in respect of such services, accordingly, pursuant to Rule 14A.90 of the Listing Rules, the deposit services under the 2026-2028 Parent Group Financial Services Framework Agreement are exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the interest rate for loan services to be provided by the Finance Company to the Parent Group will not be lower than the interest rates for loans of similar type and similar period charging the Parent Group by other independent commercial banks (at least two) in the PRC, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the loan services exceed 5% and such annual cap exceeds HK\$10,000,000, accordingly, the loan services under the 2026-2028 Parent Group Financial Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, as one or more of the applicable percentage ratios calculated in respect of the maximum daily loan amount exceed 25%, accordingly, such transactions also constitute major transactions of the Company under Rule 14.06(3) of the Listing Rules, being the Non-exempted Continuing Connected Transactions of the Company, and are subject to the reporting, announcement and Shareholders' approval requirements for major transactions under Chapter 14 of the Listing Rules.

As the fees charged by the Finance Company for the provision of non-financing guarantee letter services to the Parent Group will not be lower than the fees charged by any independent third parties (at least two) on the Parent Group for the services of similar type and similar period or the fees charged by the Finance Company on any independent third parties of same credit rating for such services, and one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the non-financing guarantee letter services exceed 0.1% but are less than 5%, accordingly, such transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

As the fees charged by the Finance Company for the provision of other financial services to the Parent Group will not be lower than the fees charged by any independent third parties (at least two) on the Parent Group for the services of similar type and similar period, and one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated in accordance with the Listing Rules in respect of the fees of other financial services exceed 0.1% but all percentage ratios are less than 5%, accordingly, such transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in future, the Company will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Independent Board Committee comprising all independent non-executive Directors has been formed in accordance with the Listing Rules to consider as to whether the 2026-2028 Master Sales Agreement and the transactions contemplated thereunder, the deposit services under the 2026-2028 Group Financial Services Framework Agreement, the loan services under the 2026-2028 Parent Group Financial Services Framework Agreement as well as the adoption of relevant proposed annual caps, are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and advise the Independent Shareholders in this regards. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the agreements for the above Non-exempted Continuing Connected Transactions and the transactions contemplated thereunder as well as their respective annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and the above continuing connected transactions are conducted in the ordinary and usual course of business of the Company and entered into on normal commercial terms.

As time is needed to finalize the contents of the circular which contains, among other things, further information on the 2026-2028 Master Sales Agreement, the 2026-2028 Group Financial Services Framework Agreement, the 2026-2028 Parent Group Financial Services Framework Agreement and the transactions contemplated thereunder as well as the adoption of relevant proposed annual caps, a letter of advice from the Independent Board Committee, a letter of recommendation from the Independent Financial Adviser and a notice of the AGM, the circular is expected to be dispatched to the Shareholders on 22 May 2025.

The AGM will be convened by the Company at which resolutions will be proposed to seek consideration and (if thought fit) approval from the Independent Shareholders for, among others, the 2026-2028 Master Sales Agreement and the transactions contemplated thereunder, the deposit services under the 2026-2028 Group Financial Services Framework Agreement and the loan services under the 2026-2028 Parent Group Financial Services Framework Agreement as well as the adoption of relevant proposed annual caps. As the Parent Company is a Controlling Shareholder of the Company, and Yufu Holding is the direct Controlling Shareholder of the Parent Company, both of which are materially interested in the Non-exempted Continuing Connected Transactions, accordingly, Parent Company and its associates, as well as Directors appointed by Yufu Holding, will respectively abstain from voting on the relevant resolutions to be proposed at the AGM.

Given the sound corporate governance practices, Mr. Fu Yihong (a non-executive Director of the Company) currently holds a management position in the Parent Company (the deputy director of the Strategy and Technology Department in the Parent Company), and he is deemed to have material interests in the Non-exempted Continuing Connected Transaction, and has abstained from voting on the relevant Board resolutions to approve the Non-exempted Continuing Connected Transactions. Save as disclosed above, none of the other Directors has any material interest in the Non-exempted Continuing Connected Transactions, and none of them is required to abstain from voting on the relevant resolutions passed by the Board to approve Non-exempted Continuing Connected Transactions.

DEFINITIONS

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

“2026-2028 Group Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and the Finance Company on 23 April 2025, pursuant to which the Finance Company has agreed to provide deposits, loans, non-financing guarantee letter services and other financial services to the Group during 2026-2028
“2026-2028 Master Leasing Agreement”	the master leasing agreement entered into between the Company and the Parent Company on 23 April 2025, pursuant to which the Parent Group has agreed to lease land and buildings to the Group to be used as offices, production facilities, workshops and staff quarters during 2026-2028
“2026-2028 Master Sales Agreement”	the master sales agreement entered into between the Company and the Parent Company on 23 April 2025, pursuant to which the Group has agreed to sell materials, components, accessories or raw materials, finished goods and other relevant or similar items, engine equipment and components, structural components, electrical control cabinets, refrigeration systems, intelligent production line and electronic products to the Parent Group during 2026-2028
“2026-2028 Master Supplies Agreement”	the master supplies agreement entered into between the Company and the Parent Company on 23 April 2025, pursuant to which the Parent Group has agreed to supply transport and storage services, components and raw materials such as gears, standard component, transformers and information-based intelligent control equipment, etc. to the Group during 2026-2028
“2026-2028 Parent Group Financial Services Framework Agreement”	the financial services framework agreement entered into between the Parent Company and the Finance Company on 23 April 2025, pursuant to which the Finance Company has agreed to provide deposits services, loans services, non-financing guarantee letter services and other financial services to the Parent Group during 2026-2028
“AGM”	the 2024 annual general meeting of the Company to be held at the Conference Room, 16/F, Jidian Building, No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC on Thursday, 12 June 2025 at 9:00 a.m.

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), have now been renamed NFRA
“Company”	Chongqing Machinery & Electric Co., Ltd.* (重慶機電股份有限公司)
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“connected person”	has the meaning ascribed to it under the Listing Rules
“Domestic Share(s)”	ordinary share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as paid up in RMB
“Existing Group Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and the Finance Company on 7 April 2022, pursuant to which the Finance Company provided deposits, loans, guarantees and other financial services to the Group during 2023-2025
“Existing Master Leasing Agreement”	the Master Leasing Agreement entered into between the Company and the Parent Company on 7 April 2022, pursuant to which the Parent Group leased land and buildings to the Group as offices, production facilities, workshops and staff quarters
“Existing Master Sales Agreement”	the master sales agreement entered into between the Company and the Parent Company on 7 April 2022, pursuant to which the Group agreed to sell materials, components, accessories or raw materials, finished goods and other relevant or similar items, electrical equipment and components, power generation equipment and parts (including certain products such as control valves, parts for steering systems, gears, clutch, the BV series of electric cables) and other products, to the Parent Group

“Existing Master Supplies Agreement”	master supplies agreement entered into between the Company and the Parent Company on 7 April 2022, pursuant to which the Parent Group agreed to supply intelligent equipment, component parts (such as standard component, electric machine, control cabinet, component parts, etc.) and other relevant or similar products, industry services (such as transport and storage services, contract energy management services) etc. to the Group
“Existing Parent Group Financial Services Framework Agreement”	the financial services framework agreement entered into between the Parent Company and the Finance Company on 7 April 2022, pursuant to which the Finance Company provided deposits, loans, guarantees and other financial services to the Parent Group during 2023-2025
“Finance Company”	Chongqing Machinery and Electric Holding (Group) Finance Co., Ltd.* (重慶機電控股集團財務有限公司), a limited liability company established in the PRC on 16 January 2013 by the Company and the Parent Company, which is held as to 70% by the Company and 30% by the Parent Company respectively
“Group”	the Company and its associates
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the overseas-listed foreign share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Independent Board Committee”	an independent committee of the Board composed of independent non-executive Directors of the Company, namely Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Liu Wei and Mr. Ke Rui
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to provide advice to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions and the major transactions of the Group and the respective transactions contemplated thereunder as well as the adoption of relevant proposed annual caps

“Independent Shareholder(s)”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to the Company means the Shareholders other than Parent Company and its associates
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NFRA”	the National Financial Regulatory Administration and its local offices, including its predecessor, CBIRC. The NAFR is an institution directly under the State Council established on the basis of CBIRC. In March 2023, the Central Committee of the Communist Party of China and the State Council of the PRC issued the Party and State Organizational Reform Plan, deciding to establish the NAFR on the basis of the CBIRC and no longer retain the CBIRC. On 18 May 2023, the NFRA was inaugurated
“Non-exempted Continuing Connected Transaction(s)”	the transactions contemplated under the 2026-2028 Master Sales Agreement, the transactions in respect of deposit services contemplated under the 2026-2028 Group Financial Services Framework Agreement (details of which are set out in the paragraph headed “Deposit services” under the 2026-2028 Group Financial Services Framework Agreement), and the transactions in respect of loan services contemplated under the 2026-2028 Parent Group Financial Services Framework Agreement (details of which are set out in the paragraph headed “Loan services” under the 2026-2028 Parent Group Financial Services Framework Agreement)
“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 and owned by the Chongqing State-owned Assets Supervision and Administration Commission, being one of the promoters of the Company
“Parent Group”	Parent Company and its associates, excluding the Group
“PBOC”	the People’s Bank of China, the central bank of the PRC
“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”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yufu Holding”	Chongqing Yufu Holding Group Co., Ltd.* (重慶渝富控股集團有限公司), a company established in the PRC with limited liability and an indirect holder of the issued share capital of the Company
“%”	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
23 April 2025

As at the date of the announcement, the executive Directors are Mr. Yue Xiangjun and Mr. Qin Shaobo; the non-executive Directors are Mr. Fu Yihong, Ms. Zhu Ying, Mr. Dou Bo and Mr. Cai Zhibin; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Liu Wei and Mr. Ke Rui.