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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)

ANNOUNCEMENT OF GROUP RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2025

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 11.9% to approximately RMB10,044.4 million yuan
- Gross profit increased by approximately 3.6% to approximately RMB1,619.2 million yuan
- Profit attributable to shareholders increased by approximately 76.9% to approximately RMB763.9 million yuan
- Earnings per share increased by 75.0% to approximately RMB0.21 yuan

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors” and each a “Director”) of Chongqing Machinery & Electric Co., Ltd.* (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2025 and the comparative figures for the corresponding period of 2024 as follows:

CONSOLIDATED INCOME STATEMENT

From January-December 2025

Prepared by : Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

Items	Notes	For the Year 2025	For the Year 2024 (As restated)
1 Total operating revenue	4.1	10,044,396,854.10	8,978,311,091.93
Including: Operating revenue	4.1	9,982,629,238.92	8,924,550,849.28
Interest income	4.1	61,741,477.99	53,726,121.01
Transaction fees and commission income	4.1	26,137.19	34,121.64
2. Total operating cost		9,977,074,700.83	8,915,254,357.87
Including: Operating cost	4.1	8,410,606,308.79	7,408,905,793.44
Interest expenses	4.1	14,391,364.89	6,722,252.33
Transaction cost and commission fees	4.1	205,261.06	234,634.52
Business taxes and surcharges	4.2	59,730,953.82	68,779,844.39
Selling and distribution expenses	4.3	240,323,780.47	241,159,805.79
Administrative expenses	4.4	669,828,150.17	653,311,852.69
Research and development expenses	4.5	521,570,797.10	455,364,963.69
Financial expenses	4.6	60,418,084.53	80,775,211.02
Including: Interest expenses		65,095,284.78	70,802,987.57
Interest income		11,950,201.63	16,316,726.09
Add: Other income	4.7	131,458,477.61	194,440,601.48
Investment income (Loss listed with "-")	4.8	789,793,526.55	498,599,334.14
Including: Income from investments in associates and joint ventures	4.8	786,324,792.51	498,827,482.58
Gain arising from the changes in fair value (Loss listed with "-")	4.9	-5,758,026.74	13,608,521.37
Impairment loss of credit (Loss is listed by "-")	4.10	-47,418,770.78	-71,992,701.66
Impairment loss of assets (Loss is listed by "-")	4.11	-141,624,351.71	-204,151,482.93
Gain on disposal of assets (Loss listed with "-")	4.12	11,493,981.79	23,392,978.65
3. Operating profit (Loss listed with "-")		805,266,989.99	516,953,985.11
Add: Non-operating income	4.13	13,715,512.00	9,373,485.36
Less: Non-operating expenses	4.14	7,136,448.71	4,024,849.62
4. Total profit (Total loss listed with "-")		811,846,053.28	522,302,620.85
Less: Income tax expenses	4.15	26,160,312.05	61,788,371.72

Items	Notes	For the Year 2025	For the Year 2024 (As restated)
5. Net profit (Net loss listed with "-")		785,685,741.23	460,514,249.13
(1) Classification by continuing or discontinued operation		785,685,741.23	460,514,249.13
1. Net profit attributable to continuing operation (Net loss listed with "-")		785,685,741.23	460,514,249.13
2. Net profit attributable to discontinued operation (Net loss listed with "-")		—	—
(2) Classification by ownership		785,685,741.23	460,514,249.13
1. Net profit attributable to shareholders of the controlling company		763,917,477.33	431,837,743.23
2. Net profit attributable to non-controlling interests		21,768,263.90	28,676,505.90
6. Net other comprehensive income after tax		136,044,243.09	16,245,853.47
Net other comprehensive income after tax attributable to shareholders of the Company		137,769,471.03	16,302,873.54
(1) Other comprehensive incomes that cannot be reclassified into profit or loss		163,266,339.47	19,010,101.25
1. Changes from recalculation of defined benefit plan		-140,833.03	460,802.20
2. Transfer changes of defined benefit plan to retained earnings		—	—
3. Changes in fair value of other equity instrument investments		163,407,172.50	18,549,299.05
(2) Other comprehensive income that can be reclassified into profit or loss		-25,496,868.44	-2,707,227.71
1. Changes in fair value of other debt investments		-1,187,967.13	—
2. Amount reclassified to other comprehensive income for financial assets		-3,017,452.80	—
3. Effective part of cash flow hedging		-5,441,955.51	-345,337.13
4. Translation differences of financial statements in foreign currencies		-15,849,493.00	-2,361,890.58
Net other comprehensive income after tax attributable to non-controlling interests		-1,725,227.94	-57,020.07
7. Total comprehensive income		921,729,984.32	476,760,102.60
1. Total comprehensive income attributable to shareholders of the Company		901,686,948.36	448,140,616.77
2. Total comprehensive income attributable to non-controlling interests		20,043,035.96	28,619,485.83
8. Earnings per share			
1. Basic earnings per share		0.21	0.12
2. Diluted earnings per share		0.21	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

Prepared by : Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

Items	Notes	31 December 2025	31 December 2024 (As restated)
Current assets			
Cash and cash equivalents	4.16	2,684,848,724.06	2,744,890,888.34
Financial assets held for trade		481,903,004.05	571,813,953.57
Redemptory monetary capital for sale		400,000,000.00	—
Notes receivable	4.17	450,313,850.25	214,166,733.38
Accounts receivable	4.18	3,537,482,209.04	3,353,221,618.15
Receivable financing		577,953,307.77	635,619,888.90
Prepayments		219,468,819.98	187,576,858.21
Other receivables		471,762,116.80	438,631,705.26
Including: Dividends receivable		318,306,219.23	288,932,461.02
Loans and advances to customers		803,527,866.73	375,714,067.65
Inventories		2,234,904,375.19	1,890,769,371.53
Contract assets		905,200,864.78	862,088,748.62
Non-current assets due within one year		9,577,353.27	17,998,806.45
Other current assets		47,530,264.15	22,146,100.99
Total current assets		12,824,472,756.07	11,314,638,741.05
Non-current assets			
Loans and advances to customers		911,373,433.89	493,116,088.78
Other debt investments		90,634,147.67	—
Long-term receivables		—	8,999,403.23
Long-term equity investments		1,795,978,203.93	1,573,555,281.47
Other equity instruments investment		380,768,850.00	164,319,503.68
Investment properties		186,873,380.38	190,832,462.77
Property, plant and equipment		2,560,370,817.02	2,598,427,309.26
Construction in progress		96,594,376.03	125,535,386.16
Right-of-use assets		359,017,648.35	381,607,675.93
Intangible assets		398,812,084.90	415,060,747.34
Development expenditures		—	5,001,525.86
Goodwill		22,471,679.55	75,422,670.83
Long-term deferred expenses		29,406,119.64	24,605,657.15
Deferred tax assets		181,616,841.14	168,925,380.33
Other non-current assets		113,899,671.59	146,709,428.69
Total non-current assets		7,127,817,254.09	6,372,118,521.48
Total assets		19,952,290,010.16	17,686,757,262.53

Items	Notes	31 December 2025	31 December 2024 (As restated)
Current liabilities			
Short-term loans		917,276,809.50	416,935,361.78
Due to customers, banks and other financial institutions		2,089,410,941.87	816,169,265.81
Financial liabilities held for trade		3,666,800.00	—
Notes payable	4.19	1,233,896,902.18	1,451,609,682.01
Accounts payable	4.20	3,199,277,627.34	2,729,113,660.66
Advances from customers		1,342,998.21	—
Contract liabilities		566,192,214.41	605,086,641.54
Employee benefits payables		115,480,598.84	124,539,482.40
Taxes and levies payables		91,460,580.55	110,776,922.56
Other payables		412,583,535.12	394,896,077.03
Including: Dividends payable		46,717,853.19	44,010,810.13
Non-current liabilities due within one year		1,064,529,600.09	723,590,380.09
Other current liabilities		71,073,477.91	49,959,782.98
Total current liabilities		9,766,192,086.02	7,422,677,256.86
Non-current liabilities			
Reserve fund for insurance contracts			
Long-term loans		305,778,912.95	1,081,259,202.78
Lease liabilities		185,478,880.99	190,502,425.32
Long-term payables		3,071,813.20	3,893,230.00
Long-term employee benefits payable		4,817,000.00	5,256,000.00
Provisions		84,549,088.51	73,980,194.67
Deferred revenue		151,371,954.34	187,006,166.10
Deferred tax liabilities		144,198,237.36	103,800,349.28
Total non-current liabilities		879,265,887.35	1,645,697,568.15
Total liabilities		10,645,457,973.37	9,068,374,825.01
Shareholder's equity			
Share capital		3,684,640,154.00	3,684,640,154.00
Capital reserves		71,895,231.12	99,207,782.69
Other comprehensive income		215,858,948.45	78,089,477.42
Special Reserve		6,373,702.62	5,635,596.35
Surplus reserves		585,724,520.62	515,265,278.90
Undistributed profit	4.21	4,246,673,428.10	3,719,023,999.29
Total equity attributable to shareholders of the Company		8,811,165,984.91	8,101,862,288.65
Non-controlling interests		495,666,051.88	516,520,148.87
Total shareholder's equity		9,306,832,036.79	8,618,382,437.52
Total liabilities and shareholder's equity		19,952,290,010.16	17,686,757,262.53

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared by: Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

From January-December, 2025

Items	Equity attributable to the equity holders of the controlling Company											Total equity	
	Other equity instruments							Other					
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits		Non-controlling interests
1. Balance at 31 December 2024 (As restated)	3,684,640,154.00	-	-	-	59,627,880.07	-	78,089,477.42	5,149,959.17	515,265,278.90	-	3,726,134,583.84	516,520,148.87	8,585,427,482.27
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	39,579,902.62	-	485,637.18	-	-	-	-7,110,584.55	-	32,954,955.25
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Balance at 1 January 2025 (As restated)	3,684,640,154.00	-	-	-	99,207,782.69	-	78,089,477.42	5,635,596.35	515,265,278.90	-	3,719,023,999.29	516,520,148.87	8,618,382,437.52
3. Increase/Decrease for the period (Decrease listed with "+")	-	-	-	-	-27,312,551.57	-	137,769,471.03	738,106.27	70,459,241.72	-	527,649,428.81	-20,854,096.99	688,449,599.27
(1) Total comprehensive income	-	-	-	-	-	-	137,769,471.03	-	-	-	763,917,477.33	20,043,035.96	921,729,984.32
(2) Capital contribution and reduction from shareholders	-	-	-	-	-27,312,551.57	-	-	-	-	-	-	13,785,117.31	-13,527,434.26
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	5,200,000.00	5,200,000.00
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-27,312,551.57	-	-	-	-	-	-	8,585,117.31	-18,727,434.26
(3) Profit appropriations	-	-	-	-	-	-	-	-	70,459,241.72	-	-236,268,048.52	-23,850,069.44	-189,658,876.24
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	70,459,241.72	-	-70,459,241.72	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-165,808,806.80	-23,850,069.44	-189,658,876.24
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-

Equity attributable to the equity holders of the controlling Company

Other equity instruments

Items	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	738,106.27	-	-	-	155,113.46	893,219.73
1. Appropriation	-	-	-	-	-	-	-	19,223,427.29	-	-	-	422,802.34	19,646,229.63
2. Used	-	-	-	-	-	-	-	18,485,321.02	-	-	-	267,688.88	18,753,009.90
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-30,987,294.28	-30,987,294.28
4. Balance at 31 December 2025	3,684,640,154.00	-	-	-	71,895,231.12	-	215,858,948.45	6,373,702.62	585,724,570.62	-	4,246,673,428.10	495,666,051.88	9,306,832,036.79

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared by: Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

From January-December, 2024 (As restated)

Items	Equity attributable to the equity holders of the controlling Company										Total equity		
	Other equity instruments					Other							
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	comprehensive income	Special reserves	Surplus reserves	General risk provision		Retained profits	Non-controlling interests
1. Balance at 31 December 2023	3,684,640,154.00	-	-	-	80,949,073.14	-	61,786,603.88	-	479,851,957.61	-	3,404,126,480.53	528,477,068.29	8,239,831,337.45
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior-period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	39,579,902.62	-	-	569,425.11	-	-	-7,665,528.97	-	32,483,798.76
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Balance at 1 January 2024 (As restated)	3,684,640,154.00	-	-	-	120,528,975.76	-	61,786,603.88	569,425.11	479,851,957.61	-	3,396,460,951.56	528,477,068.29	8,272,315,136.21
3. Increase/Decrease for the period (Decrease listed with "+")	-	-	-	-	-21,321,193.07	-	16,302,873.54	5,066,171.24	35,413,321.29	-	322,563,047.73	-11,956,919.42	346,067,301.31
(1) Total comprehensive income	-	-	-	-	-	-	16,302,873.54	-	-	-	431,837,743.23	28,619,485.83	476,760,102.60
(2) Capital contribution and reduction from shareholders	-	-	-	-	-21,321,193.07	-	-	-	-	-	-	-22,073,576.05	-43,394,769.12
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	9,500,000.00	9,500,000.00
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Equity increase from Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-21,321,193.07	-	-	-	-	-	-	-31,573,576.05	-52,894,769.12
(3) Profit appropriations	-	-	-	-	-	-	-	-	35,413,321.29	-	-109,274,695.50	-18,502,829.20	-92,364,203.41
1. Appropriation to statutory reserve	-	-	-	-	-	-	-	-	35,413,321.29	-	-35,413,321.29	-	-
2. Appropriation to staff bonus and welfare	-	-	-	-	-	-	-	-	-	-	-168,571.13	-	-168,571.13
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-73,692,803.08	-18,502,829.20	-92,195,632.28
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-

From January-December, 2024 (As restated)

Equity attributable to the equity holders of the controlling Company

Other equity instruments

Items	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profits	Non-controlling interests	Total equity
(4) Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves transfer to make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation	-	-	-	-	-	-	-	5,066,171.24	-	-	-	-	5,066,171.24
2. Used	-	-	-	-	-	-	-	18,456,097.87	-	-	-	-	18,456,097.87
(6) Others	-	-	-	-	-	-	-	13,389,926.63	-	-	-	-	13,389,926.63
4. Balance at 31 December 2024	3,684,640,154.00	-	-	-	99,207,782.69	-	78,089,477.42	5,635,596.35	515,265,278.90	-	3,719,023,999.29	516,520,148.87	8,618,382,437.52
(As restated)													

CONSOLIDATED STATEMENT OF CASH FLOWS

From January-December 2025

Prepared by : Chongqing Machinery & Electric Co., Ltd.

Unit: RMB

Items	Notes	For the Year 2025	For the Year 2024 (As restated)
1. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		9,220,217,064.11	8,065,528,066.36
Net increase in customer deposits and interbank deposits		1,273,241,676.06	151,058,910.82
Cash received from interest, surcharges and commission fee		64,295,388.20	56,781,748.40
Cash received from tax refund		13,688,285.61	15,032,360.38
Cash received relating to other operating activities		<u>368,529,783.69</u>	<u>442,617,721.30</u>
Sub-total of cash inflows from operating activities		10,939,972,197.67	8,731,018,807.26
Cash paid for goods and services		7,529,426,163.45	6,049,313,438.11
Net increase in loans and advances to customers		862,677,647.08	6,543,779.00
Net increase in central bank and interbank payments		58,746,644.47	-38,874,343.88
Cash paid for interest, surcharges and commission fee		13,777,525.99	6,118,470.55
Cash paid to and on behalf of employees		1,128,485,619.93	1,106,929,486.94
Payments of taxes and surcharges		351,723,843.43	339,544,248.32
Cash paid relating to other operating activities		<u>535,677,929.83</u>	<u>543,788,391.33</u>
Sub-total of cash outflows from operating activities		10,480,515,374.18	8,013,363,470.37
Net cash flows from operating activities		<u>459,456,823.49</u>	<u>717,655,336.89</u>
2. Cash flows from investment activities			
Cash received from return of investments		1,809,178,089.62	1,496,363,793.34
Cash received from investments income		554,738,381.63	365,572,474.53
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		18,770,872.64	116,385,380.69
Cash received relating to other investing activities		<u>23,250,000.00</u>	<u>112,351,667.66</u>
Sub-total of cash inflows from investing activities		2,405,937,343.89	2,090,673,316.22
Cash paid to acquire fixed assets, intangible assets and other long-term assets		228,542,026.12	202,613,685.14
Cash paid for investments		1,798,607,126.96	1,837,153,182.99
Cash paid relating to other investing activities		<u>—</u>	<u>2,997,647.31</u>
Sub-total of cash outflow from investing activities		2,027,149,153.08	2,042,764,515.44
Net cash flows from investing activities		<u>378,788,190.81</u>	<u>47,908,800.78</u>

Items	<i>Notes</i>	For the Year 2025	For the Year 2024 (As restated)
3. Cash flows from financing activities			
Cash received from investments		5,200,000.00	—
Including: cash received by subsidiaries from investment of non-controlling interests		5,200,000.00	—
Cash received from loans granted		<u>1,086,321,691.71</u>	<u>644,906,368.97</u>
Sub-total of cash inflows from financing activities		<u>1,091,521,691.71</u>	<u>644,906,368.97</u>
Cash paid for repayment of borrowings		1,218,293,859.27	1,187,351,710.83
Cash paid for dividends, profits or payments of interests		241,364,767.60	178,015,461.28
Including: dividends and profits paid to non-controlling interests by subsidiaries		19,737,998.54	21,055,850.05
Cash paid relating to other financing activities		<u>115,637,620.85</u>	<u>125,386,116.97</u>
Sub-total of cash outflows from financing activities		<u>1,575,296,247.72</u>	<u>1,490,753,289.08</u>
Net cash flows from financing activities		<u><u>-483,774,556.01</u></u>	<u><u>-845,846,920.11</u></u>
4. Effects of changes in exchange rate on cash and cash equivalents		<u>1,292,975.10</u>	<u>-288,434.41</u>
5. Net increase in cash and cash equivalents		355,763,433.39	-80,571,216.85
Add: opening balance of cash and cash equivalents		<u>2,101,118,496.96</u>	<u>2,181,689,713.81</u>
6. Balance of cash and cash equivalents at the end of this period		<u><u>2,456,881,930.35</u></u>	<u><u>2,101,118,496.96</u></u>

NOTES:

I. GENERAL INFORMATION

Chongqing Machinery & Electric Co., Ltd. (hereinafter referred to as the “Company”, and collectively referred to as the Group when including subsidiaries) was established on 27 July 2007 as a joint share company with limited liability by Chongqing Machinery & Electronics Holding (Group) Co., Ltd. (“CQMEHG”), Chongqing Yufu Capital Operation Group Co., Ltd. (“Yufu Company”, previously named as Chongqing Yufu Assets Management Co., Ltd.), China CITIC Financial Asset Management Co., Ltd. (“CITIC Company”, previously named as China Huarong Asset Management Co., Ltd.), and Chongqing Construction Engineering Group Co. Ltd. (“CCEG”, previously named as Chongqing Construction Engineering Group Corp., Ltd.). The address of the Company’s registered office is No. 60, Middle Section of Huangshan Avenue, New North Zone, Chongqing City, the PRC. The Company’s headquarter is located in Chongqing, the PRC. The Group was established with a registered capital of RMB2,679,740,154 (RMB1 per share).

Approved by the China Securities Regulatory Commission under document No. 285 (2008), the Company completed the issuance of 1,004,900,000 H shares to overseas investors on 13 June 2008. The shares were listed and traded on the The Stock Exchange of Hong Kong Limited (“Stock Exchange”), and the total share capital increased to RMB3,684,640,154 after the issuance.

CQMEHG which is a registered company in China is the parent company and direct holding company of the Company. As of 31 December 2025, the registered capital of the Company was RMB3,684,640,154. The Company and its Subsidiaries (hereinafter collectively referred to as “the Group”) are mainly engaged in the manufacturing, sales and services of clean energy equipment and high-end intelligent equipment.

The consolidated financial statements have been approved for issue by the Board of the Company on 20 March 2026.

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as the “Accounting Standards for Business Enterprises”), the relevant requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting issued by the China Securities Regulatory Commission (hereinafter collectively referred to as “CSRC”) and the relevant provisions, and the relevant disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time in force (the “Listing Rules”).

There have been no significant alterations in the important accounting policies and estimates of the Group for the Year.

2. Going concern

The Group has evaluated its ability to continue operating for 12 months from December 31, 2025, and has not found any significant doubts or circumstances regarding its ability to continue operating. This financial statement is presented on a going concern basis.

3. Segment information

The Group's reporting segments are business units operating on the basis of different products or services, or in different regions. As various businesses or regions require different technologies and market strategies, the Group's divisions independently manage the production and operation activities of each reporting division and evaluate its operating results in order to determine the allocation of resources to it and evaluate its performance.

The Group has 9 reporting divisions which are:

Engine division, responsible for the production and sales of engine products;

General machinery division, responsible for producing and selling general mechanical products;

Wind turbine blade division, responsible for producing and selling wind turbine blades;

Wire and cable division, responsible for the production and sales of wire and cable products;

Intelligent manufacturing division, responsible for producing and selling high-end intelligent equipment products;

CNC machine tools division, responsible for the production and sales of CNC machine tools in China and Europe;

High voltage transformer division, responsible for the production and sales of high voltage transformer products;

Material sales division, responsible for material sales;

Financial services division, responsible for providing financial services such as loans;

Other divisions, responsible for producing and selling other products.

The inter-division transfer price shall be determined by both parties through negotiation.

Assets, liabilities, revenues and expenses are allocated according to the operations of the segment.

Financial Information of reportable segments of the current year as follows:

Items	Engine	General machinery	Wind turbine blades	Wire and cable	CNC machine tools	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
External transaction income	-	2,352,340,185.72	3,259,619,805.18	2,328,214,235.17	881,568,106.39	454,505,729.67	-	87,292,196.09	-	798,801,655.89	-	10,162,341,914.11
Inter-segment revenue	-	-28,216,802.48	-636,317.23	-20,091,065.57	-18,592,411.91	-14,513,489.55	-	-25,524,580.91	-	-10,370,192.36	-	-117,945,060.01
Revenue from external customers	-	2,324,123,383.24	3,258,983,287.95	2,308,123,169.60	862,975,694.48	439,992,240.12	-	61,767,615.18	-	788,431,463.53	-	10,044,396,854.10
Operating costs	-	1,818,420,554.70	2,886,265,568.94	2,028,760,769.95	670,272,503.00	393,921,976.58	-	35,117,176.93	-	692,457,939.00	-	8,525,216,489.10
Inter-segment transaction cost	-	-21,924,951.60	-308,443.14	-20,091,065.57	-17,523,016.54	-10,567,011.84	-	-20,520,550.98	-	-9,378,514.69	-	-100,013,554.36
External transaction cost	-	1,796,495,603.10	2,885,957,125.80	2,008,669,704.38	652,749,486.46	383,654,964.74	-	14,596,625.95	-	683,079,424.31	-	8,425,202,934.74
Gross profit from external transactions	-	527,627,780.14	373,026,162.15	299,453,465.22	210,226,208.02	56,337,275.38	-	47,170,989.23	-	105,352,039.22	-	1,619,193,919.36
Gross profit rates (%)	-	22.70	11.45	12.97	24.36	12.80	-	76.37	-	13.36	-	16.12
Operating (loss)/profit	636,612,438.43	103,634,352.76	66,693,411.14	72,991,320.85	-52,248,959.00	-21,276,571.27	104,758,806.10	8,545,722.78	-	-114,443,531.80	-	805,266,989.99
Interest income	-	1,505,646.16	3,355,608.80	1,455,789.64	118,311.58	213,071.32	-	-	-	5,301,774.13	-	11,950,201.63
interest costs	-	417,293.84	15,422,945.71	4,858,335.32	25,550,404.57	252,589.63	-	-	-	18,593,515.71	-	65,095,284.78
Investment income from associates and joint ventures	636,612,438.43	-	-	-	11,771,475.70	-	104,758,806.10	-	-	33,182,072.28	-	786,324,792.51
Total profit	636,612,438.43	104,303,393.92	66,910,342.44	80,304,870.66	-52,276,142.19	-21,450,613.70	104,758,806.10	8,572,818.57	-	-115,889,860.95	-	811,846,053.28
Income tax expense	-	13,136,312.30	8,730,269.94	4,753,448.82	-7,430,135.47	2,114,630.36	-	3,464,010.13	-	1,391,775.97	-	26,160,312.05
Net profit	636,612,438.43	91,167,081.62	58,180,072.50	75,551,421.84	-44,846,006.72	-23,563,244.06	104,758,806.10	5,108,808.44	-	-117,281,636.92	-	785,685,741.23
Other items	Engine	General machinery	Wind turbine blades	Wire and cable	CNC machine tools	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
Depreciation of Property, plant and equipment and investment property	-	44,764,187.19	100,207,922.07	15,318,549.35	49,181,256.07	13,227,404.79	-	2,265,337.20	-	79,131,864.11	-	304,096,520.78
Amortisation of intangible assets	-	5,446,912.08	3,187,775.20	956,686.89	5,408,219.32	724,542.59	-	923,121.95	-	6,331,267.12	-	22,978,525.15
Provision on inventory	-	-12,845,454.50	-8,263,345.61	-4,175,932.18	-3,806,187.77	-1,762,083.90	-	-	-	158,952.49	-	-30,694,051.47
Provision for/(reversal of) impairment of accounts receivables and other receivables	-	-20,002,278.92	-1,635,993.58	-18,042,286.07	6,035,765.65	-12,387,366.12	-	-	-	18,068,431.18	-	-27,963,727.86
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	222,161,230.31	-41,725,420.32	18,440,469.14	-69,693,363.78	-7,566,314.73	-	90,205,830.13	-	-316,945,369.61	-	-105,122,938.86

Financial information of reportable segments of the last year as follows (as restated):

Items	CNC											Total
	Engine	General machinery	Wind turbine blades	Wire and cable	CNC machine tools	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	
External transaction income	-	2,601,040,259.69	2,406,454,277.06	2,030,818,770.14	857,275,626.21	505,849,826.46	-	88,591,769.26	3,663,544.53	594,520,135.76	-	9,088,214,209.11
Inter-segment revenue	-	-3,103,588.38	-	-19,035,460.99	-14,390,361.72	-11,461,413.56	-	-34,831,526.61	-1,181,512.56	-25,899,253.36	-	-109,903,117.18
Revenue from external customers	-	2,597,936,671.31	2,406,454,277.06	2,011,783,309.15	842,885,264.49	494,388,412.90	-	53,760,242.65	2,482,031.97	568,620,882.40	-	8,978,311,091.93
Operating costs	-	1,819,756,194.64	2,142,593,324.52	1,800,594,206.22	647,877,754.08	433,194,165.19	-	33,496,364.19	943,376.88	624,139,466.21	-	7,502,594,851.93
Inter-segment transaction cost	-	-3,290,807.38	-200,718.68	-19,067,924.39	-13,177,055.44	-11,461,413.56	-	-26,539,477.34	-108,786.18	-12,885,988.67	-	-86,732,171.64
External transaction cost	-	1,816,465,387.26	2,142,392,605.84	1,781,526,281.83	634,700,698.64	421,732,751.63	-	6,956,886.85	834,590.70	611,253,477.54	-	7,415,862,680.29
Gross profit from external transactions	-	781,471,284.05	264,061,671.22	230,257,027.32	208,184,565.85	72,655,661.27	-	46,803,355.80	1,647,441.27	-42,632,595.14	-	1,562,448,411.64
Gross profit rates (%)	-	30.08	10.97	11.45	24.70	14.70	-	87.06	66.37	-7.50	-	17.40
Operating (loss)/profit	434,085,117.13	285,103,661.60	52,655,272.30	81,575,728.85	47,370,456.12	3,027,797.91	38,591,474.05	41,580,804.67	-2,495,957.09	-464,540,370.43	-	516,953,985.11
Interest income	-	2,585,000.41	1,479,998.68	1,258,058.92	65,990.35	135,647.67	-	-	24,707.22	10,767,322.84	-	16,316,726.09
Interest costs	-	1,008,525.26	7,389,930.46	6,643,923.77	24,385,150.50	504,430.81	-	-	3,545.93	30,867,480.84	-	70,802,987.57
Investment income from associates and joint ventures	434,085,117.13	-	-	-	3,928,104.28	-	38,591,474.05	-	-	22,222,787.12	-	498,827,482.58
Total profit	434,085,117.13	286,571,997.53	52,734,079.19	81,853,896.03	49,183,379.11	2,556,829.51	38,591,474.05	41,269,777.03	-2,486,204.96	-462,059,723.77	-	522,302,620.85
Income tax expense	-	44,470,356.00	5,747,999.31	7,406,465.25	1,145,307.61	907,716.64	-	15,214,308.03	-99.38	-13,103,681.74	-	61,788,371.72
Net profit	434,085,117.13	242,101,641.53	46,986,079.88	74,447,430.78	48,040,071.50	1,649,112.87	38,591,474.05	26,055,469.00	-2,486,105.58	-448,956,042.03	-	460,514,249.13
Items	Engine	General machinery	Wind turbine blades	Wire and cable	CNC machine tools	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
Depreciation of Property, plant and equipment and investment property	-	40,482,747.68	84,976,224.58	15,657,898.51	54,539,135.39	11,611,646.23	-	2,504,714.54	16,848.98	77,647,158.36	-	287,436,374.27
Amortisation of intangible assets	-	4,866,096.16	18,768,825.04	679,556.69	13,182,038.37	391,635.24	-	914,658.33	392,309.14	6,823,402.21	-	46,018,521.18
Provision for impairment of accounts and other receivables	-	-21,690,453.71	-4,199,334.25	-2,854,493.49	-6,206,714.43	-1,775,849.81	-	-	-	-137,085,808.99	-	-173,812,654.68
Additions to non-current assets (other than financial instruments, long term equity investments and deferred income tax assets)	-	-53,736,325.33	15,834,514.91	-8,673,623.83	1,878,582.48	-11,499,644.57	-	-	198,654,501.19	-209,285,438.04	-	-66,827,433.19
	-	1,150,608.73	3,680,460.50	-10,057,341.05	-45,545,590.95	218,209.39	-	-1,257,586.79	-3,856,966.76	-73,477,781.50	-	-129,145,988.43

Information on the assets and liabilities of reported segments as follows:

31 Dec 2025	Engine	General machinery	Wind turbine blades	Wire and cable	Numerically controlled machine tool	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
Total assets	725,197,086.89	4,556,160,631.33	3,288,560,587.63	1,869,828,039.84	1,917,894,503.29	709,650,110.99	485,112,765.01	5,353,375,062.94	-	9,447,943,934.44	-8,401,432,712.20	19,952,290,010.16
Total liabilities	-	2,138,072,941.56	2,299,863,198.28	1,197,748,832.70	1,384,237,306.11	429,886,683.51	-	4,195,401,789.64	-	2,660,959,705.11	-3,660,712,483.54	10,645,457,973.37
Investment of associates or joint ventures	725,197,086.89	-	-	-	115,358,443.73	-	485,112,765.01	-	-	470,309,908.30	-	1,795,978,203.93
31 Dec 2024 (As restated)												
	Engine	General machinery	Wind turbine blades	Wire and cable	Numerically controlled machine tool	Intelligent manufacturing	High voltage transformer	Financial service	Material sales	Other divisions	Offset	Total
Total assets	623,933,426.23	4,385,833,585.81	3,105,995,830.70	1,632,940,296.35	2,060,961,067.93	764,237,384.82	409,122,632.21	3,929,924,862.84	-	9,647,357,198.95	-8,873,549,023.31	17,686,757,262.53
Total liabilities	-	2,068,219,617.97	2,169,210,562.20	1,141,916,849.91	1,397,685,416.91	454,731,004.95	-	2,770,206,737.43	-	3,346,145,275.45	-4,279,740,639.81	9,068,374,825.01
Investment of associates or joint ventures	623,933,426.23	-	-	-	82,419,669.61	-	409,122,632.21	-	-	458,079,553.42	-	1,573,555,281.47

4.1 OPERATING REVENUE & OPERATING COST

(1) The situation of operating income and operating costs

Items	Jan-Dec2025		Jan-Dec 2024 (As restated)	
	Revenue	Cost	Revenue	Cost
Main business	9,803,216,615.14	8,324,650,770.40	8,786,501,903.15	7,337,804,344.13
Other business	179,412,623.78	85,955,538.39	138,048,946.13	71,101,449.31
Interest income	61,741,477.99	14,391,364.89	53,726,121.01	6,722,252.33
Transaction fees and commission income	26,137.19	205,261.06	34,121.64	234,634.52
Total	<u>10,044,396,854.10</u>	<u>8,425,202,934.74</u>	<u>8,978,311,091.93</u>	<u>7,415,862,680.29</u>

Note: Interest income and fee and commission income are derived from the business of the financial company; Interest expense and handling fees and commission expenses are derived from the costs associated with the finance company.

(2) Income from contracts

Classification of contract	High-end intelligent equipment business		Clean energy equipment business	
	Revenue	Cost	Revenue	Cost
Classified by region	1,663,277,672.10	1,351,043,907.60	8,301,340,774.02	7,057,030,430.63
Including: Mainland of China	1,492,819,912.49	1,248,303,508.77	7,939,588,574.58	6,749,813,373.66
Others	170,457,759.61	102,740,398.83	361,752,199.44	307,217,056.97
Types of contracts	1,663,277,672.10	1,351,043,907.60	8,301,340,774.02	7,057,030,430.63
Including: Equipment sales contract	720,825,213.11	574,736,351.49	5,675,148,032.48	4,826,698,710.88
Service contract	23,191,936.33	7,218,280.66	228,774,278.38	165,605,393.29
Materials sales contract	919,260,522.66	769,089,275.45	2,397,418,463.16	2,064,726,326.46
Classified by time of revenue recognition	1,663,277,672.10	1,351,043,907.60	8,301,340,774.02	7,057,030,430.63
Including: Recognizes revenue at a point in time	1,591,161,933.28	1,316,800,397.02	8,280,559,953.33	7,044,047,752.07
Provide during a certain period of time	72,115,738.82	34,243,510.58	20,780,820.69	12,982,678.56
Classified by sales channel	1,663,277,672.10	1,351,043,907.60	8,301,340,774.02	7,057,030,430.63
Including: Direct sales	1,607,928,045.90	1,305,600,420.04	8,282,119,788.49	7,040,049,509.75
Distribution	55,349,626.20	45,443,487.56	19,142,607.84	16,931,163.02
Internet sales	—	—	78,377.69	49,757.86

Classification of contract	Industrial service business		Headquarters		Total	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Classified by region	63,323,841.58	16,311,149.18	16,454,566.40	817,447.33	10,044,396,854.10	8,425,202,934.74
Including: Mainland of China	63,323,841.58	16,311,149.18	16,454,566.40	817,447.33	9,512,186,895.05	8,015,245,478.94
Others	-	-	-	-	532,209,959.05	409,957,455.80
Types of contracts	63,323,841.58	16,311,149.18	16,454,566.40	817,447.33	10,044,396,854.10	8,425,202,934.74
Including: Equipment sales contract	-	-	-	-	6,395,973,245.59	5,401,435,062.37
Service contract	63,323,841.58	16,311,149.18	16,454,566.40	817,447.33	331,744,622.69	189,952,270.46
Materials sales contract	-	-	-	-	3,316,678,985.82	2,833,815,601.91
Classified by time of revenue recognition	63,323,841.58	16,311,149.18	16,454,566.40	817,447.33	10,044,396,854.10	8,425,202,934.74
Including: Recognizes revenue at a point in time	61,767,615.18	15,082,934.18	3,813,901.51	817,447.33	9,937,303,403.30	8,376,748,530.60
Recognizes revenue over time	1,556,226.40	1,228,215.00	12,640,664.89	-	107,093,450.80	48,454,404.14
Classified by sales channel	63,323,841.58	16,311,149.18	16,454,566.40	817,447.33	10,044,396,854.10	8,425,202,934.74
Including: Direct sales	63,323,841.58	16,311,149.18	16,454,566.40	817,447.33	9,969,826,242.37	8,362,778,526.30
Distribution	-	-	-	-	74,492,234.04	62,374,650.58
Internet sales	-	-	-	-	78,377.69	49,757.86

(3) Information related to performance obligations

The Group's transactions involving performance obligations are in the form of the sale of goods, services and materials, and the Group has fulfilled its contractual obligations to recognize revenue when the customer acquires control of the relevant goods or services.

During the Period, the Group has determined, in accordance with relevant accounting standards, that certain contracts related to finance company operations, leasing operations, and PTG's partial business operations are performance obligations satisfied over time. Revenue is recognized based on the performance progress of the project, that is, based on the performance progress of the project, the Group recognizes the actual contract costs incurred plus the contract gross profit as project business contract revenue.

The Group's sales of goods and equipment performance time is 3-4 days to about 2 years, the relevant performance terms are according to the type of customer, first receive part of the feeding payment, after the completion of the product, in advance receipt of part of the payment after delivery. Typically, control of the product has been transferred after it has been delivered to the carrier.

(4) Information about the transaction price allocated to the remaining performance obligations

The amount of revenue corresponding to the Group's performance obligations that have been signed but have not yet been performed or have not been fulfilled in the current period is RMB6,135,859,581.16 (of which the amount of income corresponding to the performance obligations that have been signed but not yet fulfilled is RMB5,553,179,087.68, and the corresponding income amount of the performance obligations that have been signed but not yet performed is RMB582,680,493.48). Among them, RMB3,986,419,941.37 expected to be recognized as revenue in 2026; RMB2,149,439,639.79 is expected to be recognized as revenue in 2027.

4.2 TAXES AND SURCHARGES

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Urban maintenance and construction tax	9,298,581.08	13,818,971.92
Education surcharge	6,202,250.26	10,472,315.79
Property tax	21,238,044.31	20,659,793.97
Land use tax	11,849,233.68	12,483,183.48
Stamp duty	9,452,969.36	9,759,184.88
Others	1,689,875.13	1,586,394.35
Total	<u>59,730,953.82</u>	<u>68,779,844.39</u>

4.3 SELLING AND DISTRIBUTION EXPENSES

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Employee Compensation	118,222,167.35	117,411,407.97
Travel expenses	23,356,712.71	32,219,879.59
Sales service fee	30,027,776.54	20,683,431.65
Business entertainment expenses	16,210,085.46	17,053,888.27
Advertising and publicity expenses	8,586,880.81	7,060,284.32
Property insurance premium	10,090,205.80	8,050,304.08
Storage fees	4,797,487.70	3,769,792.37
Office expenses	2,664,809.58	4,216,305.31
Labor costs	3,447,900.81	9,154,977.82
Bidding fees	6,518,330.19	8,071,221.61
Loading and unloading expenses	6,124,640.30	3,184,958.82
Others	10,276,783.22	10,283,353.98
Total	<u>240,323,780.47</u>	<u>241,159,805.79</u>

4.4 ADMINISTRATIVE EXPENSES

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Employee compensation	367,986,606.38	382,681,739.17
Depreciation expenses	77,348,226.31	71,844,542.19
Repair costs	34,380,249.05	23,262,079.94
Labor costs	33,547,039.01	23,258,671.29
Office expenses	20,212,695.26	25,051,322.43
Amortization of intangible assets	9,900,674.91	12,486,239.27
Consulting fees	23,328,022.90	18,469,866.22
– Other service fees	19,742,800.78	13,449,674.03
– Audit service fees	3,405,246.43	4,124,127.32
– Tax service fees	179,975.69	896,064.87
Travel expenses	7,854,063.42	7,759,787.12
Rental fees	5,684,332.86	7,165,050.16
Others	89,586,240.07	81,332,554.90
Total	669,828,150.17	653,311,852.69

4.5 RESEARCH AND DEVELOPMENT EXPENSES

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Material costs	291,740,228.03	228,568,889.60
Employee compensation	174,420,202.47	167,243,588.30
Amortization of Intangible assets	5,007,333.63	8,617,621.54
Depreciation expenses	11,811,565.50	11,532,972.13
Office expenses	5,937,963.46	5,367,096.13
Labor costs	3,057,091.90	7,298,512.09
Power expenses	4,871,399.11	6,309,611.33
Others	24,725,013.00	20,426,672.57
Total	521,570,797.10	455,364,963.69

4.6 FINANCIAL EXPENSES

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Interest expense	65,095,284.78	70,802,987.57
Less: Interest income	11,950,201.63	16,316,726.09
Net income and expenditure	53,145,083.15	54,486,261.48
Add: Exchange loss	-2,663,928.40	-836,973.61
Add: Bill discount expenses	1,112,153.17	13,280,470.43
Add: Other expenses	7,696,160.42	14,007,757.53
Add: Amortization of lease liabilities	1,128,616.19	-162,304.81
Total	60,418,084.53	80,775,211.02

4.7 OTHER INCOME

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Government subsidies	99,480,426.37	147,211,182.80
Gain on debt restructuring	15,509.73	32,583.30
Value added tax deduction and exemption	30,962,089.19	41,563,523.62
Others	1,000,452.32	5,633,311.76
Total	131,458,477.61	194,440,601.48

4.8 INVESTMENT INCOME

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Income from long-term equity investments accounted for by the equity method	786,324,792.51	498,827,482.58
Income from the disposal of long-term equity investments accounted for by the cost-method	—	579,327.60
Gain on debt restructuring	542,291.64	-3,692,093.84
Dividends on investments in other equity instruments	980,427.75	980,100.00
Income from the disposal of trading financial assets	1,936,606.11	1,904,517.80
Gain on disposal of other debt investments	9,408.54	—
Total	789,793,526.55	498,599,334.14

4.9 GAIN ARISING FROM THE CHANGES IN FAIR VALUE

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Financial assets at fair value through profit or loss	<u>-5,758,026.74</u>	<u>13,608,521.37</u>
Total	<u>-5,758,026.74</u>	<u>13,608,521.37</u>

4.10 IMPAIRMENT LOSS OF CREDIT

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Deposit inter-bank payments	149,203.51	2,325,468.52
Bad debt provision for note receivable	-3,721,440.62	543,559.49
Bad debt provision for accounts receivable	-23,230,994.68	-73,433,904.20
Provision for impairment of accounts receivable financing	2,103,662.98	-2,767,477.97
Bad debt provision for other receivables	-4,732,733.18	6,606,471.01
Allowance for dividends receivable	-1,937,456.38	—
Provision for bad debts in loans and advances issued	-17,112,856.63	-4,602,458.08
Credit commitment	<u>1,063,844.22</u>	<u>-664,360.43</u>
Total	<u>-47,418,770.78</u>	<u>-71,992,701.66</u>

4.11 IMPAIRMENT LOSSES OF ASSETS

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Provision for inventory write-down	-30,694,051.47	-173,812,654.68
Provision for bad debts of contract assets	-1,516,988.96	-21,745,930.74
Provision for impairment of fixed assets	-44,645,467.03	-3,863,373.19
Provision for impairment of intangible assets	-7,292,640.29	—
Provision for impairment of projects under construction	-750,442.57	-1,388,356.14
Provision for impairment of other non-current assets	-1,806,567.84	19,391,150.81
Provision for impairment of goodwill	-52,950,991.28	-13,376,566.42
Provision for impairment of prepaid accounts	<u>-1,967,202.27</u>	<u>-9,355,752.57</u>
Total	<u>-141,624,351.71</u>	<u>-204,151,482.93</u>

4.12 GAINS ON DISPOSALS OF ASSETS

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)	Amount recorded in extraordinary profit and loss
Disposal income of non-current assets not classified as held for sale	11,493,981.79	23,392,978.65	11,493,981.79
Including: Loss from environmental relocation (Loss listed with “-”)	9,671,527.92	24,454,490.29	9,671,527.92
Income from disposal of fixed assets	806,153.02	-1,282,692.79	806,153.02
Income from disposal of intangible assets	1,017,680.42	–	1,017,680.42
Income from disposal of right of use assets	-1,379.57	221,181.15	-1,379.57
Total	<u>11,493,981.79</u>	<u>23,392,978.65</u>	<u>11,493,981.79</u>

4.13 NON-OPERATING INCOME

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)	Amount recorded in extraordinary profit and loss
Penalty income, penalty and compensation, etc	9,184,270.81	2,783,292.35	9,184,270.81
Unpaid payables	1,055,139.61	2,216,301.55	1,055,139.61
Government grants	14,596.00	–	14,596.00
Others	3,461,505.58	4,373,891.46	3,461,505.58
Total	<u>13,715,512.00</u>	<u>9,373,485.36</u>	<u>13,715,512.00</u>

4.14 NON-OPERATING EXPENSES

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)	Amount recorded in extraordinary profit and loss
Penalty and overdue surcharge	6,668,363.13	2,233,718.79	6,668,363.13
Loss from damage and scrapping of non-current assets	298,085.58	1,262,813.07	298,085.58
Donation for public welfare	170,000.00	1,000.00	170,000.00
Others	—	527,317.76	—
Total	7,136,448.71	4,024,849.62	7,136,448.71

4.15 INCOME TAX EXPENSE

(1) Income tax expense

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Current income tax calculated according to tax law and provision	51,594,270.90	86,142,982.44
– Chinese mainland corporate income tax	51,594,270.90	86,142,982.44
Deferred income tax	-25,433,958.85	-24,354,610.72
Total	26,160,312.05	61,788,371.72

Note: The Group did not generate any taxable income for corporate income tax outside China during the year (prior year: Nil), and no overseas corporate income tax was applicable.

4.16 CASH AND CASH EQUIVALENTS

Items	31 Dec 2025	31 Dec 2024 (As restated)
Cash in hand	59,151.79	46,398.29
Cash at bank	2,238,399,622.20	2,192,385,712.64
Other monetary assets	444,964,701.55	550,693,225.77
Accrued interest on Cash at bank	1,425,248.52	1,765,551.64
Total	2,684,848,724.06	2,744,890,888.34
Including: cash deposited abroad	3,299,098.19	86,306,682.11

Note: There is no limit on the remittance of the Group's overseas deposits.

4.17 NOTES RECEIVABLE

(1) Classification of notes receivable

Items	31 Dec 2025	31 Dec 2024 (As restated)
Bank acceptance bills	63,169,518.54	34,874,135.84
Commercial acceptance bills	393,088,178.00	181,515,003.21
Total original value	456,257,696.54	216,389,139.05
Less: provision for bad debts	5,943,846.29	2,222,405.67
Total	450,313,850.25	214,166,733.38

The age of accounts receivable for the above-mentioned year-end notes of the Group is within one year.

4.18 ACCOUNTS RECEIVABLE

Items	31 Dec 2025	31 Dec 2024 (As restated)
Accounts receivable	4,345,907,648.39	4,128,333,287.48
Less: Bad debt provision	808,425,439.35	775,111,669.33
Net accounts receivable	3,537,482,209.04	3,353,221,618.15

The Group's accounts receivable primarily arise from the sale of goods, the provision of technical and related services, and construction contracts, and are recognized in accordance with the terms stipulated in the relevant transaction agreements. These accounts receivable are non-interest-bearing.

(1) Accounts receivable listed by aging

Aging	31 Dec 2025		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	2,827,060,787.58	63,771,711.49	2.26
1-2 years	560,307,299.46	68,125,363.65	12.16
2-3 years	266,637,880.31	97,680,342.01	36.63
Over 3 years	691,901,681.04	578,848,022.20	83.66
Including: 3-4 years	125,219,203.24	83,429,644.01	66.63
4-5 years	55,153,750.17	41,767,303.09	75.73
Over 5 years	511,528,727.63	453,651,075.10	88.68
Total	4,345,907,648.39	808,425,439.35	18.60

4.18 ACCOUNTS RECEIVABLE (CONTINUED)

(1) Accounts receivable listed by aging (Continued)

Aging	31 Dec 2024		
	Accounts receivable (As restated)	Provision for bad debts (As restated)	Percentage (%) (As restated)
Within 1 year	2,612,068,394.35	86,777,798.81	3.32
1-2 years	586,730,951.39	40,052,361.92	6.83
2-3 years	228,510,811.18	51,921,232.77	22.72
Over 3 years	701,023,130.56	596,360,275.83	85.07
Including: 3-4 years	93,091,679.59	46,038,132.12	49.45
4-5 years	192,426,995.93	156,944,817.62	81.56
Over 5 years	415,504,455.04	393,377,326.09	94.67
Total	4,128,333,287.48	775,111,669.33	18.87

4.19 NOTES PAYABLE

Items	31 Dec 2025	31 Dec 2024 (As restated)
Bank acceptance bill	1,231,006,615.82	1,433,852,853.05
Commercial acceptance bill	2,890,286.36	17,756,828.96
Total	1,233,896,902.18	1,451,609,682.01

Note 1: The Group has no bills payable due and unpaid at the end of this year.

Note 2: The age of notes payable of the Group at the end of this year is within one year.

4.20 ACCOUNTS PAYABLE

(1) The types of accounts payable

Items	31 Dec 2025	31 Dec 2024 (As restated)
Material payable	2,971,131,686.56	2,539,426,958.80
Freight payable	35,125,970.75	38,915,746.07
Equipment payable	116,478,683.71	96,064,410.09
Project payable	2,632,542.82	4,556,207.53
Others	73,908,743.50	50,150,338.17
Total	3,199,277,627.34	2,729,113,660.66

4.20 ACCOUNTS PAYABLE (CONTINUED)

(2) The aging analysis of account payable based on its invoice date

Aging	31 Dec 2025	31 Dec 2024 (As restated)
Within 1 year	2,719,057,319.38	2,269,111,108.17
1-2 years	284,820,784.03	270,560,938.39
2-3 years	78,298,825.32	57,918,042.10
More than 3 years	117,100,698.61	131,523,572.00
Total	3,199,277,627.34	2,729,113,660.66

4.21 UNDISTRIBUTED PROFIT

Items	Jan-Dec 2025	Jan-Dec 2024 (As restated)
Undistributed profit as of 31 December 2024 (before adjustment)	3,726,134,583.84	3,404,126,480.53
Add: Adjustment of comparative financial statements for business combination under common control	-7,110,584.55	-7,665,528.97
Undistributed profit as of 1 January 2025 (adjusted)	3,719,023,999.29	3,396,460,951.56
Add: Net profit attributable to owners of the parent company for the period	763,917,477.33	431,837,743.23
Less: Withdrawal of statutory surplus reserve	70,459,241.72	35,413,321.29
Withdrawal of employee incentive and welfare funds	—	168,571.13
Dividends payable on common stock	165,808,806.80	73,692,803.08
Undistributed profit as of 31 December 2025	4,246,673,428.10	3,719,023,999.29

Note 1: According to the annual general meeting of the Group for the year 2024 held on 12 June 2025, the meeting considered and approved the Group's profit distribution plan for the year 2024, i.e., RMB0.035 (inclusive of tax) per share, which based on the 3,684,640,154 shares in issue, resulted in a total amount of RMB128,962,405.39 required to be distributed as dividend. The Group has paid the aforesaid dividends in July 2025 to each of the shareholders.

Note 2: At the extraordinary shareholders' meeting held on October 28, 2025, the Group reviewed and approved its interim profit distribution plan for 2025, which includes a dividend of RMB0.01 per share (tax inclusive). Based on the total number of issued shares of 3,684,640,154, the total dividend payable amounts to RMB36,846,401.40. The Group has already distributed this dividend to all shareholders in November 2025.

4.21 UNDISTRIBUTED PROFIT (CONTINUED)

Note 3: According to the Measures for the Administration of Reserves and Provisions of Financial Enterprises (Finance [2012] No.20) issued by the Ministry of Finance, Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd., a subsidiary of the Group, sets up a general risk preparation on the basis of extracting the asset impairment provision to make up for the unidentified potential losses related to the risky assets. The general risk provision, as a profit distribution treatment, is a component part of the owner's equity, and in principle should not be less than 1.5% of the balance of the risky assets at the end of the year. At the same time, the measure stipulates that the proportion of the general reserve balance of financial enterprises in the year-end balance at the end of risky assets, which is difficult to reach 1.5% at one time, can be in place by year, in principle shall not exceed 5 years. The year-end balance of general risk preparation withdrawal of Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd. is 1.5% (2024:1.5%).

At the end of the Year, the undistributed profits of the Group included the subsidiary Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd. with general risk provision of RMB69,077,956.74 (Initial amount, RMB49,333,995.67).

4.22 RETURN ON NET ASSETS AND EARNINGS PER SHARE

Profit for the reporting period	Weighted mean Return on equity(%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the company	9.06	0.21	0.21
Net profit attributable to the common shareholders of the parent company after deducting non-recurring gains and losses	7.88	0.18	0.18

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “Board”) of the Company, I am pleased to announce the annual results of the Group for the year ended 31 December 2025 (the “Period” or the “Year”). The annual results have been audited by the Company’s auditor, ShineWing Certified Public Accountants (Special General Partnership). It is my pleasure to present the results of the Group as well as its sustainable development strategy and outlook to the Shareholders.

2025 IN REVIEW

In 2025, the global economy demonstrated a “fragile resilience” under multiple pressures such as global tariff frictions and geopolitical tensions, entering a moderate growth trajectory.

Facing a complex international landscape, the Chinese government remained committed to implementing the new development philosophy and promoting high-quality development, coordinating both domestic and international dynamics, and adopting more proactive and effective macro policies. China’s economy exhibited strong resilience and achieved development marked by “withstanding pressure, moving toward innovation and excellence”.

The Group advanced steadily amid a complex and changing market environment and made efforts to overcome many adverse factors such as intensified industry competition and fluctuations in raw material prices. It focused on major national strategies including green and low-carbon transformation and innovation-driven development, as well as Chongqing’s modern manufacturing cluster system of “33618”. The Group continuously improved and integrated innovative development platforms, accelerated industrial structure adjustment, transformation and upgrading, and digital empowerment, tackling key problems in major technological equipment and the industrialization of innovation achievements, enhanced product added value and market competitiveness, and continued to move toward the high end of the value chain. In 2025, the Group’s operational quality and efficiency continued to improve, and major indicators such as operating revenue, total profit and new orders reached historical highs on a comparable basis, laying a solid foundation for a good start to the “Fifteenth Five-Year Plan”.

DEVELOPMENT STRATEGIES FOR 2026

The development strategies and work of the Group priorities for 2026 are as follows:

In 2026, the Group will closely follow the “12358” strategic framework (building a first-class modern enterprise; improving the effectiveness of existing industries and the capability level of new industries; creating three major growth curves; deepening five areas of reshaping; and implementing eight strategic initiatives). The Group will focus on three major strategic actions and use the eight strategic initiatives to strengthen its development foundation, promote high-quality development, and resolutely accomplish the annual targets assigned by the Board of the Company. (Note: “3” refers to the three growth curves: the first growth curve refers to existing businesses; the second refers to enhancing industrial capability, including pioneering R&D in new frontiers through independent innovation, introducing technologies to incubate new industries, and M&A for extending and supplementing industry chains, etc.; the third refers to manufacturing-related services and industrial services, etc. “5” refers to the five areas of reshaping: deepening systemic reforms, removing institutional and structural barriers, and stimulating endogenous development vitality.)

Three Strategic Initiatives

To maintain its competitive advantages and leading position in the industry, the Group will adopt the following pragmatic actions in 2026 and play a pioneering and forward-looking role:

I. Dual Enhancement Action for Industrial Capability

First, the Group will consolidate and expand the first growth curve and promote quality enhancement and efficiency improvement of existing industries. It will strengthen the enhancement of industrial efficiency in the areas of clean energy and intelligent manufacturing, accelerate the improvement of equipment manufacturing and testing capabilities, and build three public platforms, including integrated systems centered around large-scale high-end structural components, general machining with additive manufacturing such as 3D printing, and high-end castings and forgings. The Group will drive the upgrading of core equipment towards intelligence, green development and deep integration, further expand overseas market development and coordinated marketing capabilities, and enhance the efficiency of existing industries. Second, the Group will develop and expand the second growth curve and accelerate technological innovation and the implementation of innovation outcomes. The Group will promote industrial innovation through technological innovation, improve the introduction mechanism for high-end scientific and technological talents and enhance R&D capabilities, collaborate with universities and research institutes to tackle core technological challenges, accelerate the construction of major industrialization projects, and cultivate new quality productive forces for high-quality development. Third, the Group will cultivate and deploy the third growth curve and strengthen capital operation and the development of the modern services ecosystem. It will make forward-looking deployments in strategic emerging industries and future industries, promote industrial iteration and upgrading and the extension of the value chain, and focus on key core equipment and system-based solutions to develop system integration businesses and transform towards “equipment manufacturing + modern industrial services”.

II. Technological Innovation Action

First, the Group will deepen the development of the innovation system, integrate common R&D resources across enterprises, build public testing platforms for fluid machinery and industrial control, enhance collaborative R&D capabilities and comprehensive R&D strength, and guide innovation resources in a coordinated manner towards breakthroughs in key core technologies and joint innovation for developing new tracks. The Group will improve the incentive and evaluation mechanisms to stimulate innovation vitality. Second, the Group will focus on tackling core technological challenges and accelerate the R&D of strategic products such as nuclear power pumps, hydrogen energy equipment, large wind turbine blades and industrial control systems. Key initiatives include ensuring autonomous controllability and industrial application of the core technologies of fourth generation nuclear main pumps, launching 90MPa hydrogen compressors to the market and project applications, and completing mass production trial manufacture of 130-meter offshore wind turbine blades. In 2026, the Group will promote the comprehensive deployment of high-end energy equipment, accelerate the transformation of core equipment toward complete sets and system integration, speed up the conversion of technological breakthroughs into market value, stabilize the revenue contribution of new products, and concurrently develop products such as marine magnetic levitation refrigeration units and offshore platform natural gas compressors. Third, the Group will accelerate the transformation of innovation outcomes, expedite new product accreditation and the application for first piece/set of equipment, and promote the engineering application of technologies. Through industry exhibitions and other channels, the Group will promote high-value outcomes such as nuclear power pumps, hydrogen energy equipment and high-end machine tools to enhance market penetration. The Group will strengthen the standardization, productization and industrialization of technologies, form a “R&D – application – iteration” closed loop, and promote the scaled development of emerging industries.

III. Digital Transformation Action

First, the Group will promote the digitalization of R&D. It will upgrade the PLM system to strengthen product data management and three-dimensional design collaboration, build an integrated R&D platform, and realize the full-process digitalization of innovation projects with continuous enhancement of digital capabilities in critical control areas. Second, the Group will promote the digitalization of production. It will coordinate the resolution of issues such as cross-enterprise resource allocation, system interfacing and standards alignment, focus on upgrading MES and ERP systems, and guide subsidiaries to accelerate the construction of digital workshops and intelligent factories. Third, the Group will promote the digitalization of products. It will integrate new technologies such as intelligent sensors, intelligent control systems and artificial intelligence into products and equipment, focus on projects such as quality and safety traceability codes, intelligent modules, intelligent control and remote operation and maintenance, launch pilot AI intelligent design for modular and standardized products, and cultivate application scenarios featuring “intelligent electromechanical knowledge”. Fourth, the Group will promote the digitalization of management. Focusing on 12 systems including master data management and business-finance integration, the Group will promote the implementation of customized applications, optimize systems such as expense control and HSE, and accelerate the construction of marketing collaboration platforms.

Eight Strategic Initiatives

To strengthen the Group's defensive capabilities against various crises and implement rigorous management, the Group has adopted the following strategic actions:

I. Market Expansion

First, the Group will focus on the domestic market by integrating major marketing resources, forming specialized teams for segmented industries, and implementing the “major project manager responsibility system” for significant projects. This ensures end-to-end tracking of project coordination and execution, thereby boosting order conversion rates. Second, the Group will expand into international markets by leveraging existing overseas customers and platform resources, focusing on key regions to enhance market penetration, and proactively connecting with major customer platforms to “expand internationally through partnerships”. Third, the Group will improve marketing management by utilizing the CRM system to digitalize the sales process, ensuring smooth internal information flow, and integrating resources such as direct sales, government channels and design institutes to capture business opportunities. The Group will also optimize KPI assessments for the sales team to boost sales motivation.

II. Operations Management

First, the Group will enhance lean management. It will integrate machining resources of its subsidiaries, streamline component lists, coordinate equipment and talent, and establish a manufacturing service platform to achieve centralized and specialized processing of components. The Group will promote lean concepts, establish internal and external exchange and benchmarking mechanisms, focus on core indicators and quality control, continue to carry out lean training, and advance the development of a lean talent pipeline. Second, the Group will strengthen procurement management. It will deepen the integrated control of the supply chain by focusing on supplier admission, performance tracking, quality acceptance and dispute resolution, and promote refined procurement cost management to maximize efficiency. The Group will reinforce compliance supervision, carry out regular special inspections on material procurement, and prevent supply chain risks. Third, the Group will reinforce HSE management. It will implement responsibility targets, conduct inspections and evaluations of dual-prevention mechanism operations, and prevent accidents at the source. The Group will adhere to expert supervision, organize periodic safety inspections, and ensure that no major or above-level safety or environmental incidents occur throughout the year. Fourth, the Group will strengthen the analysis of macroeconomic conditions and industry development trends, proactively assess market opportunities and risks, optimize resource allocation, and make early deployments in core business tracks.

III. Capital Efficiency Enhancement

First, the Group will strengthen its market capitalization management. Focusing on optimizing the dividend policy and exploring equity incentive schemes, the Group will steadily advance its core strategies for market value management. It will enhance high-frequency communication and interaction with various types of investors, actively listen to market feedback and respond promptly to key market concerns. By continuously and accurately conveying the Company's value and philosophy to the market, the Group aims to gain greater market recognition and thereby drive improvement in the Company's valuation. In accordance with the latest ESG regulatory requirements, the Group will progressively improve its ESG governance system. Second, the Group will carry out reforms and revitalize assets. It will focus on the optimization and integration of its principal business and continue to thoroughly implement the requirements of Chongqing Municipal Government for municipal state-owned key enterprises to focus on their main business, strengthen core functions and optimize integration. The Group will activate existing assets by category, promote the absorption and merger or closure and deregistration of inefficient or ineffective assets, and enhance asset operation efficiency.

IV. Investment and Financing Management

First, the Group will strengthen equity investment. It will innovate market-oriented investment and financing models and orderly advance strategic and high-quality mergers and acquisitions around its core responsibilities and businesses. The Group will introduce strategic partners with synergistic effects, accelerate the diversification of advantageous businesses or equity, and reinforce industry resource integration and collaboration. Second, the Group will advance fixed asset investment. It will accelerate its deployment in new energy, increase investment in wind power projects, advance the construction of the second phase of distributed photovoltaic projects, and explore integrated development of wind, solar, and storage. At the same time, the Group will advance key projects such as expanding wind turbine blade production capacity and increasing gas injection in oil and gas fields in accordance with the plan to ensure orderly implementation.

V. Value Management

First, the Group will continue to optimize its capital structure and asset allocation. Guided by strategic development, the Group will optimize the existing capital structure, allocate incremental assets in a reasonable manner, strictly control the gearing ratio and prevent debt risks. Second, the Group will focus on enhancing cash generation. Through differentiated product pricing and multiple measures to reduce costs and control expenses, the Group will improve its overall gross profit margin. It will strengthen the integration of business and finance and enhance digital management and control, strictly control the "accounts receivable and inventory" and implement the requirements of "clearing overdue accounts, reducing receivables and controlling inventories". Third, the Group will strengthen cash management. It will continue to advance treasury system development to achieve efficient centralized fund collection and disbursement and unified allocation, strengthen the efficiency of consolidated fund utilization and improve the effectiveness of fund utilization.

VI. Compliance and Risk Control Management

First, the Group will strengthen the collection and identification of risk information, carry out systematic risk analysis, and achieve full coverage of quarterly risk inspections. It will implement comprehensive oversight requirements to ensure that the rectification rate of internal control deficiencies reaches at least 90%. Second, the Group will strictly enforce legal review for the three key tasks, strengthen special supervision over complex and significant cases and major economic contracts, promote case resolution, and safeguard compliant operations. The Group will achieve a 100% legal review rate and ensure that the rate of early identification of legal risks reaches no less than 90%. Third, the Group will carry out accountability audits in a solid manner and ensure that the rectification rate of issues identified through audits reaches no less than 90%.

VII. Human Resources Strategy

First, the Group will focus on the recruitment and development of key talents. It will progressively introduce professional talents in areas such as overseas markets, new energy, industrial mother machines and hydrogen energy equipment, with priority given to strengthening talent in cross-border business, high-end R&D and technology “bottlenecks”. The Group will implement a tiered recruitment and development programs for outstanding young talents, leading experts and top-tier professionals to build a solid reserve of young successors. Second, the Group will focus on empowering core talents. Aligned with development needs, the Group will adhere to a training model combining “internal development + external training” and “general education + professional expertise”, and will continue to carry out “Board of Directors Lecture Series” as well as thematic programs on strategic planning, financial management and industry trends. The Group will deepen joint master’s and doctoral engineering education programs with universities such as Harbin Institute of Technology, select key personnel to participate, and expand pathways for doctoral-level talent development.

VIII. Party Building and Cultural Development

The Group will carry out the “Year of Value Creation for Grassroots Organizations” campaign and continuously promote the establishment of Party member pioneer posts, responsibility zones and commando teams. It will strengthen the construction of organizational platforms and enhance the value-creation capability of Party-building work. The Group will also deepen the “One Enterprise, One Brand; One Branch, One Feature” Party-building brand initiative, build a “1+N” Party-building brand matrix, further enhance the creativity, cohesion and combat effectiveness of grassroots Party organizations, and establish a work pattern in which Party building and production and operation resonate at the same frequency.

MANAGEMENT’S DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Market Development

In 2025, the Group continued to consolidate its cooperation with strategic customers, actively expanded customer resources and made every effort to establish in-depth cooperation with leading enterprises in the industry. We added new domestic and foreign strategic customers across the upstream and downstream segments of the industrial chain, including Tekeli of Kazakhstan, Sichuan Ecological Environmental Protection Group and Jiamusi Electric Machine Ltd, thereby further broadening our diversified customer base. Through strengthened upstream-downstream synergy along the industry chain, we enhanced the stability and overall resilience of the supply chain. We continued to deepen our cooperation with key strategic customers such as Goldwind Science & Technology Co., Ltd. (“Goldwind Science & Technology”), Chongqing Expressway Group Co., Ltd., Dongfang Electric Corporation Limited, China Railway Tunnel Bureau Group Co., Ltd., and secured strategic-level orders amounting to RMB4,736 million. Actively implementing the “grand marketing” strategy, the Group coordinated a partnership between its subsidiaries and Shanghai Lanze Energy Technology Co., Ltd., enabling complementary strengths and product iteration and upgrade, and successfully secured orders of over RMB260 million. Leveraging new products, we unlocked emerging markets and opened new avenues for growth, laying a solid foundation for further cooperation. The Group proactively expanded its overseas presence and achieved a strategic deployment across Belt and Road countries including Central Asia, South Asia, the Middle East and Latin America, with export revenue increasing by 34% year-on-year. Four new overseas distributors were added, establishing a customer foundation for undertaking future large-scale regional projects and supporting sustained growth in overseas revenue. Among our subsidiaries, the wind power blade business continued to strengthen cooperation with industry leaders, with deliveries to Goldwind Science & Technology accounting for 23.7% and deliveries to Windey Energy Technology Group Co., Ltd. accounting for 10%. For the wire, cable and material business, orders from key customers such as Harbin Electric and Dongfang Electric accounted for 60% of total, reflecting strong customer recognition of the wire and cable business. Meanwhile, the Group accelerated development and launch of new products, enabling the electromagnetic wire business to secure orders from Harbin Electric, Dongfang Electric and General Electric (GE). This marks the entry of new products into the high-end market and opening new growth opportunities. For industrial pump business, the Group secured the tailings slurry diaphragm pump project from Huayou Cobalt with a contract value of RMB141 million, marking the Group’s presence in the high-temperature, high-pressure and high-flow nickel-cobalt markets overseas. In hydroelectric generation equipment business, the Group continued its strong performance overseas and secured the Phase III of Jinwanjia project in the Democratic Republic of the Congo from Zijin Mining Group Company Limited, with a contract value of RMB83 million. For gas compressor business, performance in the oilfield sector further expanded, securing turn-key projects of approximately RMB130 million. These achievements broadened the scope of deep market penetration. Breakthroughs in orders were achieved in low-temperature compressors and large-tonnage high-speed units. New product iterations drive future market growth and unlock potential expansion in new niche areas.

Operational Quality

In 2025, the Group made lean management as its core focus, thereby increased operational quality and efficiency.

First, deepening cost reduction and efficiency improvement across the full value chain. The Group strengthened the two-level work responsibilities of its headquarters and subsidiaries, and strictly controlled the process, continued to carry out the work of reducing costs and increasing efficiency and controlling the “accounts receivable and inventory”. The Group has reduced its inventory by strengthening the procurement plans, controlling abnormal changes, checking the risk of inventory obsolescence, implementing the inventory counting system and revitalizing the overstocked materials, further accelerating the inventory turnover. The Group maintained stable relationships with suppliers to ensure continuity, quality and reliability across the supply chain, and strengthened its ability to respond to potential disruptions. The Group continued to advance lean management initiatives.

Second, systemically pushing for lean management and benchmark against the best. The Group improved the lean management system and solidified organizational structures. A scientific and effective lean indicator system was established and put into comprehensive application. Using lean improvement topics as a key driver, the Group enhanced quality and efficiency across the entire enterprise value chain. At the same time, the Group attached great importance to the development of lean talents and completed the tiered construction of a lean talent team. With the objective of improving development quality as the main focus, and guided by the requirements for high-quality development, the Group made every effort to advance benchmarking against top-tier enterprises, precisely addressing weaknesses and reinforcing areas requiring improvement, thereby consolidating the foundation for high-quality development.

Third, upholding the bottom line of safety and environmental protection. The Group continued to maintain a sound production safety, occupational health and environmental protection management system. With proper preventive measures in place for production safety, the Group had no work-related fatalities, new occupational diseases nor environmental pollution accidents throughout the year.

Technological Innovation

1. *Grasp the opportunities brought about by macro strategies*

With the continuous and systematic advancement of the national “dual-carbon” objectives of carbon peak and carbon neutrality, a new power system with new energy as the mainstay is being established. The proportion of clean energy such as wind power and hydrogen energy in the energy mix will continue to rise, and the national electricity transmission network continues to expand. Chongqing, located at the intersection of three major strategic corridors—the “Chengdu-Chongqing Hydrogen Corridor”, the “Yangtze River Economic Belt Hydrogen Corridor”, and the “Western Land-Sea New Channel Hydrogen Corridor”, serves as a core node of the hydrogen energy network in Southwest China. Together with major strategies including the establishment of Chongqing’s “33618” modern industrial system, the Group’s industrial equipment segment is presented with both policy support and market opportunities. At present, China is promoting the transition of hydrogen energy from being an “industrial feedstock” to an “energy carrier”, presenting significant development opportunities for the successful commissioning of hydrogen refueling and storage equipment in pilot projects. The “Fifteenth Five-Year Plan” will continue to expand clean energy power generation and accelerate the green and low-carbon transition of the energy sector, with stronger efforts to develop non-fossil energy and speed up the construction of clean energy bases such as wind and photovoltaic power in the northwest, hydropower in the southwest, offshore wind power, and coastal nuclear power. These initiatives provide policy support for sustained growth of clean-energy equipment such as hydropower turbine units, nuclear-grade pumps, and wind turbine blades. The development of national strategic initiatives—such as data centers, power transmission enhancement, intelligent manufacturing in the equipment sector, and large-scale equipment renewal continues to safeguard the sustainable development of equipment including wires and cables, industrial fans, chillers, and intelligent production lines, exploring new growth opportunities.

2. *Advanced major technical breakthroughs*

In 2025, the Group focused on the clean energy and high-end equipment sectors and advanced major project development, focusing on the R&D of the fourth-generation nuclear power lead-bismuth primary pumps, 110-meter low-wind-speed wind turbine blades, 100–200kW marine magnetic levitation centrifugal chillers, 35–70MPa high-flow integrated skid-mounted high-speed natural gas compressors for gas-lift boosting, small-to-medium pumped storage units, and the R&D projects for electromagnetic wire series products, all of which are currently under construction. The total investment in the Group’s major projects in 2025 was approximately RMB388.04 million.

3. *Significant innovation results*

In 2025, the Group’s R&D expenses amounted to approximately RMB521.60 million, accounting for 5.19% of operating revenue. The Group obtained 106 newly authorized patents, including 44 authorized invention patents. The Group participated in the formulation or revision of a total of 20 standards, including 11 national standards, 4 industry standards and 5 group standards. A total of 29 new products passed appraisal (evaluation) at the municipal level or above. Capabilities in tackling core technical challenges and commercializing research outcomes continue to strengthen.

In 2025, the Group deeply advanced its digital transformation strategy, with the seven major service platforms for “R&D, procurement, production, sales, services, finance and management” and a unified digital foundation serving as the core architecture, delivering remarkable transformation results. In the area of industrial digitalization, the Group promoted the quality enhancement and upgrading of 11 key projects in 2025, with 8 digitalized workshops upgraded to intelligent factories and 3 intelligent factories upgraded to advanced-level intelligent factories. Chongqing Unication Electronic Technology Co., Ltd. and Chongqing Pump Industry Co., Ltd., subsidiaries of the Group, completed a three-stage transition from “digitalized workshop to intelligent factory and to advanced-level intelligent factory”. The core platforms continued to empower operations. The IoT (Internet of Things) platform has connected over 1,200 core production equipment units, and the integrated design and simulation platform has achieved usage coverage of 50% of R&D needs. Key application scenarios such as business–finance integration and economic operation analysis have been effectively implemented, supporting improvements in operational efficiency of 30% to 50%. Significant breakthroughs were also made in data and AI applications, with the completion of a unified data middle platform and an industrial internet secondary identification and resolution node, laying a solid foundation for data-driven business innovation. The Group’s digital transformation has comprehensively transitioned from the “infrastructure building” stage to a new stage of high-quality development characterized by “deep empowerment and value creation”, injecting strong digital momentum into the Group’s high-quality development and continuously unlocking future growth potential.

Resource Integration

The state has clearly set forth the direction for the equipment manufacturing industry to develop toward high-end, intelligent and green transformation. The Ministry of Industry and Information Technology and five other ministries jointly issued the Work Plan for Stabilizing Growth in the Machinery Industry, launching a new round of initiatives to stabilize growth and promote the industry’s shift from “maintaining stability” to “achieving quality improvement”. Within two years, it surpassed RMB10 trillion with an average annual growth rate of 3.5%. It proposed the “Industrial Machine Tool+” and “Robotics+” application initiatives (*referring to national strategic initiatives that promote intelligent and automated upgrades across hundreds of industries using industrial machine tools or robots as the core*). These initiatives aim to continuously enhance the resilience and security of key industrial and supply chains and elevate development quality and efficiency to a new level. This objective demonstrates both the bottom-line mindset of ensuring “stability” and the determination to pursue “progress”, directly benefiting the Group’s intelligent production lines such as high-end CNC machine tools and intelligent testing equipment. Meanwhile, market demand for systems integration of clean-energy equipment, green hydrogen equipment, wind turbine blades and recycling, magnetic levitation heat pump units, CO₂ heat pump systems, and related product series will continue to grow steadily.

In light of the above opportunities, the Group will continuously strengthen the integration of internal and external resources. First, the Group will strengthen resource management in R&D and promote the construction of joint technical platforms. Second, the Group will deepen the strategic cooperation with leading companies upstream and downstream within the industrial chain, thereby increase the robustness of the supply chain. Third, the Group will optimize the layout of product to ensure that it will firmly grasp market opportunities.

In 2025, the Group integrated design and production resources to promote platform development. With the goal of establishing a high-end, high value-added, and customized large-scale structural components and integrated skid-mounted processing platform, the Group will implement upgrades to production and manufacturing capabilities and advance the series-based integrated equipment manufacturing for pressure vessels of industrial and nuclear-grade pumps, as well as runners, volutes and related equipment for hydropower generating units. In line with the national direction of high-end, intelligent and green development, the Group established an integrated industrial intelligent control technology platform driven by customized solutions, forming integrated capabilities that combine “hardware + software + platform + services”, and developing standardized, replicable products and services.

Risk Management

In 2025, the Group closely focused on strategic development goals and annual business goals, taking internal control evaluation, audit supervision, risk screening, compliance reviews and case management as key levers to further standardize and enhance corporate governance, institutional systems, business decision-making and operational processes. While effectively implementing risk management, the Group promoted the continuous and steady development of the Company’s production and operations. In accordance with relevant regulatory requirements, the Group completed the internal control self-inspection and self-assessment of the headquarters and its subsidiaries, carried out internal control supervision and evaluation for 3 subsidiaries, and conducted audit supervision on 13 subsidiaries. The Group promptly identified and rectified weaknesses in key areas such as procurement and tendering, fixed asset investment and accounts receivable management. For major risk items, the Group established a ledger for timely tracking and implemented and optimised corresponding response measures. The Group also conducted extensive legal publicity activities to further enhance employees’ awareness of law-based governance and compliant operations. It was fully involved in the handling of major legal disputes of subsidiaries and assisted them in taking various measures to safeguard their legitimate rights and interests, achieving remarkable results in debt recovery. The Audit Committee of the Group is responsible for regularly analyzing and monitoring existing and potential risks to ensure that risks are managed in a timely and adequate manner.

Development Foundation and Advantages

As the largest integrative equipment manufacturing company in western China, the Group will have the following foundation and advantages in the future development:

By taking advantage of the regional development plans of “the Belt and Road”, “Chengdu-Chongqing Economic Circle” and the construction of new land and sea corridors in the western region, the Group has favorable development opportunities to explore potential markets and expand business along the route. Meanwhile, the Group benefits from preferential policies such as western development and enjoys unique industrial policy advantages and tax advantages, providing both financial and resource support for business development.

The Group focuses on clean energy equipment and high-end intelligent equipment, aligning with the important national development strategy of “promoting the high-end, intelligent and green development of manufacturing”, and centers on the national carbon peak and carbon neutrality goals, being committed to promoting the green development of manufacturing. The Group’s product portfolio includes clean energy equipment such as nuclear power pumps, diesel generator sets, hydro-turbine generator units, wind turbine blades and wires and cables, as well as various high-end CNC machine tools. Therefore, the Group has demonstrated significant competitive advantages in market segments and overseas markets. Infrastructure investment in the fields of energy, transportation and water conservancy in countries along the “Belt and Road” continues to increase, directly driving the demand for power generation equipment, pump and valve systems and other related products, resulting in a year-on-year increase of more than 30% in related sales orders of the Group. As a leading local enterprise in the equipment manufacturing industry of the “Chengdu-Chongqing Economic Circle”, the Group is profoundly involved in regional industrial synergy, providing diversified product portfolios and services to enhance the Group’s capability to guard against integrated risks.

The Group values research and innovation and currently possesses 6 state-level enterprise technology centres, 5 well-known trademarks in the PRC, and 2 national-level postdoctoral research stations, providing a solid technological foundation for sustainable development and market competitiveness. Meanwhile, the Group continues to maintain a reasonable level of research and development investment to provide sufficient funding support for breakthrough technological projects and new product development, thereby continuously consolidating its technological leadership.

The Group has established a highly efficient and standardized corporate governance structure and institutional system, and has developed a good corporate governance and risk control mechanism that is efficiently operated and effectively managed, thereby safeguarding the Group’s sound operations.

The Group has established a comprehensive human resource management system, incentive mechanism and overseas talent cultivation mechanism. It possesses excellent and leading technical elites, a high-quality staff team and a management team with international horizon, ensuring a stable labor force and providing stable and reliable intellectual support for the Company’s development. Focusing on the industrial layout, the Group has implemented human resources strategic planning, continuously promoted the optimization of talent structure focusing on the construction of “six major” talent projects, innovated the talent training and development mechanism, improved the remuneration allocation mechanism, and gradually formed a talent system and ecosystem with Chongqing Machinery & Electronic characteristics and industry competitiveness.

The Group's revenue from wind turbine blades has continued to grow, and new breakthroughs have been achieved in the application of fourth-generation nuclear power pumps and centrifugal chiller projects. The integrated hydrogen energy storage and hydrogen refueling equipment has been successfully put into operation, the product matrix of wires and cables has been continuously enriched, the market for micro pumped-storage units has begun to open up, small- and medium-sized technologies have gradually matured, and overseas orders for hydropower equipment have achieved leapfrog growth. Looking ahead, the Group will continue to strengthen its synergistic capabilities, seize market opportunities and achieve new breakthroughs.

Awards

During the Period, the Group and its subsidiaries were granted the following awards:

- ◆ The Company received the “Outstanding Listed Company with High Quality Development” at the 15th China Securities Golden Bauhinia Awards, and Mr. Deng Rui, Executive Director, Deputy General Manager and Company Secretary of the Company, was awarded the “Outstanding Company Secretary of Listed Companies”;
- ◆ The Company was awarded the “Top 50 Small Enterprises” and the “Promising Corporate” in the 12th “Top 100 Hong Kong Listed Companies”;
- ◆ The Company was recognised as one of the “Top 100 IRM Companies” by Ju Dong Mi for 2025. Mr. Deng Rui, Executive Director, Deputy General Manager and Company Secretary of the Company, was awarded “Top 100 Company Secretaries”, and Ms. Cao Jing, Investor Relations Manager of the Company, was awarded “Top 100 IRD” by Ju Dong Mi for 2025;
- ◆ Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd., a subsidiary of the Group, received the “Sinan Award – Annual Local Treasury Construction Benchmark Enterprise”, becoming the first municipal state-owned enterprise in Chongqing to receive this honor;
- ◆ Chongqing Chengfei New Material Co., Ltd., a subsidiary of the Group, was approved as one of the seventh batch of “Little Giant” enterprises under the Specialized, Refined, Differential and Innovative programme;
- ◆ Three projects of the Group's subsidiaries – namely “Key Technologies and Applications of Adaptive High-Efficiency Descaling Machine” by Chongqing General Industry (Group) Co., Ltd., “R&D and Application of High-Efficiency Low-Noise Complex Gas Centrifugal Turbine Equipment” by Chongqing General Industry (Group) Co., Ltd., and “Development and Application of a Series of National Standards for Quality Control in Production Processes” by Chongqing Mengxun Electronic Technology Co., Ltd. – received the Second Prize of the Science and Technology Progress Award. The project “High-Performance Five-Axis CNC System and Its Major Engineering Applications” by Chongqing Machine Tools (Group) Co., Ltd. received the First Prize of the “2025 China Machinery Industry Science and Technology Award”;

- ◆ The Group’s subsidiaries successfully obtained first-piece (set) major technical equipment recognition for the following: the refrigeration compressors for wind-solar hydrogen production and ammonia synthesis by Chongqing General Industry (Group) Co., Ltd.; the M-type high-speed CNG compressors by Chongqing Gas Compressor Factory Co., Ltd.; and the wind turbine blade projects of Chongqing Chengfei New Material Co., Ltd.;
- ◆ Five products of the Group’s subsidiaries were successfully included in the Chongqing Major Industrial Technological Innovation Product List (2024), and they are YD112A wind turbine rotor blades and CG195.0C generator set blades of Chongqing Chengfei New Material Co., Ltd.; refrigeration compressors for wind-solar hydrogen production and ammonia synthesis (MN series, MD series, MN+MD series) and petrochemical blowers under API673 (Y series, G series, F series, W series, CTGXGF series) of Chongqing General Industry (Group) Co., Ltd.; and Hulk gas engines (K38N & K50N) of Chongqing Cummins Engine Co., Ltd.;
- ◆ Chongqing Pigeon Electric Porcelain Co., Ltd., a subsidiary of the Group, was included in the 2025 Municipal Green Factory/Green Industrial Park List;
- ◆ Chongqing Machinery & Electronic Intelligent Manufacturing Equipment Operation & Analysis Intelligent Agent, a subsidiary of the Group, was successfully included in the first batch of Chongqing “Yu-pai” Industrial Intelligent Agent Product Catalogue.

MANAGEMENT’S DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

CLEAN ENERGY EQUIPMENT (WIND POWER BLADES, ELECTRICAL WIRES AND CABLES AND MATERIALS, INDUSTRIAL PUMPS, INDUSTRIAL BLOWERS, GAS COMPRESSORS, HYDROELECTRIC GENERATION EQUIPMENT AS WELL AS OIL AND GAS SERVICES, AND OTHER BUSINESS)

BUSINESS REVIEW AND OUTLOOK

In 2025, the wind power blade business of the Group’s clean energy equipment segment continued to increase its investment in research and development, accelerated technology upgrades and iteration, and closely followed industry trends of large-megawatt capacity, large-blade design and lightweight development, while also focusing on the project construction needs of host manufacturers, completed the production line layout in advance, continuously optimized production organization, enhanced blade output efficiency and quality stability, gained strong industry recognition and achieved leapfrog growth. The wire, cable and material business precisely captured market trends, strengthened market expansion for products such as copper profiles, high-voltage/ultra-high-voltage insulators and power cables, effectively offsetting the downward pressure on the wire and cable business arising from the sluggish real estate market and achieving good growth. The hydroelectric equipment business delivered remarkable results from its reforms and, driven by the dual engines of “market expansion + lean management”, effectively stimulated operating vitality and achieved restorative growth. The industrial blower business faced pressure from leading enterprises and intensified low-price market competition; the industrial pump business was dragged down by the continued contraction of the downstream steel sector; some projects in the gas compressor business segment have been delayed due to customers falling behind schedule, resulting in a decline in performance across all three business segments.

The overall operating revenue of this segment was approximately RMB8,301.3 million, representing a year-on-year increase of approximately 13.7%. The growth was mainly driven by the continued optimization of production processes for wind power blades, which improved blade output efficiency and led to rapid business growth, proactive adjustments to market and product structures in the wire, cable and material business, which maintained solid growth, and a recovery in the hydroelectric equipment business following in-depth reforms.

During the Period, the gross profit of the clean energy equipment operating segment was approximately RMB1,244.3 million, representing an increase of approximately RMB10.8 million or approximately 0.9% as compared with approximately RMB1,233.5 million for the same period of 2024, mainly driven by the business scale growth of wind power blades and wire and cable businesses.

During the Period, the results of the clean energy equipment operating segment was approximately RMB250.0 million, representing an increase of approximately RMB127.3 million or approximately 103.7% as compared with the results of approximately RMB122.7 million for the same period of 2024, mainly due to the turnaround achieved by the hydroelectric power generation business.

In terms of new product R&D, the industrial blower business successfully commissioned the wind-solar hydrogen-ammonia synthesis compressor in the first-phase project of the world's largest 1.52-million-ton green hydrogen and ammonia project, solving the challenge of matching fluctuating green-power operating conditions. The offshore platform natural gas compressor achieved domestic production of the main unit. The first dichloromethane organic vapor compressor unit was successfully commissioned, and the rotor of the dry-quenching circulating blower achieved domestic substitution. A 100–200kW magnetic-levitation centrifugal chiller was successfully developed. These breakthroughs mark the Group's realization of core technology import substitution and technological leadership in the field of high-end blower and compressor equipment, forming a significant competitive advantage in the green energy equipment sector and strengthening the technological and performance foundation for undertaking large benchmark demonstration projects and expanding high-end markets. The wind power blade business successfully developed the 10MW onshore carbon-glass hybrid main-beam blade (CF110), adopting an innovative stress-verification method for pultruded-plate main beams, achieving an advanced level in the domestic industry. The embedded M42 blade-root connection design obtained DNV (Det Norske Veritas) certification. The innovative leading-edge UD (unidirectional layer) prefabrication technology has been applied and scaled across multiple blade types, significantly improving product quality. Through process innovation and design optimization, production efficiency and cost competitiveness were greatly enhanced, directly strengthening the profitability of core products and further consolidating the Group's market position in the high-end wind blade sector. In the industrial pump field, new product R&D for four key pumps for "Hualong One" nuclear power plants and high-temperature corrosion-resistant diaphragm pumps for nickel-ore slurry (used in new-energy vehicle power battery manufacturing) was completed and certified by the China General Machinery Industry Association, reaching an international advanced level. The hydroelectric equipment business achieved breakthrough results in integrated turbine-generator units and vertical two-pivot turbine-generator units, reaching a leading level in China and successfully entering international markets by securing hydropower project orders from countries along the Belt and Road. These technological breakthroughs demonstrate the Company's strong R&D capabilities in high-end pumps and hydroelectric equipment, significantly enhancing competitiveness in the high-end equipment market and injecting strong technological momentum into performance growth. The gas compressor business completed the independent R&D and design of a 1,500 rpm high-speed skid-mounted compressor, currently the highest-speed compressor for small-tonnage electric-drive skid-mounted units in China and abroad. The base components of the 6M35 compressor, the largest tonnage and highest-speed compressor domestically and overseas, have completed 3D design and finite-element analysis and are currently in engineering-drawing design. Significant progress was made in hydrogen-energy advancement: one hydrogen refueling station was completed and commissioned; the electrolytic hydrogen BOP system entered commissioning preparation. The standard chemical process skid for green methanol production via CO₂ coupling with green hydrogen has been successfully installed and commissioned on-site. The year's new product development achievements effectively expanded the Company's presence in strategic emerging overseas markets such as wind energy, nuclear energy and hydrogen energy, enhanced the overall competitiveness of core products, and provided momentum for the Group's future sustainable revenue growth and profitability improvement.

In addition, Chongqing Cummins Engine Company Limited (重慶康明斯發動機有限公司) (“Chongqing Cummins”), a joint venture of the Company, is principally engaged in the production of high-horsepower diesel engines. In 2025, Chongqing Cummins overcame the impact of intensified market competition, actively seized the growth opportunities in overseas markets, continued to reduce costs and increase efficiency, and accurately matched the needs of the power and industrial sectors. Market expansion achieved remarkable results, and its revenue scale reached a new level. In the power market, it continuously increased its market share in mobile power vehicles and the express logistics industry, maintained its leading position in the domestic high-horsepower diesel engine market, and achieved good growth in overseas sales. In the industrial market, it promoted the successful entry of various new products such as QSK19 and QSK50 into the shipping machinery, offshore equipment, engineering machinery, oil and gas field and rail markets. Some new products have already been delivered in small batches, including new products used for backup power in AI data centers, which have ramped up on schedule. It launched customer-care activities and provided value-added guarantee services for firefighting, ships, bulldozers, oil and gas fields and other sub-markets and industry users, and received high recognition from end-users. At the same time, it actively adjusted its product structure, focusing on the promotion of high-horsepower engine series such as K38/50 and QSK38/50, while green-power products were rolled out at an accelerated pace, jointly driving a steady improvement in profitability. Driven by multiple factors, Chongqing Cummins exceeded the Board’s targets for its major indicators in 2025, achieved record-high operating revenue and net profit of RMB1.27 billion, representing a year-on-year increase of 47%.

Chongqing Hitachi Energy Transformer Co., Ltd. (“Chongqing Hitachi Energy”), an associate of the Company, is principally engaged in the production of power transformers, reactors and ultra-high-voltage DC converter transformers. Chongqing Hitachi Energy is one of Hitachi Energy’s largest transformer manufacturing bases worldwide. Since its relocation to the new site in 2023, Chongqing Hitachi Energy has continued to invest and upgrade its production capacity, with total capacity increasing by more than 30% (and the third-phase expansion currently under implementation). While meeting the demand of the Chinese market, it also supports key power projects under the global energy transition, with products exported to more than 30 overseas markets including Singapore, Australia, Saudi Arabia, the UAE and South Africa. In 2025, driven by factors such as the wave of grid replacement in Europe, increased power infrastructure construction in emerging markets and the expansion of distributed grids spurred by AI computing power, Chongqing Hitachi Energy achieved good growth, with revenue increasing by 16% year-on-year and net profit reaching RMB280 million, representing a year-on-year increase of 172%, and was recognized as one of the Top 100 China Electrical Industry Enterprises in 2025. Meanwhile, the 765kV natural-ester-oil transformer rolled off the production line at Chongqing Hitachi Energy is currently the world’s highest-voltage natural-ester-oil transformer. This technological breakthrough was awarded a 2025 China Electrical Industry Green and Low-carbon Solution TOP 10 award.

1. External Opportunities

Looking forward to 2026, policies such as the Work Plan for Stabilising Growth in the Machinery Industry (2025–2026) and the Work Plan for Stabilising Growth in the Power Equipment Industry (2025–2026) will be thoroughly implemented. The funds from ultra-long-term special treasury bonds will precisely support the renewal of energy and power equipment, driving the traditional manufacturing industry to accelerate its transformation toward high-end, intelligent and green development and achieving dual breakthroughs of “stock upgrading + increment expansion”, which are highly aligned with the Group’s development direction. In overseas markets, the “Belt and Road” initiative is moving towards high-quality development. Demand for energy infrastructure and cross-border corridor construction remains strong in Southeast Asia, Central Asia and other regions, while low-carbon projects such as wind-solar-storage integration and green hydrogen production are being accelerated, which will drive the Group’s export business to achieve double-digit growth. Regionally, the Sichuan-Chongqing world-class equipment manufacturing industry cluster will undergo coordinated upgrading. Chongqing’s “Fifteenth Five-Year Plan” has explicitly set out the goal of building a strong manufacturing city and promoting the digital and intelligent transformation of the equipment manufacturing industry. Leveraging the Group’s full industrial-chain equipment for “power generation, transmission and distribution” and its “equipment + service” system solutions, further technological breakthroughs and import substitution for key products are expected, helping the Group capture the high-end market and driving healthy growth in this segment’s full-year performance.

2. Response to Risk

The Group anticipates that the “involution-style” competition seen in related industries in 2025 will continue into 2026, with gross margins remaining under pressure. The Group will steadily improve profitability through optimizing market strategies (focusing on high-margin sub-segments and strengthening deep engagement with major customers) and continuously deepening internal lean improvement (mainly focusing on process and workflow optimization). Geopolitical conflicts and exchange-rate fluctuations may continue to pose potential risks to overseas markets. The Group will focus on key countries with favorable policies and stable demand, cultivate customer resources, and reduce geopolitical risk exposure. It will also flexibly deploy financial instruments such as forward foreign exchange contracts, plan cross-border settlement cycles and currencies appropriately, and hedge against exchange-rate volatility.

To sum up, the Group will grasp opportunities and prudently respond to challenges at the same time, and strive for realizing a continuous good growth in 2026.

HIGH-END SMART EQUIPMENT (SMART MACHINE TOOLS, INTELLIGENT EQUIPMENT SYSTEM INTEGRATION, SMART ELECTRONICS AND STEERING SYSTEMS, AND OTHER BUSINESS)

In 2025, for the high-end smart equipment segment of the Group, the smart machine tool business kept pace with industry development trends, focusing on high-demand sectors such as new-energy vehicles, wind power, motorcycles and general-purpose reducers, increasing efforts in market expansion and customer cultivation, and driving steady and positive business growth. The steering system business deeply cultivated the commercial-vehicle market to strengthen its core foundation, while simultaneously accelerating its expansion into the passenger-vehicle sector to create new growth drivers, achieving business scale growth and improved profitability. Due to the Group's goodwill impairment provision for PTG Company in the UK, a significant loss was incurred. The intelligent equipment system integration and smart electronics businesses experienced a decline due to strategic adjustments of major customers and delays in certain project schedules.

The overall operating revenue of this segment was approximately RMB1,663.3 million, representing a year-on-year increase of approximately 3.0%, mainly driven by the growth of the smart machine tool and steering system businesses.

During the Period, the gross profit of the high-end smart equipment operating segment was approximately RMB312.2 million, representing an increase of approximately RMB35.0 million or approximately 12.6% as compared with RMB277.2 million (restated) for the same period of 2024, mainly driven by higher gross profit margins in the steering systems business, which drove the overall gross profit growth.

During the Period, the results of the high-end smart equipment operating segment was approximately RMB-73.1 million, as compared with approximately RMB-5 million (restated) for the same period of 2024, representing a year-on-year increase in loss of RMB68.1 million, mainly due to the absence of non-recurring gains this year and the goodwill impairment provision of PTG Company in the UK.

With respect to the R&D of new products, the smart machine tool business carried out research on the localization application technology of key components such as domestic CNC systems and grating detection elements, and achieved batch application on the YH3115 CNC hobbing machine, creating high-cost-performance products and successfully achieving domestic substitution. The Y4818.XP internal-engagement powerful honing machine, YT3620 horizontal hobbing-milling composite machine tool, YMH8060 CNC gear-turning machine and other high-end machine tools were successfully trial-produced, enhancing market competitiveness. For intelligent manufacturing, two major products – explosion-proof servo tightening equipment and intelligent vacuum potting systems – were successfully developed and applied in the defense production sector; the developed equipment-operation-and-analysis intelligent agent was recognized by the Chongqing Municipal Government as one of the “First 30 Industrial Intelligent Agents in Chongqing”.

1. External Opportunities

Looking forward to 2026, as investment in the national intelligent manufacturing field continues to increase, the ultra-long-term special government bonds precisely empower the upgrading of the manufacturing industry, and Chongqing City's "Fifteenth Five-Year Plan" focuses on the development of intelligent manufacturing, with major technological transformation and upgrading and large-scale equipment renewal projects advancing in depth, the industrial machine tool market is expected to usher in a period of accelerated recovery and high-end upgrading opportunities.

2. Strengths and Measures of the Company

The Group, leveraging its industrial layout in Chongqing, has strong industrial chain integration and resource synergy capabilities in high-end intelligent equipment, can deeply align with Chongqing's "four-chain" integration and the "industrial brain + future factory" construction deployments, deepen strategic cooperation with high-quality enterprises in the region, build a closed-loop and complete industrial chain ecosystem, and continuously enhance industry concentration and overall core competitiveness.

3. Expected Results

The above multiple favorable factors resonate, and it is expected that the segment's 2026 results will achieve steady improvement.

4. R&D Drive and Response to Risk

The Group's R&D investment intensity remains at 5%, continues to increase the R&D empowerment of new technologies and new products, with the deep integration of technology R&D and market expansion, and multiple focuses on industry application, talent cultivation and incentive mechanisms, to cope with the pressure of technological iteration and the mismatch of market demand, as well as the impact of uncertainties in the external environment and other risk factors.

INDUSTRIAL SERVICES BUSINESS (INDUSTRIAL EMPOWERMENT, FINANCING, CENTRALIZED PROCUREMENT, AND OTHER BUSINESS)

In 2025, the digital intelligence procurement management platform was fully online and operational, hence the procurement process was intelligent, digital, visualized and real-time. The operating revenue of this segment amounted to approximately RMB63.3 million, representing a year-on-year increase of 1.4%. The gross profit realized was approximately RMB47.0 million, representing a year-on-year decrease of approximately RMB4.6 million, mainly due to the decline in interest rates in financial business, a narrowing of interest rate spreads and an increase in provisions resulting from expanded business volume.

During the Period, the results of the industrial services operating segment were approximately RMB3.7 million, representing a significant decrease of approximately RMB30.4 million as compared with the results of approximately RMB34.1 million for the same period of 2024.

Looking forward to 2026, for the financial business, we will strengthen the financial services and improve the efficiency of capital utilization. According to the unified deployment of the parent group, the intelligent procurement platform of the centralized procurement business will be integrated with other business segments of the parent group, further releasing procurement synergies and amplifying scale advantages, continuously empowering the procurement work of the Group's subsidiaries and providing stable and reliable service support. It is expected that the annual performance of this segment will remain stable.

SALES

For the year ended 31 December 2025, the Group's total operating revenue amounted to approximately RMB10,044.4 million, representing an increase of approximately RMB1,066.1 million or approximately 11.9% as compared with approximately RMB8,978.3 million for the same period of 2024. Save for the industrial services business which declined year-on-year, the other businesses of the Group maintained stable growth.

The Group expects its operating revenue to maintain a favourable growth trend in 2026, mainly driven by the dual engines of policy benefits from the external market and the enhancement of internal product competitiveness, with all business segments expected to achieve a growth momentum.

GROSS PROFIT

The gross profit for 2025 was approximately RMB1,619.2 million, representing an increase of approximately RMB56.7 million or approximately 3.6% as compared with approximately RMB1,562.5 million for 2024. The gross profit margin was approximately 16.1%, representing a year-on-year decrease of approximately 1.3 percentage point(s) as compared with the same period of last year and remained relatively stable. The slight decline in gross profit margin was mainly attributable to an increase in the revenue share of lower-margin products such as blades and wires & cables.

OTHER INCOME

The other income for 2025 was approximately RMB131.5 million, compared with approximately RMB194.4 million for the same period in 2024, representing a decrease of approximately RMB62.9 million, or approximately 32.4%, which was mainly attributable to the decrease in the government subsidy income for the Period. Details are set out in Note 4.7 to the consolidated financial statements.

GAIN ON DISPOSAL OF ASSET

The gain on disposal of asset for 2025 was approximately RMB11.5 million, representing a decrease of the gain of approximately RMB11.9 million as compared with the gain of approximately RMB23.4 million for the same period of 2024, which was mainly attributable to the decrease of revenue from environmental relocation during the Period. Details are set out in Note 4.12 to the consolidated financial statements.

SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses for 2025 were approximately RMB910.1 million, representing an increase of approximately RMB15.6 million or approximately 1.7% as compared with approximately RMB894.5 million for the same period of 2024. The proportion of selling and administrative expenses to operating revenue slightly decreased compared with the same period of last year. Selling expenses decrease by approximately RMB0.9 million year-on-year; while administrative expenses increased by approximately RMB16.5 million year-on-year, mainly due to the increase in labor costs.

OPERATING PROFIT

The operating profit for 2025 was approximately RMB805.3 million, representing a significant increase of approximately RMB288.3 million or approximately 55.8% as compared with approximately RMB517.0 million for the same period of 2024, mainly due to the significant year-on-year increase in investment income from associated and joint ventures of approximately RMB287.5 million.

FINANCE COSTS

The net interest expenses in 2025 were approximately RMB60.4 million, representing an decrease of approximately RMB20.4 million or approximately 25.2% as compared with approximately RMB80.8 million in the same period of 2024, which was mainly due to the decrease in bill discounting expenses. Details are set out in Note 4.6 to the consolidated financial statements.

INVESTMENT INCOME

Investment income for 2025 amounted to approximately RMB789.8 million, representing a significant increase of approximately RMB291.2 million as compared with approximately RMB498.6 million for the same period of 2024, mainly benefited from the increase in profitability of the high-horsepower diesel engine business. Details are set out in Note 4.8 to the consolidated financial statements.

INCOME TAX EXPENSES

The income tax expenses for the year ended 31 December 2025 were approximately RMB26.2 million, representing a decrease of approximately RMB35.6 million or approximately 57.6% as compared with approximately RMB61.8 million for the same period of 2024, which was mainly due to the profit of the general machinery business declined. Details are set out in Note 4.15 to the consolidated financial statements.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders for the year ended 31 December 2025 amounted to approximately RMB763.9 million, representing an increase of approximately RMB332.1 million or approximately 76.9% as compared with approximately RMB431.8 million for the same period of 2024. Earnings per share amounted to approximately RMB0.21, representing an increase of approximately RMB0.09 or 76.9% as compared with the same period of last year, mainly due to an increase of investment income and a return to profitability in the hydropower operations.

DISTRIBUTABLE RESERVES

According to the Articles of Association (the “Articles of Association”) of the Company, the Company’s reserves available for distribution based on the Company’s profit are the lower of that determined under Hong Kong Financial Reporting Standards and China Accounting Standards for Business Enterprises.

As at 31 December 2025, the Company’s distributable reserves attributable to shareholders of the Company (the “Shareholders”) amounted to approximately RMB3,396.4 million.

FINAL DIVIDEND

The Company considers stable and sustainable returns to Shareholders to be our goal.

Subject to compliance with the applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company. The Board confirms that all decisions made by the directors regarding dividends comply with the Company’s dividend policy.

The Board will review the dividend policy from time to time and reserves its right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

The Board has recommended a profit distribution plan for the year ended 31 December 2025, namely, based on the total share capital of 3,684,640,154 shares as at the end of 2025, to distribute a cash dividend of RMB0.065 per share (tax inclusive), net of the interim dividend of RMB0.01/share (tax inclusive) already distributed in 2025. The proposed dividend for this distribution is RMB0.055/share (tax inclusive), totaling RMB202,655,208.47 (for the year ended 31 December 2024: RMB0.035 per share, totaling RMB128,962,405.39). Subject to the approval by Shareholders at the forthcoming annual general meeting to be convened on 10 June 2026, the proposed final dividend will be paid on 24 July 2026 to Shareholders whose names appear on the register of members of the Company on 24 June 2026 (the “Record Date”).

In order to ascertain the entitlements of the Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Tuesday, 16 June 2026 to Wednesday, 24 June 2026 (both days inclusive), during which no transfer of shares will be registered. All transfer documents accompanied by share certificates of the Shareholders must be lodged with our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 June 2026.

WITHHOLDING OF ENTERPRISE INCOME TAX FOR NON-RESIDENT CORPORATE SHAREHOLDERS

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (“EIT Law”) and the implementation rules thereof and the Circular on Issues Concerning the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Payable to H Share Non-resident Corporate Shareholders (Guo Shui Han [2008] No.897), the Company is liable to withhold and pay the enterprise income tax on dividends payable to non-resident corporate holders of H shares whose names appear on the register of holders of H shares of the Company (“H Share Register of Members”) on the Record Date at a rate of 10% prior to the payment of such final dividends.

Any H shares registered in the name of non-individual shareholders will be treated as being held by non-resident corporate shareholders and hence the dividends payable to them will be subject to the withholding of enterprise income tax. Non-resident corporate shareholders may apply to the relevant taxation authorities for tax refunds in accordance with the applicable tax treaty (if any). The final dividends payable to natural person shareholders whose names appear on H Share Register of Members on the Record Date is not subject to the withholding of income tax by the Company. For final dividends payable to resident corporate shareholders of H shares whose names appear on H Share Register of Members on the Record Date, the Company will not withhold enterprise income tax on such dividends, provided that a legal opinion is provided by a resident corporate shareholder within the prescribed period and confirmed by the Company.

If any resident enterprise (as defined in the EIT Law) whose name appears on the H Share Register of Members which is duly incorporated in the PRC or under the laws of a foreign country (or a territory) but with a PRC-based de facto management body does not wish to have the 10% enterprise income tax to be withheld by the Company, it should lodge all transfers with and submit a legal opinion issued by a PRC certified lawyer (with affixation of common seal of the law firm thereto) that establishes its resident enterprise status to the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 15 June 2026. Any natural person investor whose H shares are registered in the name of any such non-individual shareholders and who does not wish to have any enterprise income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her own name and lodging all relevant transfer instruments accompanied by the H share certificates with the Company’s H Share Registrar for registration no later than 4:30 p.m. on 15 June 2026. Shareholders are recommended to consult their tax advisors regarding tax issues in respect of the ownership and disposal of H shares in the PRC and Hong Kong and other tax effects.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements of the Shareholders to attend and vote in the annual general meeting, the register of members of the Company will be closed from Friday, 5 June 2026 to Wednesday, 10 June 2026 (both days inclusive), during which no transfer of shares of the Company will be registered. All duly completed transfers accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 4 June 2026, to complete the transfer registration procedures.

CASH FLOW

As at 31 December 2025, the cash and bank deposits (including restricted cash) of the Group amounted to approximately RMB2,684.8 million (31 December 2024: approximately RMB2,744.9 million), representing a decrease of approximately RMB60.1 million or approximately 2.2%, mainly due to fluctuations in sales collection.

During the Period, the Group had a net cash inflow from operating activities of approximately RMB459.5 million (for the year ended 31 December 2024: a net cash inflow of approximately RMB717.7 million); a net cash inflow from investing activities of approximately RMB378.8 million (for the year ended 31 December 2024: a net cash inflow was approximately RMB47.9 million); a net cash outflow from financing activities was approximately RMB-483.8 million (for the year ended 31 December 2024: a net cash outflow was approximately RMB-845.8 million). Directors believe that the Group is financially sound and has sufficient resources to meet its operating capital needs and fund any predictable capital expenditure.

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

As at 31 December 2025, the total accounts receivable and other receivables of the Group amounted to approximately RMB4,009.3 million, representing an increase of approximately RMB217.5 million as compared with approximately RMB3,719.8 million as at 31 December 2024, mainly due to the overall increase in the clean energy equipment business. Please refer to Note 4.18 to the consolidated financial statements for detailed ageing analysis of accounts receivable.

ACCOUNTS PAYABLE AND OTHER PAYABLES

As at 31 December 2025, the total accounts payable and other payables of the Group amounted to approximately RMB3,611.9 million, representing an increase of approximately RMB487.9 million as compared with approximately RMB3,124.0 million as at 31 December 2024, mainly due to the overall increase in the clean energy equipment business. Details of the ageing analysis of accounts payable is set out in Note 4.20 to the consolidated financial statements.

ASSETS AND LIABILITIES

As at 31 December 2025, the total assets of the Group amounted to approximately RMB19,952.3 million, representing an increase of approximately RMB2,265.5 million as compared with approximately RMB17,686.8 million as at 31 December 2024. Total current assets amounted to approximately RMB12,824.5 million, representing an increase of approximately RMB1,509.9 million as compared with approximately RMB11,314.6 million as at 31 December 2024, accounting for approximately 64.3% of total assets. However, the total non-current assets amounted to approximately RMB7,127.8 million, representing an increase of approximately RMB755.7 million as compared with approximately RMB6,372.1 million as at 31 December 2024, accounting for approximately 35.7% of total assets.

As at 31 December 2025, the total liabilities of the Group amounted to approximately RMB10,645.5 million, representing an increase of approximately RMB1,577.1 million as compared with approximately RMB9,068.4 million as at 31 December 2024. Total current liabilities were approximately RMB9,766.2 million, representing an increase of approximately RMB2,343.5 million as compared with approximately RMB7,422.7 million as at 31 December 2024, accounting for approximately 91.7% of the total liabilities. However, the total non-current liabilities were approximately RMB879.3 million, representing a decrease of approximately RMB766.4 million as compared with approximately RMB1,645.7 million as at 31 December 2024, and accounting for approximately 8.3% of total liabilities.

As at 31 December 2025, the net current assets of the Group were approximately RMB3,058.3 million, representing a decrease of approximately RMB833.6 million as compared with approximately RMB3,891.9 million as at 31 December 2024, mainly due to an increase in current liabilities.

CURRENT RATIO

As at 31 December 2025, the current ratio (the ratio of current assets to current liabilities) of the Group was 1.31:1 (31 December 2024: 1.52:1).

GEARING RATIO

As at 31 December 2025, the gearing ratio of the Group, calculated as borrowings divided by total capital which comprises equity and borrowings as shown in the consolidated balance sheets, was 19.5% (31 December 2024 (restated): 20.3%).

INDEBTEDNESS

As at 31 December 2025, the Group had an aggregate bank and other borrowings of approximately RMB2,259.2 million, representing an increase of approximately RMB57.5 million as compared with approximately RMB2,201.7 million as at 31 December 2024.

Borrowings repayable by the Group within one year were approximately RMB1,953.4 million, representing an increase of approximately RMB832.9 million as compared with approximately RMB1,120.5 million as at 31 December 2024. Borrowings repayable after one year were approximately RMB305.8 million, representing a decrease of approximately RMB775.5 million as compared with approximately RMB1,081.3 million as at 31 December 2024.

SECURED ASSETS

As at 31 December 2025, approximately RMB622.9 million of the Group's bank deposits was held with pledge or restriction for use (31 December 2024: approximately RMB642.2 million). In addition, certain bank borrowings of the Group were secured by the Group's certain land use rights, properties, plant and equipment, investment properties, and other assets of the Group. The net book value of collateral and pledged assets as at 31 December 2025 was approximately RMB63.2 million (31 December 2024: approximately RMB33.3 million).

CONTINGENT LIABILITIES

As at 31 December 2025, the Group had no significant contingent liabilities.

SIGNIFICANT EVENTS

Events in the Period

(I) Change in Shareholding Structure of Controlling Shareholder

The Company received a notification from its controlling Shareholder, Chongqing Machinery and Electronics Holding (Group) Co., Ltd. ("CQMEHG"), on 26 February 2025: (i) Chongqing Yufu Holding Group Co., Ltd.* (重慶渝富控股集團有限公司) ("Yufu Holding") would make a capital increase to CQMEHG with a consideration of RMB5,000 million through cash and non-cash contribution methods. Upon completion of the capital increase, Yufu Holding would hold approximately 44.58% equity interest in CQMEHG (the "Capital Increase"); and (ii) Chongqing SASAC agreed to gratuitously transfer its 35.42% equity interest in CQMEHG to Yufu Holding (the "Gratuitous Transfer") (together with the Capital Increase, collectively referred to as the "Internal Restructuring"). Upon completion of the Internal Restructuring, Yufu Holding holds 80% equity interest in CQMEHG to be the direct controlling Shareholder of CQMEHG, and becomes the indirect controlling Shareholder of the Company, whereas CQMEHG remains the direct controlling Shareholder of the Company, and Chongqing SASAC remains the ultimate controlling Shareholder of the Company.

On 29 April 2025, the Company received a notification from CQMEHG that the Industrial and Commercial Administration procedures related to the Internal Restructuring had been completed.

For details, please refer to the Company’s announcements respectively dated 26 February 2025 and 29 April 2025, which were published on the HKEXnews website of the Stock Exchange (<https://www.hkexnews.hk/>).

In addition, the Company received a notification from its controlling Shareholder, CQMEHG, that it had entered into a non-public equity transfer agreement with the Company’s original shareholder, Chongqing Construction Engineering Group Corporation Limited* (重慶建工集團股份有限公司) (“CCEG”), on 19 September 2025, pursuant to which CCEG agreed to transfer all of its 6.30% shares in the Company to CQMEHG (the “Transaction”). Upon completion of the Transaction, CCEG no longer holds any shares in the Company, and CQMEHG holds 61.04% shares in the Company. The indirect controlling shareholder of the Company remains Yufu Holding, and Chongqing SASAC remains the ultimate controlling Shareholder of the Company.

For details of the transaction, please refer to the Company’s announcement dated 19 September 2025 published on the HKEXnews website of the Stock Exchange (<https://www.hkexnews.hk/>).

(II) Resignation of Non-executive Director

The Board of the Company received a resignation letter from Mr. Dou Bo, a non-executive director, on 30 September 2025. Due to work arrangement, Mr. Dou Bo had applied to resign from the positions as a non-executive director of the seventh session of the Board, and a member of the audit and risk management committee of the Company. Mr. Dou Bo’s resignation did not cause the number of the seventh session of the Board of the Company to fall below the statutory minimum requirement, nor did his resignation affect the normal operation of the Board of the Company, Mr. Dou Bo’s resignation took effect immediately upon the delivery of his resignation letter to the Board. Mr. Dou Bo had confirmed that he had no disagreement with the Board and the supervisory committee of the Company, and there were no other matters that need to be brought to the attention of the shareholders and creditors of the Company. The Company fully recognises the effort of Mr. Dou Bo during his tenure and would like to express its sincere gratitude for his contributions to the development of the Company.

For details of the transaction, please refer to the Company’s announcement dated 30 September 2025 published on the HKEXnews website of the Stock Exchange (<https://www.hkexnews.hk/>).

(III) Amendments to the Articles of Association and Abolition of Supervisory Committee

The Company convened the extraordinary general meeting on 28 October 2025 to consider and approve the amendments to the Articles of Association, the Rules of Procedure of General Meeting and the Administration Measures for Directors' Remuneration, and the abolition of Supervisory Committee. Effective immediately, the Company no longer establishes the Supervisory Committee and Supervisors. All provisions in the Articles of Association, the Rules of Procedure of General Meeting and the Administration Measures for Directors' Remuneration which relate to the Supervisory Committee and Supervisors were deleted, and the Audit Committee exercises the powers of the Supervisory Committee as stipulated in the Company Law.

The above amendments became effective on 28 October 2025, being the date on which the relevant resolutions were passed.

For details, please refer to the Company's announcement and circular respectively dated 8 October 2025 and 28 October 2025, which were published on the HKEXnews website of the Stock Exchange (<https://www.hkexnews.hk/>).

(IV) Connected Transaction – Sale of Target Asset Package of a Branch Company

On 27 November 2025, the Company entered into an asset transfer agreement with Chongqing Zhuoyue Industrial Development Co., Ltd.* (重慶卓越實業發展有限公司) (“Zhuoyue Company”) (a wholly-owned subsidiary of the Controlling Shareholder), pursuant to which the Company agreed to sell, and Zhuoyue Company agreed to acquire, the target asset package of Shengpu Technology Branch Company of Chongqing Electromechanical Co., Ltd.* (重慶機電股份有限公司昇普科技分公司) (“Shengpu Technology”) for a consideration of RMB4,885,400.

Zhuoyue Company constitutes a connected person of the Company, and the disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated in accordance with Chapter 14 of the Listing Rules exceeds 0.1% but is less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the disposal under the asset transfer agreement is only subject to the requirements relating to annual review, reporting and announcement, but is exempt from the requirements relating to circular (including independent financial advice) and independent Shareholders' approval. No Director has a material interest in the disposal, nor was any Director required to abstain from voting on the relevant resolution of the Board approving the disposal. The asset transfer agreement and the disposal contemplated thereunder have been unanimously approved by all Directors. No Director has a material interest in the asset transfer agreement or the disposal contemplated thereunder, nor was any Director required to abstain from voting on the aforementioned resolution.

For details of the transaction, please refer to the Company's announcement dated 27 November 2025 published on the HKEXnews website of the Stock Exchange (<https://www.hkexnews.hk/>).

Save as disclosed above, the Company had no other significant discloseable events during the Period.

SUBSEQUENT EVENTS

The Company does not have any other significant events after the Period to be disclosed.

CAPITAL EXPENDITURE

In 2025, the total capital expenditure of the Group was approximately RMB239.8 million, which was principally used for plant expansion, improvement of production technology and equipment upgrade (2024: approximately RMB144.4 million).

CAPITAL COMMITMENTS

As at 31 December 2025, the Group had capital commitments of approximately RMB42.5 million (31 December 2024: approximately RMB35.7 million) in respect of fixed assets and intangible assets.

TREASURY POLICIES

The Group has adopted treasury policies, which concentrate the financial resources available to its different subsidiaries to meet the business needs of its different subsidiaries through the subsidiaries involved with financial services qualifications of the Group. For example, the Group has adopted a centralised approach in managing the funds available to subsidiaries involved, including cash, bank deposits, bills and other financial instruments. These assets, such as bills and financial instruments, are managed and arranged as short-term financing amongst subsidiaries with financial services qualifications of the Group through proper endorsements or transfers so that they can be fully utilized to meet payment obligations of the Group's relevant subsidiaries with minimal financing cost. The Group closely monitors the level of use and the financial guarantees given by the Group at the time of financing and the value of each of these transactions only represents an immaterial part of its total assets and undertakings.

Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd., a subsidiary of the Group, provides financial services and establishes and improves risk management, loan impairment and credit approval policies, the details of which are set out in the relevant supplemental announcement dated 10 October 2023.

EMPLOYEES

As at 31 December 2025, the Group had a total of 6,215 employees (31 December 2024: 7,880 employees). The Group will continue to upgrade its technical talent base, foster/recruit personnel possessing extensive technical and management experiences, optimise the distribution system that links the remunerations and performance reviews of the management and employees, improve training on safety and strengthen epidemic prevention measures so as to ensure employees' safety and maintain good and harmonious employee-employer relations.

OTHER CORPORATE INFORMATION

Competition and Conflict of Interests

For the year ended 31 December 2025, the non-competition agreement entered into between Chongqing Machinery and Electronics Holding (Group) Co., Ltd., the Parent Company, and the Company remained effective. Please refer to the Prospectus for details.

For the year ended 31 December 2025, Mr. Lei Bin, the non-executive Director of the Company, was the financial controller of Chongqing Machinery and Electronics Holding (Group) Co., Ltd. The main business of Chongqing Machinery and Electronics Holding (Group) Co., Ltd. includes sales of automobiles and automotive parts, electrical machinery and equipment, electronic products, building materials, transportation and electrical appliances, mechanical and electrical equipment, metallurgical products; and provision of technical consulting services in environmental protection, etc.

As the Board is independent of the board of directors of Chongqing Machinery and Electronics Holding (Group) Co., Ltd.,* and Mr. Lei Bin does not have control over the Board, the Group can operate its own business independently of the business of Chongqing Machinery and Electronics Holding (Group) Co., Ltd. for its own interests.

Save as disclosed above, to the knowledge of the Directors and in accordance with the Listing Rules, none of the Directors and their respective associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with that of the Group for the year ended 31 December 2025.

CONNECTED TRANSACTIONS

For the year ended 31 December 2025, pursuant to the disclosure requirements of Chapter 14A of the Listing Rules, the Group has entered into multiple connected transactions with connected persons (as defined in the Listing Rules), and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules, with the relevant disclosures made as follows:

1. On 27 February 2025, Chongqing Machine Tools (Group) Co., Ltd.* (重慶機床(集團)有限責任公司) (“Chongqing Machine Tools Group”) (a wholly-owned subsidiary of the Company) and CQMEHG Asset Management Co., Ltd.* (重慶機電控股集團資產管理有限公司) (“Asset Company”) (a wholly-owned subsidiary of the Controlling Shareholder of the Company) entered into the equity transfer agreement, pursuant to which Chongqing Machine Tools Group agreed to acquire and the Asset Company agreed to sell the target equity held by it at a consideration of RMB35,621,200.

As of the date of this announcement, the Asset Company directly holds 100% equity interest in the target company and is the sole shareholder of the target company, whereas Chongqing Machine Tools Group is a direct wholly-owned subsidiary of the Company, and the Asset Company is a wholly-owned subsidiary of the Controlling Shareholder of the Company. All parties under the equity transfer agreement are therefore connected persons of the Company. Accordingly, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

For details of the aforementioned transaction, please refer to the Company's announcements dated 27 February 2025 and the supplemental announcement and 18 March 2025, which were published on the HKEXnews website of the Stock Exchange (<https://www.hkexnews.hk/>).

2. On 27 November 2025, the Company entered into an asset transfer agreement with Chongqing Zhuoyue Industrial Development Co., Ltd.* (重慶卓越實業發展有限公司) (“Zhuoyue Company”) (a wholly-owned subsidiary of the Controlling Shareholder), pursuant to which the Company agreed to sell, and Zhuoyue Company agreed to acquire, the target asset package of Shengpu Technology Branch Company of Chongqing Electromechanical Co., Ltd.* (重慶機電股份有限公司昇普科技分公司) (“Shengpu Technology”) for a consideration of RMB4,885,400.

Zhuoyue Company constitutes a connected person of the Company, and the disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated in accordance with Chapter 14 of the Listing Rules exceeds 0.1% but is less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the disposal under the asset transfer agreement is only subject to the requirements relating to annual review, reporting and announcement, but is exempt from the requirements relating to circular (including independent financial advice) and independent Shareholders' approval. No Director has a material interest in the disposal, nor was any Director required to abstain from voting on the relevant resolution of the Board approving the disposal. The asset transfer agreement and the disposal contemplated thereunder have been unanimously approved by all Directors. No Director has a material interest in the asset transfer agreement or the disposal contemplated thereunder, nor was any Director required to abstain from voting on the aforementioned resolution.

For details of the transaction, please refer to the Company's announcement dated 27 November 2025 published on the HKEXnews website of the Stock Exchange (<https://www.hkexnews.hk/>).

Save as disclosed above, the Company has no other connected transactions.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2025, the summary of the related party transactions entered into by the Group is set out in the notes to the consolidated financial statements, the majority of which constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules. Except for the continuing connected transactions mentioned below, the related party transactions conducted by the Group in the ordinary course of business do not constitute “connected transactions” or “continuing connected transactions” as defined by the Listing Rules.

Pursuant to the disclosure requirements of Chapter 14A of the Listing Rules, the Group has entered into the following multiple continuing connected transactions with certain connected persons (as defined in the Listing Rules), and the Company has made relevant disclosures in accordance with the requirements under the Listing Rules as follows:

Master Sales Agreement

Chongqing Machinery & Electronics Holding (Group) Co., Ltd.* (重慶機電控股(集團)公司) (hereinafter referred to as the “Parent Company”) is the controlling shareholder of the Company. On 7 April 2022, a master sales agreement (the “Master Sales Agreement”) was renewed and entered between the Company and the Parent Company. Pursuant to the Master Sales Agreement, the Company has agreed to sell certain products such as control valves and parts for steering systems, gears and clutch assemblies and the BV series of electric cables to the Parent Company and its associates (the “Products”).

Additionally, in case where there are material fluctuations in the prices of any or all of the products, the parties shall re-negotiate the terms of the Master Sales Agreement in good faith by way of entering into a supplemental agreement or a new master sales agreement. The Master Sales Agreement is valid for a period of three years from the date of the agreement and can be renewed by the Company for a successive term of three years by giving notice at least three months prior to the expiry of the initial term. Accordingly, the approved annual caps of sales for the year ended 31 December 2025 (as approved at the annual general meeting dated 23 June 2022) was set at RMB250.0 million.

The Master Sales Agreement was entered into in the ordinary course of business of the Group on normal commercial terms. The basis of pricing is as follows:

- (i) The quoted prices in the market through the industry website or enquiry (including the website of Alibaba (www.1688.com)) with at least two independent third parties in the market (i.e. the price of the same or similar products provided by suppliers (except the Company and its subsidiaries) in the same area under daily operations and on normal commercial terms to independent third parties);
- (ii) If there is no market price determined by an independent third party, the transaction price between the Group with the independent third party;
- (iii) If none of the above is applicable, the cost plus a percentage mark-up (tax-inclusive) which is not less than 15% (i.e. price = cost * (1 + percentage mark-up)), whereas the 15% mark-up is determined based on the average gross margin of the Group in the past three years.

For the year ended 31 December 2025, the monetary value of sales under the Master Sales Agreement by the Company to the Parent Company and its associates was approximately RMB140.5 million (for the year ended 31 December 2024: approximately RMB46.1 million).

As the Master Sales Agreement expired on 31 December 2025, the Company renewed the Master Sales Agreement with the Parent Company under the similar terms by entering into the 2026-2028 Master Sales Agreement on 23 April 2025. Subject to the approval being obtained from the independent Shareholders, 2026-2028 Master Sales Agreement became effective from 1 January 2026 and will expire on 31 December 2028. The details were disclosed in the announcement of the Company dated 23 April 2025 and the circular of the Company dated 22 May 2025, and were approved by the independent Shareholders at the Company's extraordinary general meeting held on 12 June 2025.

Master Supplies Agreement

On 7 April 2022, a master supplies agreement (the "Master Supplies Agreement") was renewed and entered between the Company and the Parent Company. Pursuant to the Master Supplies Agreement, the Parent Company and its associates have agreed to supply the Company with parts and raw materials such as gears, component parts, YB2 series engines, electricity, water, gas and electrolytic copper (the "Supplies").

Additionally, in case where there are material fluctuations in the prices of any or all of the products, the parties shall re-negotiate the terms of the Master Supplies Agreement in good faith by way of entering into a supplemental agreement or a new master supplies agreement. The Master Supplies Agreement is valid for a period of three years from the date of the agreement and can be renewed by the Company for a successive term of three years by giving notice at least three months prior to the expiry of the initial term. Accordingly, the approved annual caps of supplies for the year ended 31 December 2025 (as approved at the Board meeting dated 24 March 2022) was set at RMB90.0 million.

The Master Supplies Agreement was entered into in the ordinary course of business of the Group on normal commercial terms. The basis of pricing is as follows:

- (i) The quoted prices in the market through the industry website or enquiry with at least two independent third parties (i.e. the price of the same or similar products provided by suppliers (except the Parent Company and its subsidiaries) in the same area under daily operations and on normal commercial terms to independent third parties);
- (ii) If there is no market price determined by an independent third party, the transaction price between the Company and its subsidiaries with the independent third party;
- (iii) If none of the above is not applicable, cost plus a percentage mark-up (tax-inclusive), which shall not exceed 15% (i.e. price = cost * (1 + percentage mark-up)).

For the year ended 31 December 2025, the monetary value of supplies under the Master Supplies Agreement by the Parent Company and its associates to the Company was approximately RMB48.4 million (for the year ended 31 December 2024: approximately RMB29.1 million).

As the Master Supplies Agreement expired on 31 December 2025, the Company renewed the 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 Supplies Agreement became effective from 1 January 2026 and will expire on 31 December 2028. The details were disclosed in the announcement of the Company dated 23 April 2025.

Master Leasing Agreement

On 7 April 2022, a master leasing agreement (the “Master Leasing Agreement”) was entered into between the Company and the Parent Company for the lease of land and buildings by the Parent Company and its associates to the Company for use as offices, production facilities, workshops and staff quarters.

The Parent Group leases land and buildings to the Group as the Group’s offices, production facilities, workshops and staff quarters. Accordingly, the approved annual cap of the lease for the year ended 31 December 2025 (as approved at the Board meeting dated 24 March 2022) was set at RMB45.0 million.

For the year ended 31 December 2025, the rent paid by the Company to the Parent Company and its associates under the Master Leasing Agreement was approximately RMB21.6 million (for the year ended 31 December 2024: approximately RMB26.0 million).

As the Master Leasing Agreement expired on 31 December 2025, the Company renewed the Master Leasing Agreement with the Parent Company under the similar terms by entering into the 2026-2028 Master Leasing Agreement on 23 April 2025. 2026-2028 Master Leasing Agreement became effective from 1 January 2026 and will expire on 31 December 2028. The details were disclosed in the announcement of the Company dated 23 April 2025.

FINANCIAL SERVICES FRAMEWORK AGREEMENT

(I) Parent Group Financial Services Framework Agreement

The Company’s subsidiary, Chongqing Mechanical and Electrical Holding Group Finance Co., Ltd. (the “Finance Company”), and the Parent Company entered into the Financial Service Framework Agreement on 7 April 2022 (the “Parent Group Financial Services Framework Agreement”), under which, (i) the approved proposed annual cap for loan services for the year ended 31 December 2025 (as approved at the annual general meeting held on 23 June 2022) was RMB3,056 million; (ii) the approved proposed annual cap for guarantee services for the year ended 31 December 2025 (as approved at the Board meeting held on 24 March 2022) was RMB90 million (including corresponding handling fees); (iii) the approved proposed annual cap for other financial services for the year ended 31 December 2025 (as approved at the Board meeting held on 24 March 2022) was RMB38.5 million.

The Parent Group Financial Services Framework Agreement was entered into in the ordinary course of business of the Finance Company on normal commercial terms. The basis of pricing is as follows:

Loan Services

The interest rates for loans to the Parent Group from the Finance Company will be not lower than the interest rates for loans to those of the same type and under similar terms to the Parent Group from other independent commercial banks in the PRC.

The Company will choose at least two banks from the national commercial banks in the PRC and the local commercial banks in Chongqing that have business relations with the Company and make inquiries as to the loan services of the same type and under similar terms to the Parent Group (the companies under the Parent Group carry the same credit ratings assessed by the banks as a result of the implementation of a unified credit policy throughout the Parent Group), and submit the results to the Finance Company. The Finance Company will then make the final assessments and determine the final interest rates for the services 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 for loans provided by the Finance Company to the Parent Group are in line with the above pricing standards for loan services.

Guarantee services

Pursuant to the regulations in the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group set by China Banking Regulatory Commission, the ratio of guarantee risk exposure to total capital in the Finance Company cannot exceed 100%. The registered capital of the Finance Company is RMB1,000,000,000. Thus, the maximum limit amount in respect of annual caps of the guarantee services of the Finance Company is RMB1,000,000,000.

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

The fees charged by the Finance Company on the Parent Group for the provision of other financial services will be not lower than the fees charged by any independent commercial banks on the Parent Group for the same types of services.

For the year ended 31 December 2025, pursuant to the Parent Group Financial Services Framework Agreement, the daily maximum limit amount in respect of the loan services provided by the Finance Company to the Parent Group was approximately RMB1,863.5 million, the transaction amount in respect of guarantee services was approximately RMB0 million and the transaction amount of other financial services was approximately RMB0.3 million (for the year ended 31 December 2024: the daily maximum limit amount in respect of loan services was approximately RMB812.4 million, the transaction amount in respect of guarantee services was approximately RMB0 million and the transaction amount of other financial services was approximately RMB0.8 million).

As the Parent Group Financial Services Framework Agreement expired 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. 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 became effective from 1 January 2026 and will expire 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 became effective from 1 January 2026 and will expire on 31 December 2028. The details were disclosed in the announcement of the Company dated 23 April 2025 and the circular of the Company dated 22 May 2025, and were approved by the independent Shareholders at the Company's extraordinary general meeting held on 12 June 2025.

(II) Group Financial Services Framework Agreement

The Finance Company entered into a financial services framework agreement (the "Group Financial Services Framework Agreement") with the Company on 23 April 2025, under which, (i) the approved proposed annual cap for the transactions in respect of the deposit services for the year ended 31 December 2025 (as approved at the annual general meeting held on 23 June 2022) was RMB3,552 million; (ii) the approved proposed annual cap for the transactions in respect of other financial services for the year ended 31 December 2025 (as approved at the Board meeting held on 24 March 2022) was RMB39 million.

The Group Financial Services Framework Agreement was entered into in the ordinary course of business of the Finance Company on normal commercial terms. The basis of pricing is as follows:

Deposit services

The interest rates for deposits offered by the Finance Company to the Group will be not lower than the interest rates for deposits of the same type and under similar terms offered to the Group by other independent commercial banks in the PRC.

The Company will choose at least two banks from the national commercial banks in the PRC as well as the local commercial banks in Chongqing that have business relations with the Company and obtain the interest rates for deposits of the same type and under similar terms, and compare those with the interest rates offered by the Finance Company to the Group for deposits of the same type and under similar terms, so as to ensure that the interests received by the Group for its deposits are in line with the above pricing standards for deposit services.

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

The fees charged by the Finance Company on the Group for the provision of other financial services will be not higher than the fees charged by any independent third party on the Group for the same types of services.

For the year ended 31 December 2025, pursuant to the Group Financial Services Framework Agreement, the daily maximum limit amount in respect of deposit services provided by the Finance Company to the Group was approximately RMB2,181.5 million and the amount of the other financial services was approximately RMB0.7 million (for the year ended 31 December 2024: the daily maximum limit amount in respect of deposit services was approximately RMB2,223.6 million and the amount of other financial services was approximately RMB4.1 million).

As the Group Financial Services Framework Agreement expired on 31 December 2025, on 23 April 2025, the Company and the Finance Company entered into the 2026-2028 The Group Financial Services Framework Agreement. Subject to the approval being obtained from the independent Shareholders, the terms of deposit services under the 2026-2028 The Group Financial Services Framework Agreement became effective from 1 January 2026 and will expire on 31 December 2028. The terms of loan services, non-financing guarantee letter services and other financial services under the 2026-2028 The Group Financial Services Framework Agreement became effective from 1 January 2026 and will expire on 31 December 2028. The details were disclosed in the announcement of the Company dated 23 April 2025 and the circular of the Company dated 22 May 2025, and were approved by the independent Shareholders at the Company's extraordinary general meeting held on 12 June 2025.

The independent non-executive Directors, namely Mr. Ke Rui, Mr. Liu Lijun, Ms. Pu Huayan and Mr. Wong Chun Wa, have reviewed the abovementioned continuing connected transactions and confirmed that such transactions are:

- (1) fair and reasonable in respect of the abovementioned proposed annual caps;
- (2) entered into in the ordinary and usual course of business of the Group;
- (3) on normal commercial terms or on terms no less favourable than terms available to or from (as the case may be) independent third parties; and
- (4) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the annual report in accordance with Rule 14A.56 of the Listing Rules. They conclude that:

- (a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company.
- (b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- (c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

For the purpose of continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules from time to time, and the value and the transaction terms of the transactions for the year ended 31 December 2025 have been determined in accordance with the pricing policies and guidelines set out in the Stock Exchange's Guidance Letter HKEx-GL73-14.

The details of the aforementioned continuing connected transactions have been disclosed in the announcements of the Company dated 7 April 2022 and 23 April 2025 respectively as well as the circulars of the Company dated 24 May 2022 and 22 May 2025 respectively.

SHARE SCHEME

For the year ended 31 December 2025, the Company had no share schemes.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company believes that the continuous improvement of its standard of corporate governance is the underlying cornerstone for safeguarding the interests of Shareholders and investors as well as enhancing the corporate value of the Company. In compliance with the Company Law of the People's Republic of China, the Listing Rules, the Articles of Association and other relevant laws and regulations, and taking into consideration its own characteristics and needs, the Company has been making continuous efforts in enhancing its standard of corporate governance.

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2025 in compliance with the code provisions under the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

AUDIT COMMITTEE

The Board of the Company has established the Audit Committee in accordance with the requirements and its latest revision of the Corporate Governance Code. The committee has written terms of reference which are available for inspection on websites of the Stock Exchange's HKEXnews and the Company. The Audit Committee currently consists of 3 independent non-executive Directors (namely, Mr. Wong Chun Wa, Mr. Ke Rui and Ms. Pu Huayan), where Mr. Wong Chun Wa serves as the chairman of the Audit Committee. The major responsibilities of the Audit Committee are to make recommendations to the Board regarding the appointment, reappointment, and removal of external auditors, approve their remuneration and terms of engagement; review and monitor the independence and objectivity of external auditors and the effectiveness of the audit process; review and monitor the Company's financial information, financial reporting processes, risk management, and internal control systems, and provide advice and suggestions to the Directors of the Company; and act as the primary liaison between the Company and its external auditor, responsible for overseeing the relationship between the two parties.

At the extraordinary general meeting held on 28 October 2025, the Company resolved to abolish the Supervisory Committee and Supervisors. The Audit Committee exercises the powers of the Supervisory Committee as stipulated in the Company Law of the People's Republic of China.

The Audit Committee has been provided with sufficient resources to fulfill its responsibilities and has reviewed the Company's annual results for the year ended 31 December 2025.

REMUNERATION COMMITTEE

In accordance with the Corporate Governance Code, the Remuneration Committee under the Board of the Company assumes the role of the consultant of the Board and it has written terms of reference which clearly define the powers and responsibilities of the Remuneration Committee and are available for inspection on the websites of the Stock Exchange's HKEXnews and the Company. The Remuneration Committee of the Company currently consists of 3 independent non-executive Directors (namely Mr. Ke Rui, Mr. Liu Lijun and Mr. Wong Chun Wa) and 1 non-executive Director (namely Mr. Lei Bin), with the chairman being Mr. Ke Rui, an independent non-executive Director. The primary duties of the Remuneration Committee are to formulate the Company's policies for remuneration of the Directors and senior management, and evaluate the performance of executive Directors and the terms of their service contracts; to consult the Chairman and/or the General Manager about their remuneration proposals for other executive Directors; to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; to review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives; to make recommendations to the Board on the remuneration of non-executive Directors; to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms (where applicable); and to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms (where applicable). Executive Directors and their associates would not participate in the preparation of resolutions related to their own remuneration. In accordance with the Articles of Association of the Company, remuneration packages of Directors are subject to the approval at the general meeting.

During the Year, the Remuneration Committee has been provided with sufficient resources to fulfill its responsibilities, which include reviewing the performance of individual executive Directors and the senior management of the Company and determining their remuneration packages which were approved by the Board.

NOMINATION COMMITTEE

In accordance with the Corporate Governance Code, the Nomination Committee under the Board of the Company assumes the role of the consultant of the Board and it has written terms of reference which clearly define the powers and responsibilities of the Nomination Committee and are available for inspection on the websites of the Stock Exchange's HKEXnews and the Company. The Nomination Committee of the Company currently consists of 1 executive Director, 3 independent non-executive Directors (namely Mr. Yue Xiangjun, Mr. Ke Rui, Mr. Liu Lijun and Ms. Pu Huayan), with the chairman being Mr. Yue Xiangjun, an executive Director. The Nomination Committee is mainly responsible for the identification and evaluation of appropriate candidates for appointment or reappointment as Directors and senior management, as well as the development and maintenance of the Company's overall corporate governance policies and practices.

The Nomination Committee follows a formal, fair and transparent procedure for the appointment of new Directors to the Board. The committee will first consider necessary changes in respect of the structure, size, composition and alignment with the Company's strategy and composition of the Board, assist the Board in preparing a Board skills matrix, identify appropriate and qualified candidates by considering their professional knowledge, skills and industry experience, personal and professional ethics, integrity and personal skills, time and contribution committed to the Board, assessment of their ability to effectively discharge their duties, existing directorships in issuers listed on the Main Board or GEM and the time involved in other material external commitments of the Director, and other factors or circumstances relating to the Director's character, integrity, independence and experience, and makes recommendations to the Board. In accordance with the Articles of Association of the Company, each newly appointed Director is subject to election at the general meetings, and to support the Company in conducting regular assessments of the performance of the Board. The independence of independent non-executive Directors shall be examined.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The Nomination Committee will review the implementation of the Board diversity policy in achieving the objectives set for the benefits of the Company.

STRATEGY COMMITTEE

In response to the Company's needs of strategic development, the Board of the Company has established the Strategy Committee of the Board. The committee has written terms of reference which are available on the websites of the Stock Exchange's HKEXnews and the Company. The Strategy Committee of the Company currently consists of 3 executive Directors (namely Mr. Yue Xiangjun, Mr. Qin Shaobo and Mr. Deng Rui), 2 non-executive Directors (namely Ms. Zhu Ying and Mr. Cai Zhibin), and 3 independent non-executive Directors (namely Mr. Ke Rui, Mr. Liu Lijun and Ms. Pu Huayan). Mr. Yue Xiangjun acts as the chairman of the Strategy Committee. The major responsibilities of the Strategy Committee are to carry out research and propose suggestions on the Company's long-term development strategies and material investment decisions for the Board's reference in decision-making.

SUPERVISORY COMMITTEE (ABOLISHED ON 28 OCTOBER 2025)

The Supervisory Committee of the Company comprised five supervisors, namely Mr. Sun Wenguang, Mr. Wang Haibing, Mr. Cao Xingquan, Mr. Duan Lian and Mr. Liu Daohua. Mr. Sun Wenguang acted as the chairman of the Supervisory Committee. To safeguard the interests of the Shareholders, the Company's Supervisory Committee was responsible for the supervision of the Company's financial activities and duty fulfillment of the Board, its members and senior management. In 2025, the Supervisory Committee reviewed the Company's financial situation and legality of the business. Through convening the meetings of the Supervisory Committee and attending the Board meetings, general meetings and other important meetings and establishing archives, etc., the Supervisory Committee conducted the due diligence on senior management personnel. The Supervisory Committee carefully and thoroughly performed their duties according to the principle of prudence.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules. Individual confirmation has been obtained from all Directors to confirm compliance with the Model Code during the year ended 31 December 2025.

REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year ended 31 December 2025, none of the Group and its subsidiaries repurchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement has been published on the website of the Company (<http://www.chinacqme.com>) and the HKEXnews website of the Stock Exchange (www.hkexnews.hk). The annual report will also be published at the Company's website and the HKEXnews website of the Stock Exchange on or around 14 April 2026 and will be dispatched to the Shareholders thereafter according to the means they choose to receive communications.

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

Chongqing, the PRC
20 March 2026

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

* *For identification purposes only*