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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)

INSIDE INFORMATION
DECONSOLIDATION OF SUBSIDIARY OF THE GROUP

This announcement is made by Chongqing Machinery & Electric Co., Ltd.* (the “**Company**”, together with its subsidiaries the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

DECONSOLIDATION OF SUBSIDIARY OF THE GROUP

To further promote the high-quality development of Chongqing Sino-Germany Smart Factory Solutions Co., Ltd.* (being the subsidiary of the Company, hereinafter referred to as “**Smart Company**”), and in response to requests from other shareholders and mutual agreement, the Company has decided to optimize its governance structure.

Through adjustments to the decision-making mechanisms for its board of directors and shareholders' general meeting as stipulated in Smart Company's Articles of Association, Chongqing Machine Tool (Group) Co., Ltd.* (being the wholly-owned subsidiary of the Company, hereinafter referred to as “**Machine Tool Group**”), will no longer exercise decision-making control over Smart Company. Since the date of approval by the Company's board of directors (“**Board**”), Machine Tool Group will remove Smart Company from the consolidated financial statements, but the shareholding ratio remains unchanged.

The above adjustments is a unanimous decision finally reached by all shareholders based on based on the future development needs of Smart Company, from the perspective of maximizing the joint venture's interests, after careful consideration and friendly negotiation. Machine Tool Group will continue to strictly comply with the Articles of Association and state-owned asset supervision requirements, actively perform the functions and powers of the shareholders, and safeguard shareholders' rights and interests.

BASIC INFORMATION OF SMART COMPANY

Smart Company was established on 26 April 2016, with a registered capital of RMB100 million and paid-in capital of RMB100 million. The current shareholders and their shareholdings are as follows:

Machine Tool Group: 40%

KAPP GmbH & Co. KG (“**KAPP Company**”): 30%

Zhejiang Shuanghuan Drivetrain Co., Ltd. (“**Zhejiang Shuanghuan**”): 30%

Smart Company primarily manufactures intelligent automated production lines for machining, automated inspection lines for new energy vehicle gear cleaning and meshing checks, intelligent machining production lines for automotive engine blocks and cylinder heads, and automotive parts assembly and inspection lines.

The board of directors of Smart Company consists of five directors, three of whom are nominated by Machine Tool Group, one by KAPP Company, and one by Zhejiang Shuanghuan. The board of directors is chaired by a director nominated by Machine Tool Group.

FINANCIAL IMPACT

According to Smart Company’s 2025 budget, Machine Tool Group’s revenue of consolidated level is expected to decrease by RMB33.28 million, and total profit by RMB0.35 million in 2025. Smart Company’s revenue accounted for approximately 0.5% of the Group’s total revenue for the year ended 31 December 2024.

Deconsolidation will result in the removal of Smart Company’s assets, liabilities, certain reserves, income, gains, and expenses from the Group’s consolidated financial statements. However, the Board expects that deconsolidation will not have material impact on the Group’s consolidated financial statements for the six months ending 30 June 2025.

After deconsolidation, Smart Company’s financial performance will no longer be consolidated into the Group’s consolidated financial statements. Despite this change, segment performance is largely unaffected, and future results will be recorded as investment income.

The Company is quantifying the financial impact of deconsolidation and expects to disclose in interim report of the Company, which is expected to be published by the end of September 2025.

CONNECTED TRANSACTIONS

As the Machine Tool Group have reached a transaction intention on automatic lines, silos and other goods, the connected transaction involves a transaction amount of approximately RMB13 million (with amount of contracts signed to be approximately RMB7 million).

LISTING RULES IMPLICATIONS

According to Chapter 14 of the Listing Rules, the deconsolidation of Smart Company does not constitute a disclosable transaction of the Company.

AUDITOR'S OPINION

The Company's auditor has not informed the Company of any potential audit reservations regarding the deconsolidation.

Saved as disclosed above, the Board is of the view that the deconsolidation will not materially affect the Group's operations, cash flows, or financial position.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Executive Director and General Manager
(performing duties and powers of the 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.

* *For identification purposes only*