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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO 2020 ANNUAL REPORT

Reference is made to the 2020 Annual Report published by Chongqing Machinery & Electric Co., Ltd. (the “**Company**”) on 15 April 2021. Capitalised terms used herein shall bear the same meanings as defined in the 2020 Annual Report.

The Company hereby provides the following supplemental information regarding the Company’s pension scheme disclosed in the 2020 Annual Report:

The pension scheme of the Group mainly relates to the participation of the Group in the social insurance plan set up by the government authorities in accordance with the regulations. The plan shall be regarded as a defined contribution scheme.

The source for the contribution scheme mainly comes from the Group’s daily liquidity funds. The corresponding expenditure is included in the profit and loss or the cost of related assets as at the date when incurred. The pension is calculated with reference to the monthly average salary in the previous year. If the monthly average salary is lower than 60% of the average wage level in the society, the pension shall be calculated based on 60% of the average wage level in the society. The amount of pension to be contributed by the Company is 16% of such sum.

For details of the amount and balance of the Group’s defined contribution plan for 2020, please refer to sub-item (3) defined contribution plan under item (32) employee benefits payables, Notes VI to Major Items of the Consolidated Financial Statements on page 335 of the 2020 Annual Report.

* *For identification purposes only*

In addition to the social insurance plan mentioned above, the Group also provides early retirement benefits to employees who accept internal retirement arrangements, The early retirement benefits shall be regarded as defined benefit plans.

The early retirement benefits refer to the wages and social insurance premiums paid to the employees who have not reached the retirement age prescribed by the state but have voluntarily retired from their jobs with the approval of the management of the Group.

For details of the amount and balance of the Group's defined benefit plans for 2020, please refer to item (40) long-term employee benefits payables, Notes VI to Major Items of the Consolidated Financial Statements on pages 344 to 346 of the 2020 Annual Report.

The Group's participation in the social insurance plans set up by the government authorities shall be regarded as a defined contribution plan. According to the regulations under the plan, the Group shall not use any forfeited contributions to reduce the existing level of contribution. If employees withdraw from the plan for whatever reason before they have actually received the relevant contributions, the Group will no longer pay on their behalf the endowment insurance and unemployment insurance premiums.

The early retirement benefit plan is regarded as a defined benefit plan. The source for the benefit plan mainly comes from the Group's daily liquidity funds. There is no standardised calculation of the entitlement, and each member of the Group decides its own standard of contribution based on its internal policy.

The independent actuary Towers Watson Consulting (Shenzhen) Co., Ltd.* uses the expected cumulative benefit unit method for actuarial evaluation. Wuhaichuan*, the actuary signing the actuarial report is a full member of Society of Actuaries and a full member of the China Association of Actuaries, who has met the qualification requirements for issuing relevant actuarial opinions on defined benefit plans.

Major actuarial assumptions are as follows:

Project	2019-12-31	2020-12-31
Discount rate – supplementary benefits for original staff	3.25%	3.25%
Discount rate – supplementary benefits for newly added personnel	2.50%	2.50%
Mortality rate	Life Table of China's Life Insurance Industry (2010-2013)	
Annual growth rate of nursing expenses for the original work-related disabled	8.00%	8.00%
Annual growth rate of social insurance contributions for the original work-related injury, sickness and disability	8.00%	8.00%

Project	2019-12-31	2020-12-31
Annual growth rate of basic medical insurance unit payment for newly added personnel	8.00%	8.00%
Annual growth rate of monthly living expenses and housing provident fund contributions for part of the newly added personnel	5.00%	5.00%

The Group has no plan assets for the defined benefit plan. As such, there does not exist any significant surplus or shortfall as shown by the market value of the assets in the plan, the contribution level expressed in percentage or the contribution level on the day of assessment or valuation. For details of the present value and liabilities of defined benefit plan obligations, please refer to item (40) long-term employee benefits payables, Notes VI to Major Items of the Consolidated Financial Statements on pages 344 to 346 of the 2020 Annual Report. The figures therein represent the estimated value calculated with reference to the discounted amount required to be paid under the benefit plan, but not calculated based on any plan assets.

Save for the above supplemental information, all information contained in the 2020 Annual Report remains unchanged.

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

Chongqing, the PRC
4 October 2021

As at the date of the announcement, the executive Directors are Mr. Zhang Fulun, Ms. Chen Ping and Mr. Yang Quan; the non-executive Directors are Mr. Huang Yong, Mr. Ma Aijun, Mr. Dou Bo and Mr. Cai Zhibin; and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Ren Xiaochang, Mr. Jin Jingyu and Mr. Liu Wei.