THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hebei Yichen Industrial Group Corporation Limited* (河北翼辰實業集團股份有限公司), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

Hebei Yichen Industrial Group Corporation Limited*
河北翼辰實業集團股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1596)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF INTEREST IN ELECTRICITY BUSINESS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

The notice convening the EGM to be held at the meeting room of the Company, No. 1 Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC on Thursday, 28 May 2026 at 11:30 a.m. is set out on pages 78 to 80 of this circular.

A form of proxy for use at the EGM is enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hbyc.com.cn). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM (i.e. at or before 11:30 a.m. on Wednesday, 27 May 2026 (Hong Kong time)) or any adjournment thereof (as the case may be).

References to time and dates in this circular are to Hong Kong time and dates.

* *For identification purpose only*

31 March 2026

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

"Acquisition"	the acquisition of the Equity Interest by the Company from the Vendors on and subject to the terms and conditions of the Equity Transfer Agreement
"Articles of Association"	the articles of association of the Company as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	a calendar day which is not a Saturday, a Sunday or a public holiday in the PRC
"Chentong Construction"	Hebei Chengtong Construction Co., Ltd.* (河北辰通建設工程有限公司), a limited liability company established under the laws of the PRC on 21 February 2024 which was directly held as to 60.00% by Chenteng Electricity Sales and 40.00% by SGEDZ Construction & Development as at the date of the Equity Transfer Agreement and the Latest Practicable Date
"Chenteng Electricity Sales"	Hebei Chenteng Electricity Sales Co., Ltd.* (河北辰騰售電有限公司), a limited liability company established under the laws of the PRC on 13 August 2021 which was directly held as to 100.00% by the Target Company as at the date of the Equity Transfer Agreement and the Latest Practicable Date
"Company"	河北翼辰實業集團股份有限公司 (Hebei Yichen Industrial Group Corporation Limited*), a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
"Completion Date"	the date of the Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"connected transaction"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration of RMB135,000,000 payable by the Company to the Vendors for the Acquisition, comprising the First Instalment and the Second Instalment
"Controlling Shareholders"	have the meaning ascribed to it under the Listing Rules, and in the context of this circular, refer to the controlling shareholders of the Company comprised of 15 individuals, namely Mr. Zhang Haijun (張海軍), Ms. Zhang Junxia (張軍霞), Mr. Zhang Xiaogeng (張小更), Mr. Zhang Xiaosuo (張小鎖), Mr. Zhang Ligang (張立剛), Mr. Wu Jinyu (吳金玉), Mr. Zhang Chao (張超), Mr. Zhang Lijie (張力杰), Mr. Zhang Lifeng (張力峰), Ms. Zhang Yanfeng (張艷峰), Mr. Zhang Libin (張力斌), Mr. Zhang Lihuan (張力歡), Mr. Zhang Ning (張寧), Ms. Zhang Hong (張宏) and Mr. Zhang Ruiqiu (張瑞秋), who are acting in concert in terms of their exercise of voting rights at general meetings of the Company and had entered into a written agreement on 17 December 2020 to confirm their acting-in-concert agreement and, as at the date of the Equity Transfer Agreement and the Latest Practicable Date, collectively beneficially owned an aggregate of approximately 63.80% of the total issued share capital of the Company; the Controlling Shareholders are collectively referred to as the "Controlling Shareholders Group"
"deemed connected person(s)"	person(s) who may be deemed to be connected person(s) of the Company by the Stock Exchange under Rule 14A.19 of the Listing Rules as defined in Rule 14A.21 of the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	the domestic invested ordinary share(s) in the capital of the Company, with a nominal value of RMB0.50 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange

"EGM"	the extraordinary general meeting of the Company to be convened and held at the meeting room of the Company, No. 1 Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC at 11:30 a.m. on Thursday, 28 May 2026, the notice of which is set out on pages 78 to 80 of this circular, for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition), and any adjournment of such an extraordinary general meeting
"Equity Interest"	the 86.22% equity interest in the Target Company registered under the names of and beneficially owned by the Vendors as at the date of the Equity Transfer Agreement
"Equity Transfer Agreement"	the equity transfer agreement dated 12 January 2026 entered into between the Vendors as vendors and the Company as purchaser in relation to transfer of 86.22% of the equity interest in the Target Company from the Vendors to the Company
"First Instalment"	the first instalment of the consideration payable by the Company to the Vendors for the Acquisition in the amount of RMB108,000,000
"First Instalment CPs"	the conditions precedent to payment of the First Instalment pursuant to the Equity Transfer Agreement, a summary of which is set forth in the section headed "Equity Transfer Agreement – Conditions Precedent – First Instalment CPs" in the Letter from the Board in this circular
"First Instalment CPs Long Stop Date"	30 September 2026 or any other date as agreed by the parties to the Equity Transfer Agreement, being the final date by which the First Instalment CPs shall be satisfied or, as the case may be, waived
"First Instalment Payment Date"	the 10th business day after the date on which all of the First Instalment CPs have been satisfied or waived by the Company (as the case may be), or such a later date as agreed by the parties to the Equity Transfer Agreement in writing, being the date on which the First Instalment should be paid by the Company to the Vendors
"Group"	collectively, the Company and its subsidiaries from time to time

"H Shares"	the overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB0.50 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFA"	Somerley Capital Limited, the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition)
"Independent Board Committee"	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition)
"Independent Shareholders"	the Shareholders other than the Controlling Shareholders and any other Shareholders who are materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition)
"Independent Third Parties"	person(s) or company(ies) which is(are) not connected person(s) or deemed connected person(s) of the Company
"kWh"	abbreviation of kilowatt-hour, a metric unit of electricity consumption
"Latest Practicable Date"	30 March 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan

"RMB"	Renminbi, the lawful currency of the PRC
"Second Instalment"	the second instalment of the consideration payable by the Company to the Vendors for the Acquisition in the amount of RMB27,000,000
"Second Instalment CPs"	the conditions precedent to payment of the Second Instalment pursuant to the Equity Transfer Agreement, a summary of which is set forth in the section headed "Equity Transfer Agreement – Conditions Precedent – Second Instalment CPs" in the Letter from the Board in this circular
"Second Instalment CPs Long Stop Date"	the 10th business day after the First Instalment Payment Date, being the final date by which the Second Instalment CPs shall be satisfied or, as the case may be, waived
"Second Instalment Payment Date"	the 10th business day after the date on which all of the Second Instalment CPs have been satisfied or waived by the Company (as the case may be), or such a later date as agreed by the parties to the Equity Transfer Agreement in writing, being the date on which the Second Instalment should be paid by the Company to the Vendors
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGEDZ Construction & Development"	Shijiazhuang Gaocheng Economic Development Zone Zhengtong Construction & Development Co., Ltd.* (石家莊藁城經濟開發區政通建設開發有限公司), a state-owned enterprise established under the laws of the PRC
"Share(s)"	ordinary shares of RMB0.50 each in the capital of the Company comprising the Domestic Shares and the H Shares
"Shareholder(s)"	the holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Hebei Chenxiang Electricity Sales Co., Ltd.* (河北辰翔售電有限公司), a limited liability company established under the laws of the PRC on 6 April 2017 which was directly held as to an aggregate of 86.22% by the Vendors as at the date of the Equity Transfer Agreement

"Target Group"	collectively, the Target Company and its subsidiaries including Chenteng Electricity Sales and Chentong Construction
"Vendors"	collectively, 26 individuals who are residents of the PRC including Mr. Zhang Haijun (張海軍), Ms. Zhang Junxia (張軍霞), Mr. Zhang Xiaosuo (張小鎖), Mr. Zhang Xiaogeng (張小更), Mr. Wu Jinyu (吳金玉), Mr. Zhang Ligang (張立剛), Ms. Zhang Hong (張宏), Ms. Zhang Yanfeng (張艷峰), Mr. Zhang Ning (張寧), Mr. Zhang Chao (張超), Mr. Zhang Lihuan (張力歡), Mr. Zhang Lijie (張力杰), Mr. Zhang Lifeng (張力峰), Mr. Zhang Ruiqiu (張瑞秋), Mr. Wu Yonggang (吳永崗), Mr. Liu Xiwen (劉喜文), Mr. Zhang Fengxuan (張風選), Mr. Ma Hailu (馬海錄), Mr. Zhao Liqiang (趙利強), Ms. Fan Luyao (樊璐瑤), Ms. Ma Li (馬利), Mr. Zhang Qinghua (張慶華), Ms. Zhang Shuangge (張雙格), Ms. Fan Xiulan (樊秀蘭), Mr. Gao Weifeng (高衛峰) and Ms. Liu Jiao (劉姣), and each a "Vendor"
"%"	per cent.

* *For identification purpose only*

Hebei Yichen Industrial Group Corporation Limited*
河北翼辰實業集團股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1596)

Executive Directors:
Mr. Zhang Haijun *(Chairman)*
Mr. Wu Jinyu
Mr. Zhang Chao
Mr. Zhang Lihuan
Ms. Ma Xuehui

Non-executive Director:
Ms. Zheng Zhixing

Independent non-executive Directors:
Mr. Jip Ki Chi
Mr. Zhang Liguo
Mr. Wang Fuju

Registered office:
No. 1 Yichen North Street
Gaocheng District
Shijiazhuang City
Hebei Province
PRC

Principal place of business in Hong Kong:
Room 1912, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

31 March 2026

To the Shareholders

Dear Sir/Madam

CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF INTEREST IN ELECTRICITY BUSINESS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated 12 January 2026 in relation to Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition). The purpose of this circular is to provide you with further details the foregoing matters and a notice convening the EGM.

* *For identification purpose only*

2. EQUITY TRANSFER AGREEMENT

On 12 January 2026, the Vendors and the Company entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agreed to acquire the Equity Interest representing 86.22% of the share capital of the equity interest in the Target Company for a Consideration of RMB135,000,000 on and subject to the terms and conditions of the Equity Transfer Agreement.

Set forth below are further details of the Equity Transfer Agreement:

Date

12 January 2026

Parties

(1) The Company as purchaser

(2) The Vendors as vendors

As at the date of the Equity Transfer Agreement, the Vendors were the registered holder and beneficial owner of an aggregate of 86.22% of the equity interest in the Target Company. The table below presents the respective shareholding in the Target Company of each of the Vendors and their relationship with the Company:

No.	Name of Vendor	Registered capital subscribed for and contributed *RMB*	Shareholding %
1.	Mr. Zhang Haijun (張海軍)#	3,238,448.78	11.02
2.	Ms. Zhang Junxia (張軍霞)#	3,368,224.88	11.46
3.	Mr. Zhang Xiaosuo (張小鎖)#	3,360,428.06	11.43
4.	Mr. Zhang Xiaogeng (張小更)#	3,352,631.24	11.40
5.	Mr. Wu Jinyu (吳金玉)#	1,140,934.20	3.88
6.	Mr. Zhang Ligang (張立剛)#	1,065,564.97	3.62
7.	Ms. Zhang Hong (張宏)#	675,724.13	2.30
8.	Ms. Zhang Yanfeng (張艷峰)#	738,098.66	2.51
9.	Mr. Zhang Ning (張寧)#	675,724.13	2.30
10.	Mr. Zhang Chao (張超)#	738,098.66	2.51
11.	Mr. Zhang Lihuan (張力歡)#	675,724.13	2.30
12.	Mr. Zhang Lijie (張力杰)#	738,098.66	2.51
13.	Mr. Zhang Lifeng (張力峰)#	1,799,831.99	6.12
14.	Mr. Zhang Ruiqiu (張瑞秋)#	90,962.86	0.31

No.	Name of Vendor	Registered capital subscribed for and contributed *RMB*	Shareholding %
15.	Mr. Wu Yonggang (吳永崗)	494,920.42	1.68
16.	Mr. Liu Xiwen (劉喜文)	494,920.42	1.68
17.	Mr. Zhang Fengxuan (張風選)	194,920.42	0.66
18.	Mr. Ma Hailu (馬海錄)^	187,123.60	0.64
19.	Mr. Zhao Liqiang (趙利強)	122,150.13	0.42
20.	Ms. Fan Luyao (樊璐瑤)	109,155.44	0.37
21.	Ms. Ma Li (馬利)	93,561.80	0.32
22.	Mr. Zhang Qinghua (張慶華)^	72,770.29	0.25
23.	Ms. Zhang Shuangge (張雙格)	49,380.00	0.17
24.	Ms. Fan Xiulan (樊秀蘭)	36,385.15	0.12
25.	Mr. Gao Weifeng (高衛峰)	36,385.15	0.12
26.	Ms. Liu Jiao (劉姣)^	1,799,831.99	6.12
	Total	**25,350,000.16**	**86.22**

Notes:

(1) Each individual who is a member of the Controlling Shareholder Group and a connected person of the Company is marked with a "#" in the table above.

(2) Each individual who is a deemed connected person of the Company is marked with a "^" in the table above.

(3) The holders of the remaining 13.78% equity interests in the Target Company are 11 individuals, including (i) Ms. Ma Xuehui (馬學輝), holding 1.53% equity interests, who is the daughter of Mr. Ma Hailu (馬海錄) (one of the Vendors); (ii) Ms. Zhang Xinyi (張昕怡), holding 0.51% equity interests, who is the granddaughter of Mr. Ma Hailu (馬海錄) (one of the Vendors); (iii) Ms. Liu Lu (劉璐), holding 0.51% of equity interests, who is the sister of Ms. Liu Jiao (劉姣) (one of the Vendors); (iv) Mr. Shen Lijun (申利軍), holding 1.02% equity interests, who is the brother in-law of Mr. Zhang Qinghua (張慶華) and the spouse to the niece of Ms. Zhang Shuangge (張雙格). All remaining shareholders hold less than 5% equity interests in the Target Company, and to the best of the knowledge, information and beliefs of the Directors having made all reasonable enquiries, save as disclosed herein, the remaining shareholders are not immediate family members, trustees, family members or relatives (each defined under the Listing Rules) of the Vendors.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, other than those individuals indicated in the table above, the Vendors are Independent Third Parties.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Company conditionally agreed to acquire from the Vendors the Equity Interest registered under the names of and beneficially owned by the Vendors, which represents 86.22% of the equity interest in the Target Company.

Upon Completion, the Company will hold 86.22% of the equity interest in the Target Company, as a result of which the Target Group (comprising the Target Company and its subsidiaries which, as a whole, are principally engaged in electricity business) will become subsidiaries of the Company and their financial results will be consolidated in the Company's financial statements.

Consideration

The Consideration for the Acquisition shall be RMB135,000,000, which shall be payable by the Company to the Vendors in two tranches as follows:

(1) the First Instalment, being RMB108,000,000, shall be paid on the First Instalment Payment Date; and

(2) the Second Instalment, being RMB27,000,000, shall be paid on the Second Instalment Payment Date.

The Consideration was determined after arm's-length negotiations between the Vendors and the Company taking into account, among other things, (i) the historical operating performance of the Target Group; and (ii) the corresponding value of the Equity Interest of approximately RMB184,916,000, determined based on the aggregate value of the entire equity interest in the companies comprising the Target Group as at 30 September 2025 of RMB214,470,000 as appraised by an independent professional valuer using the income approach. Further details of the valuation are set forth in the section headed "3. Valuation Methodology" in this Letter from the Board.

The consideration will be satisfied by the Company by depositing the relevant tranche into bank accounts designated by the Vendors and will be funded through self-owned cash and bank loans.

Conditions Precedent

Set forth below are the conditions precedent to payment of the First Instalment and the Second Instalment respectively.

First Instalment CPs

Payment of the First Instalment is conditional upon satisfaction or, as the case may be, waiver of the following conditions set forth in the Equity Transfer Agreement:

(1) the Equity Transfer Agreement having been signed and delivered by all parties to the agreement and having come into effect; and all parties to the agreement having obtained all necessary consents, approval, authorisations, exemptions and/or notices (including, without limitation, approval and/or authorisations from relevant governmental authorities, the board of directors and/or shareholders, where applicable) in accordance with the requirements under the applicable laws and regulations (including, without limitation, the Listing Rules) and their respective articles of association (where applicable) in respect of the signing of the Equity Transfer Agreement and the Acquisition, and such consents, approval, authorisations, exemptions and notices remaining in full force and effect and not having been cancelled, suspended, terminated, revoked or withdrawn;

(2) all existing shareholders of the Target Company other than the Vendors having confirmed in writing their non-exercise of the rights of first refusal in respect of the proposed transfer of the Equity Interest from the Vendors to the Company, with relevant documentary evidence provided to the Company;

(3) all representations and warranties given by the Vendors under the Equity Transfer Agreement remaining true, accurate, complete and not misleading;

(4) the Target Company having amended its articles of association in accordance with the requirements under the Equity Transfer Agreement to record the shareholding position after completion of the Acquisition, and the legal representative of the Target Company having signed and the company seal of the Target Company having been affixed to the articles of association of the Target Company so amended;

(5) the Target Company having obtained all necessary permissions from relevant third parties (if any, including, without limitation, written consents from the relevant bank lenders, other than permissions from any governmental authority in the PRC) in respect of its signing of and performance of obligations under the Equity Transfer Agreement and the Acquisition such that the Target Company will not contravene any applicable law of the PRC as a result thereof, and such permissions remaining in full force and effect and not having been cancelled, suspended, terminated, revoked or withdrawn;

(6) for the purpose of completing the required registration and/or filing procedures with the relevant market supervision and management authority in respect of the Acquisition, the Target Company and its shareholders having signed all necessary documents (including, without limitation, the Equity Transfer Agreement and shareholders' resolutions and amended articles of association of the Target Company);

(7) the Target Group and/or the Vendors having fully, genuinely and completely disclosed in writing information relating to the operating activities, financial position and accounting matters of the Target Group and the Acquisition to the Company and the professional advisers engaged by it, and the Company having completed relevant due diligence and remaining satisfied with the results;

(8) none of the following adverse events having occurred to the Target Group during the transitional period (i.e. the period commencing on the date of the Equity Transfer Agreement and ending on the First Instalment Payment Date or (as the case may be) the Second Instalment Payment Date): any adverse situation that contradicts any of the representations and warranties given by the Target Group or the Vendors or any information disclosed to the Vendors, or any adverse event or other condition that may have an impact on the operating environment, financial position, profitability or compliance with applicable laws and regulations of the Target Group;

(9) the Target Group having obtained all necessary approvals, permits and licences relevant to its business or assets that should have been obtained prior to the First Instalment Payment Date or (as the case may be) the Second Instalment Payment Date in accordance with the requirements under the PRC laws and completed registration of changes in the particulars of such approvals, permits and licences with the relevant governmental authorities, and such approvals, permits and licences remaining in full force and effect and not having been cancelled, suspended, terminated, revoked or withdrawn; and

(10) the Target Group and the Vendors having signed and delivered to the Company a written confirmation in respect of fulfilment of all of the above conditions (other than those conditions the fulfilment of which is, by nature, to be determined by the Company) and having provided relevant documentary evidence to the Company.

The Company may waive in part or in full in writing the above conditions precedent (other than those set forth in paragraphs (1), (2), (4), (5), (6) and (9) above, which are incapable of being waived). If any of the conditions has not been satisfied or, as the case may be, waived by the Company on or before the First Instalment CPs Long Stop Date, the Equity Transfer Agreement shall cease and terminate forthwith and no party shall have any claim against the other party in respect of the Equity Transfer Agreement or any transaction contemplated thereunder (including, without limitation, the Acquisition).

As at the Latest Practicable Date, the condition precedents set forth in paragraph(s) 7 above have been fulfilled. The Board expects that the First Instalment CPs will be fulfilled and/or waived (as applicable) and Completion will take place by the end of April 2026.

Second Instalment CPs

Payment of the Second Instalment is conditional upon satisfaction or, as the case may be, waiver of the following conditions set forth in the Equity Transfer Agreement:

(1) the conditions precedent to payment of the First Instalment by the Company under the Equity Transfer Agreement remaining satisfied;

(2) the Target Company having completed the required registration and/or filing procedures with the relevant market supervision and management authority in respect of the Acquisition, and the relevant market supervision and management authority having issued an updated business licence to the Target Company;

(3) the Target Group and the Vendors having duly performed other obligations that shall be performed prior to payment of the Second Instalment under the Equity Transfer Agreement; and

(4) the Target Group and the Vendors having signed and delivered to the Company a written confirmation in respect of fulfilment of all of the above conditions (other than those conditions the fulfilment of which is, by nature, to be determined by the Company) and having provided relevant documentary evidence to the Company.

The Company may waive in part or in full in writing the above conditions precedent (other than those set forth in paragraphs (1) and (2) above, which are incapable of being waived). If any of the conditions has not been satisfied or, as the case may be, waived, by the Company on or before the Second Instalment CPs Long Stop Date, the Vendors shall be liable for breach of contract in accordance with the terms of the Equity Transfer Agreement.

The condition precedent set forth in paragraph (2) above is a procedural requirement for equity interest transfer under the PRC law. Such procedure(s) would not affect (i) the validity of the Acquisition; (ii) any shareholder's rights that the Company enjoys; and (iii) the business operation of the Target Group.

Completion

Subject to satisfaction or, as the case may be, waiver of the First Instalment CPs, the Company shall pay the First Instalment on the First Instalment Payment Date, being the 10th business day after the date on which all of the First Instalment CPs have been satisfied or waived by the Company (as the case may be), or such a later date as agreed by the parties to the Equity Transfer Agreement in writing. On the First Instalment Payment Date, the Vendors shall, and/or procure the Target Group to, deliver to the Company (1) all assets, items and documents belonging to the Target Group that are capable of being transferred through delivery, such as the company seals, licences, agreements, books and records of the Company; (2) all title documents and other proof of ownership required for the purpose of the Target Group's operations and use of its assets under the applicable laws and regulations; and (3) all title documents, certificates, deeds, permits, agreements and other documents relating to the intellectual property rights owned by the Target Group.

Subject to satisfaction or, as the case may be, waiver of the Second Instalment CPs, the Company shall pay the Second Instalment on the Second Instalment Payment Date, being the 10th business day after the date on which all of the Second Instalment CPs have been satisfied or waived by the Company (as the case may be), or such a later date as agreed by the parties to the Equity Transfer Agreement in writing. With effect from the First Instalment Payment Date, the Company will enjoy all rights and assume all obligations as a shareholder of the Target Company and be entitled to share the reserves and the undistributed profits of the Target Company according to the shareholding represented by the Equity Interest. Accordingly, for the purpose of the Acquisition, Completion is deemed to take place, and the Completion Date is deemed to fall, on the First Instalment Payment Date.

3. VALUATION METHODOLOGY

According to the valuation conducted by the independent professional valuer engaged by the Company, the entire equity interest in the companies comprising the Target Group had an aggregate appraised value of RMB214,470,000 as at 30 September 2025. Each of the companies in the Target Group was considered as a separate legal entity for the purpose of valuation, and such aggregate appraised value was calculated by summing up the share-holding weighted value of each company.

Chenteng Electricity Sales

Valuation Model

The valuation of the equity interest in Chenteng Electricity Sales, being the principal operating subsidiary in the Target Group, adopts the income approach.

The income approach is a revenue-based valuation method. Under this approach, the target company's value is equal to the present value of the cash flows projected to be generated from the target company's business in future. Generally, the present value is calculated by discounting the projected cash flows using a required rate of return (based on risk factors).

As at the valuation base date (i.e. 30 September 2025), Chenteng Electricity Sales did not own material assets, was expanding its business operations and had plans for continuing investments in the coming years. As per the valuer's analysis, the past financial data could not accurately reflect the future financial performance of Chenteng Electricity Sales, rendering it inapt to adopt the asset-based approach or market approach for valuation. Given its growth potential and the expected increase in capacity resulting from additional capital expenditure, the valuer selected the income approach as the valuation approach.

The key steps in a valuation process adopting the income approach include the following:

(a) estimating the free cash flows (the "**FCFF**") to be generated in the forecast period;

(b) discounting the projected FCFF using a discount rate that reflects the time value of money and risk levels; and

(c) determining the fair value by adding up the FCFF to be generated in the forecast period as discounted.

FCFF is calculated using the following formula:

$$FCFF = NI + DEPR + INT - Capex - \Delta NWC$$

where

"NI" is the net profit to be generated for each reverent financial year;

"DEPR" is the depreciations and amortisation expenses to be incurred for the financial year;

"INT" is the interest expenses to be incurred for the financial year after accounting for the taxation effects;

"Capex" is the capital expenditure to be incurred for the financial year; and

"ΔNWC" is the net change in working capital.

Principal Assumptions

As confirmed by the Company, the business of the Target Group will become mature and is expected to grow at a nominal inflation rate after 31 December 2030, so the underlying profit forecast provided to the valuer covers the period from 1 October 2025 to 31 December 2030. It is also noted that the current license for Chenteng Electricity Sales to carry out electricity distribution within its approved operating area has a validity period from 19 September 2023 to 13 September 2043. Accordingly, the cash flow forecast covers the period up to 31 December 2030, on the

assumption that Chenteng Electricity Sales will operate with a high growth momentum from the date immediately following the valuation base date until 31 December 2030, when it is expected to continue its operation at a nominal inflation rate perpetually. In calculating the terminal value for Chenteng Electricity Sales, the valuer has assumed that the business of Chenteng Electricity Sales will grow at an inflation rate of 1.54% per annum for the period subsequent to 31 December 2030, and using a discount rate of 11.06%.

The principal business activities of Chenteng Electricity Sales are sales of electricity. For the financial year ended 31 December 2024 and the nine months ended 30 September 2025, the revenue of Chenteng Electricity Sales were approximately RMB41.5 million and RMB37.4 million, respectively. As provided by the management, the valuer has adopted Chenteng Electricity Sales' revenue from its sales of electricity in the forecast period/year, the forecast of which was based on (i) the historical usage of electricity by the existing consumers in the licensed area of Chenteng Sales Electricity who are yet to be transferred to Chenteng Sales Electricity from the then electricity distribution network operating entity, the details of which are disclosed in the section headed "6. Reasons for and benefits of the Acquisition" below; (ii) the historical amount of electricity supplied by Chenteng Sales Electricity to the Group; and (iii) the expected demand of electricity as applied for by the other existing and newly acquired customers of Chenteng Electricity Sales in their respective electricity supply application forms; and (iv) the historical average unit selling price of electricity by Chenteng Sales Electricity. On the other hand, in respect of the costs of sales and the gross profit margins of Chenteng Electricity during the forecast period/year, as the unit purchase cost of electricity in the Hebei Province is made known to the public monthly by the State Grid Hebei Electric Power Co., Ltd. (國網河北省電力有限公司), the management assumed the unit purchase cost of electricity to be incurred by Chenteng Sales Electricity during the forecast period/year based on the historical average unit purchase cost of electricity incurred by Chenteng Electricity Sales. In addition, Chenteng Electricity Sales is expected to start to record the following types of revenue during the financial year ending 31 December 2026 or afterwards, and the percentage of revenue derived from sales of electricity over the forecast period is expected to range from 97% to 99%:

- special service fees;

  Special service fees to be charged in respect of supply of electricity to specific users whose demand exceeds the ordinary electricity supply standard for guaranteeing stability and continuity in electricity supply is identified as an additional source of revenue by the Company. Such revenue source is identified through consultations with Chenteng Electricity Sales' existing customers and forecasted based on the actual electricity consumption of contracted customers whose demands exceeded the ordinary electricity supply standard for guaranteeing stability and continuity in electricity supply within the relevant region(s) in 2025.

- sales of electricity generated using photovoltaic power facilities;

  As confirmed by the Company, Chenteng Electricity Sales commenced construction of photovoltaic power facilities in October 2024, investing approximately RMB685,000. Such facilities have been put into use in December 2024. Due to the increase in internal electricity needs and as a measure to control costs, electricity generated from these photovoltaic power facilities were used internally by the Target Group, and no revenue has been recorded from the sale of electricity generated from these facilities. It is expected that the photovoltaic power facilities will be further expanded, and that phase two construction will commence in March 2026, with an expected investment amount of approximately RMB3,200,000. It is also expected that Chenteng Electricity Sales will start generating revenue from its photovoltaic power facilities in mid-2026.

- revenue to be generated from clean energy electric vehicles charging stations; and

  As confirmed by the Company, Chenteng Electricity Sales commenced construction of two charging stations for clean energy vehicles in July 2024, with an investment amount of approximately RMB800,000. Such stations have been put into use and started generating revenue for Chenteng Electricity Sales since July 2024. It is also expected that Chenteng Electricity Sales will build three additional charging stations each year from 2026 to 2030 to further expand the scale of such revenue stream.

- profit to be generated from energy storage facilities, whereby energy storage devices are charged in non-peak hours when the electricity tariff is set at a lower level and the stored electricity is released for supply during peak hours when the electricity tariff is set at a higher level.

  As forecasted by the management of the Target Group, energy storage facilities are expected to reduce electricity costs of Chenteng Electricity Sales as these facilities could store surplus electricity and low-demand grid power and create synergy with the photovoltaic power facilities. As confirmed by the Company, Chenteng Electricity Sales is expected to invest approximately RMB4,400,000 to construct the relevant energy storage facilities in 2026 and 2027.

The valuer is of the view that there is no reason to doubt the incorporation of these new revenue sources in the cash flow forecast given the future business plan provided by the management.

The Board is of the view that the incorporation of these new revenue sources in the valuation of Chenteng Electricity Sales is fair and reasonable. In forming this

view, the Board has taken into account the following factors that collectively demonstrate Chenteng Electricity Sales' commitment in developing these business lines and the realistic prospects of generating revenue from them: (a) the investments already made by Chenteng Electricity Sales in constructing the photovoltaic power facilities and the clean energy electric vehicles charging stations; (b) the concrete expansion plans that have been formulated and are being implemented in relation to further construction of photovoltaic power facilities, clean energy electric vehicles charging stations and energy storage facilities; (c) the consultation with Chenteng Electricity Sales' customers which indicated tangible and existing demand for special services in respect of electricity supply to users whose demand exceed the ordinary electricity supply standard for guaranteeing stability and continuity in electricity supply; and (d) the revenue already generated from the clean energy electric vehicles charging stations since July 2024.

The principal cash outflows including the following:

- costs of sales, being the costs of purchases of electricity determined based on the projected volume of electricity to be sold and the expected unit purchase price of electricity during the forecast period;

- management expenses, including

  – labour costs, which are projected to increase at the annual rate of 1.16% during the forecast period based on the average of the actual consumer price indices for the years 2020-2024, assuming no change in the size of the labour force;

  – depreciation and amortisation expenses, determined on the straight-line basis based on the additional capital expenditures to be incurred during the forecast period in connection with power transmission systems, photovoltaic power stations, charging stations and energy storage facilities, the useful life of such assets and a salvage value percentage of 5%; and

  – technical consultancy service charges, administration expenses and other miscellaneous expenses, which are projected to increase at the annual rate of 1.16% during the forecast period based on the average of the actual consumer price indices for the years 2020-2024;

- financial expenses, including interest expenses payable to banks in connection with bank loans to be obtained for construction of facilities equalling 80.00% of the total investment amount with a term of five years and an annual interest rate of 5.00%;

- taxation expenses, where a tax rate of 25.00% is assumed to apply based on the corporate profits tax rate prescribed under the laws of the PRC; and

- capital expenditures expected to be incurred during the forecast period in connection with power transmission systems, photovoltaic power stations, charging stations and energy storage facilities in the amount of approximately RMB35,000,000.

It is further assumed that the accounts receivable and accounts payable of Chenteng Electricity Sales can offset each other and the accounts receivable turnover days and the accounts payable turnover days are 0.

In determination of the capital expenditures to be incurred during the forecast period, the valuer has taken into account the future business plan of Chenteng Electricity Sales and the estimated expenditures for each of the power transmission systems (including the proposed acquisition of State Grid's distribution network assets in 2026), photovoltaic power stations (including the purchase of equipment and/or facilities, construction costs and other expenses), charging stations (including the purchase of equipment and/or facilities, construction costs and other expenses) and energy storage facilities (including the purchase of equipment and/or facilities and construction costs) in each period/year during the forecast period, adopting a useful life of assets of 15 years, 15 years, 10 years and 8 years for the above types of capital expenditures, respectively. The estimated capital expenditure during each period/year of the forecast period was therefore determined at approximately RMB1,485,600, RMB16,876,000, RMB13,000,000, RMB1,200,000, RMB1,200,000 and RMB1,200,000, respectively.

For the terminal value used in the model, except for the 25.00% corporate profits tax rate adopted, each of the income or expenses items described in the paragraphs headed "Principal Assumptions" above is assumed to increase at the annual rate of 1.54%, which is based on the average of the actual consumer price indices for the years 2018-2024 published by Bloomberg Terminal.

Key Inputs

When determining the required rate of return commensurate with the level of risks involved in the projected cash flows of Chenteng Electricity Sales that is to be taken as the discount rate for calculating the present value of the cash flows projected to be generated in each financial year within the forecast period, reference has been made to the public information published by listed companies whose businesses are comparable to that of Chenteng Electricity Sales. In this connection, the valuer has selected through public platforms such as Bloomberg Terminal comparable companies that are principally engaged in electricity-related businesses in the Chinese Mainland, are listed in the Chinese Mainland or Hong Kong and whose financial information is accessible to the public.

The costs of equity are determined under the capital asset pricing model using the following formula:

$$Ke = Rf + \beta l * RPm + RPS + RPu$$

where

"Ke" is the costs of equity;

"Rf" is the risk-free interest rate;

"βl" is the re-levered beta coefficient;

"RPm" is the equity risk premium;

"RPS" is the size premium; and

"RPu" is the company-specific risk premium.

When applying the above formula,

- "Rf" is taken to be 1.87%, being the risk-free interest rate in the PRC market as announced by Bloomberg Terminal on the valuation base date;

- "βl" is determined using the following formula:

  $\beta l = \beta u * [1 + (1 - Tc) * (D/E)]$

  where

  "βu" is the un-levered beta coefficient;

  "Tc" is the corporate profits tax rate; and

  "D/E" is the debt-to-equity ratio.

"βu" is taken to be 0.35, being the median of the adjusted beta coefficients of the selected comparable companies extracted from the Bloomberg Terminal on the valuation base date.

"Tc" is taken to be 25.00%, being the corporate profits tax rate prescribed under the laws of the PRC as at the valuation base date.

"D/E" is taken to be 24.18%, being the debt-to-equity ratio determined based on the statement of financial position of Chenteng Electricity Sales as at the valuation base date.

Based on the above inputs, "βl" is calculated at 0.41;

- "RPm" is taken to be 8.75%, determined based on the risk premium in the Chinese stock market as at the valuation base date of 10.62% assessed according to data extracted from the Bloomberg Terminal less the risk-free interest rate in the PRC market as at the same date of 1.87%;

- "RPS" is taken to be 4.40%, being the size premium applicable to micro-cap according to the Duff & Phelps Valuation Handbook 2024; and

- "RPu" is taken to be 3.00%, which serves to reflect the unsystematic risks specific to Chenteng Electricity Sales taking into account individual risk factors relating to its operating condition, business model and other matters.

Based on the above inputs, "Ke" is calculated at 12.85%.

The costs of debt are taken to be 4.90%, which is determined based on the base interest rates as quoted in the market of debts with a tenor of five years or above in the PRC extracted from the Bloomberg Terminal.

The required rate of return is determined using the following formula:

WACC = Kd * (1-T) * [D/(D+E)] + Ke * [E/(D+E)]

where

"WACC" is the required rate of return;

"Kd" is the costs of debt;

"T" is the corporate profits tax rate;

"D/(D+E)" is the debt-to-capital ratio;

"Ke" is the costs of equity; and

"E/(D+E)" is the equity-to-capital ratio.

Based on "Kd" of 4.90% (determined in the manner explained in the relevant paragraph above), "T" of 25.00% (being the corporate profits tax rate prescribed under the laws of the PRC as at the valuation base date), "D/(D+E)" of 19.47% (determined based on information in the statement of financial position of Chenteng Electricity Sales as at the valuation base date), "Ke" of 12.85% (calculated using the formula for calculating "Ke" as presented above) and "E/(D+E)" of 80.53% (determined based on information in the statement of financial position of Chenteng Electricity Sales as at the valuation base date), "WACC" is calculated at 11.06%.

Valuation Results

By discounting the FCFF using the required rate of return, a preliminary value of Chenteng Electricity Sales of approximately RMB272,000,000 is derived.

A discount for lack of marketability (DLOM) shall be applied to reflect the lower liquidity of the equity interest in Chenteng Electricity Sales as compared with the listed shares of the selected comparable companies and its impact on the value of such equity interest. The valuer adopted the Black-Scholes Put Option Model to assess the DLOM and treat the lack of marketability as equivalent to lacking a put option that guarantees liquidity, with key parameters being (i) the comparable companies' volatility as Chenteng Electricity Sales is not publicly listed; and (ii) a holding period of 2 years as the valuer assumes a two-year period is a sufficient period for finding a purchaser for the sale of a private company. Taking the average of the prices of the put options in the past two years of the selected comparable companies, i.e. 39.92%, as the standard deviation, the put option price is derived, based on which the DLOM is calculated at 20.00%.

After adding cash and cash equivalents of approximately RMB4,800,000, deducting short-term borrowings of RMB10,000,000 and further applying a DLOM of 20.00%, the value of the entire equity interest in Chenteng Electricity Sales is appraised at RMB214,000,000.

Target Company

Valuation Model

The valuation of the equity interest in the Target Company adopts the income approach.

As at the valuation base date (i.e. 30 September 2025), the Target Company was asset-light. It also recorded net losses for previous financial years. As the value of the Target Company depends on its future income and cash flows, the valuer selected the income approach as the valuation approach.

Please refer to the paragraphs headed "Chenteng Electricity Sales — Valuation Model" above for an explanation of the valuation procedures carried out under the income approach.

Principal Assumptions

As confirmed by the Company, the business of the Target Group will become mature and is expected to grow at a nominal inflation rate after 31 December 2030, so the underlying profit forecast provided to the valuer covers the period from 1 October 2025 to 31 December 2030. Accordingly, the cash flow forecast covers the period up to 31 December 2030, on the assumption that the Target Company will operate with a high growth momentum from the date immediately following the valuation base date until 31 December 2030, when it is expected to continue its operation at a nominal inflation rate perpetually. In calculating the termination value for the Target Company, the valuer has assumed that the Target Company's business will grow at an inflation rate of 1.54% per annum for the period subsequent to 31 December 2030, and using a discount rate of 11.06%.

The principal business activities of the Target Company are electricity trading, where the Target Company purchases electricity from its suppliers and sells the electricity to its customers and profit is gained from the differential between the purchase price and the selling price. For the financial year ended 31 December 2024 and the nine months ended 30 September 2025, the revenue of the Target Company were approximately RMB1.8 million and RMB1.1 million, respectively, with the net profit margin of approximately -2.0% and -2.7%. It is assumed that the revenue of the Target Company will principally be derived from electricity sales during the forecast period, with the annual sales for each financial year equalling the amount recorded for the year ending 31 December 2025.

Management expenses constitute the major cost component of the Target Company. Such expenses are projected to grow at the annual rate of 3.00% from the year ending 31 December 2026 onwards during the forecast period to reflect the long-term increase in inflation rate. For avoidance of doubt, the Target Company is considered as both a trading and holding company, as it generates revenue from the sales of electricity while having management expenses as its major cost component.

Key Inputs

When determining the required rate of return commensurate with the level of risks involved in the projected cash flows of the Target Company that is to be taken as the discount rate for calculating the present value of the cash flows projected to be generated in each financial year within the forecast period, reference has been made to the public information published by listed companies whose businesses are comparable to that of the Target Company. In this connection, the valuer has selected through public platforms such as Bloomberg Terminal comparable companies that are principally engaged in electricity-related businesses in the Chinese Mainland, are listed in the Chinese Mainland or Hong Kong and whose financial information is accessible to the public.

The costs of equity are determined under the capital asset pricing model using the following formula:

$$Ke = Rf + \beta l * RPm + RPS + RPu$$

where

"Ke" is the costs of equity;

"Rf" is the risk-free interest rate;

"βl" is the re-levered beta coefficient;

"RPm" is the equity risk premium;

"RPS" is the size premium; and

"RPu" is the company-specific risk premium.

When applying the above formula,

- "Rf" is taken to be 1.87%, being the risk-free interest rate in the PRC market as announced by Bloomberg Terminal on the valuation base date;

- "βl" is determined using the following formula:

  $\beta l = \beta u * [1 + (1 - Tc) * (D/E)]$

  where

  "βu" is the un-levered beta coefficient;

  "Tc" is the corporate profits tax rate; and

  "D/E" is the debt-to-equity ratio.

"βu" is taken to be 0.35, being the median of the adjusted beta coefficients of the selected comparable companies extracted from the Bloomberg Terminal on the valuation base date.

"Tc" is taken to be 25.00%, being the corporate profits tax rate prescribed under the laws of the PRC as at the valuation base date.

"D/E" is taken to be 0.00%, being the debt-to-equity ratio determined based on the statement of financial position of the Target Company as at the valuation base date.

Based on the above inputs, "βl" is calculated at 0.35;

- "RPm" is taken to be 8.75%, determined based on the risk premium in the Chinese stock market as at the valuation base date of 10.62% assessed according to data extracted from the Bloomberg Terminal less the risk-free interest rate in the PRC market as at the same date of 1.87%;

- "RPS" is taken to be 4.40%, being the size premium applicable to micro-cap according to the Duff & Phelps Valuation Handbook 2024; and

- "RPu" is taken to be 3.00%, which serves to reflect the unsystematic risks specific to the Target Company taking into account individual risk factors relating to its operating condition, business model and other matters.

Based on the above inputs, "Ke" is calculated at 12.30%.

The costs of debt are taken to be 4.90%, which is determined based on the base interest rates as quoted in the market of debts with a tenor of five years or above in the PRC extracted from the Bloomberg Terminal.

The required rate of return is determined using the following formula:

WACC = Kd * (1-T) * [D/(D+E)] + Ke * [E/(D+E)]

where

"WACC" is the required rate of return;

"T" is the corporate profits tax rate;

"Kd" is the costs of debt;

"D/(D+E)" is the debt-to-capital ratio;

"Ke" is the costs of equity; and

"E/(D+E)" is the equity-to-capital ratio.

Based on "Kd" of 4.90% (determined in the manner explained in the relevant paragraph above), "T" of 25.00% (being the corporate profits tax rate prescribed under the laws of the PRC as at the valuation base date), "D/(D+E)" of 0.00% (determined based on information in the statement of financial position of the Target Company as at the valuation base date), "Ke" of 12.30% (calculated using the formula for calculating "Ke" as presented above) and "E/(D+E)" of 100.00% (determined based on information in the statement of financial position of the Target Company as at the valuation base date), "WACC" is calculated at 12.30%.

Valuation Results

By discounting the FCFF using the required rate of return, a preliminary negative value of the Target Company of approximately RMB2,270,000 is derived.

A discount for lack of marketability (DLOM) shall be applied to reflect the lower liquidity of the equity interest in the Target Company as compared with the listed shares of the selected comparable companies and its impact on the value of such equity interest. The valuer adopted the Black-Scholes Put Option Model to assess the DLOM and treat the lack of marketability as equivalent to lacking a put option that guarantees liquidity, with key parameters being (i) the comparable companies' volatility as the Target Company is not publicly listed; and (ii) a holding period of two years as the valuer assumes a two-year period is a sufficient period for finding a purchaser for the sale of a private company. Taking the average of the prices of the put options in the past two years of the selected comparable companies, i.e. 39.92%, as the standard deviation, the put option price is derived, based on which the DLOM is calculated at 20.00%. Given that Chenteng Electricity Sales and

the Target Company both operate within the same business segment and share an identical principal business of electricity sales, in applying the Black-Scholes Put Option Model to assess the DLOM of these two companies, the valuer identified the same set of comparable companies and calculated the DLOM using the average volatility of the same set of comparable companies. Having considered the consistent methodologies used, the valuer is of the view that applying the same DLOM to the Target Company as that of Chenteng Electricity Sales is fair and reasonable.

After adding cash and cash equivalents of approximately RMB2,860,000 and further applying a DLOM of 20.00%, the value of the entire equity interest in the Target Company is appraised at RMB470,000.

Chentong Construction

Valuation Models

The valuation of the equity interest in Chentong Construction adopts both the income approach and the asset-based approach, given that Chentong Construction had just commenced operation and had yet to be fully staffed as at the valuation base date.

Please refer to the paragraphs headed "Chenteng Electricity Sales — Valuation Model" above for an explanation of the valuation procedures carried out under the income approach.

The asset-based approach is an asset-oriented valuation method, where each item of the assets and liabilities of the target company is separately valued and the combined fair value of the net assets is taken as the value of the target company. It reflects the actual value of all the costs incurred by the target company as it acquires and develops the resources presently owned or controlled by it.

(a) Income Approach

Principal Assumptions

As Chentong Construction is only established in 2024, the cash flow forecast is based on the contracts that it has in hand and other foreseeable contracts to be entered by it in the future. Given the remoteness of other future projects that Chentong Construction may enter into, the cash flow forecast covers the period up to 31 December 2026, on the assumption that Chentong Construction will continue operating from the date immediately following the valuation base date until 31 December 2026.

Chentong Construction is principally engaged in electricity construction business. As at the valuation base date, it was undertaking two construction projects in relation to cable replacement and installation works, with a contract sum of approximately RMB70,000 and RMB285,000,

respectively. As at the valuation base date, 30% of the contract sum for each of these projects had been settled. These projects are assumed to be the source of revenue throughout the forecast period, with revenue of approximately RMB49,000 and RMB200,000 projected to be generated in 2026, respectively.

The principal cash outflows including the following:

- costs of sales, being the costs incurred under the sub-contracting arrangements entered into in respect of the construction projects, which are projected to amount to 92.00% of the revenue; and

- management expenses, comprising salaries of employees, contributions to social insurance scheme for employees and administrative expenses, which are expected to equal the amount recorded for the year ending 31 December 2025.

Key Inputs

When determining the required rate of return commensurate with the level of risks involved in the projected cash flows of Chentong Construction that is to be taken as the discount rate for calculating the present value of the cash flows projected to be generated in each financial year within the forecast period, reference has been made to the public information published by listed companies whose businesses are comparable to that of Chentong Construction. In this connection, the valuer has selected through public platforms such as Bloomberg Terminal comparable companies that are principally engaged in electricity construction-related businesses in the Chinese Mainland, are listed in the Chinese Mainland or Hong Kong and whose financial information is accessible to the public.

The costs of equity are determined under the capital asset pricing model using the following formula:

$$Ke = Rf + \beta l * RPm + RPS + RPu$$

Where

"Ke" is the costs of equity;

"Rf" is the risk-free interest rate;

"βl" is the re-levered beta coefficient;

"RPm" is the equity risk premium;

"RPS" is the size premium; and

"RPu" is the company-specific risk premium.

When applying the above formula,

- "Rf" is taken to be 1.87%, being the risk-free interest rate in the PRC market as announced by Bloomberg Terminal on the valuation base date;

- "βl" is determined using the following formula:

  $\beta l = \beta u * [1 + (1 - Tc) * (D/E)]$

  where

  "βu" is the un-levered beta coefficient;

  "Tc" is the corporate profits tax rate; and

  "D/E" is the debt-to-equity ratio.

"βu" is taken to be 0.22, being the median of the adjusted beta coefficients of the selected comparable companies extracted from the Bloomberg Terminal on the valuation base date.

Tc" is taken to be 25.00%, being the corporate profits tax rate prescribed under the laws of the PRC as at the valuation base date.

"D/E" is taken to be 0.00%, being the debt-to-equity ratio determined based on the statement of financial position of Chentong Construction as at the valuation base date.

Based on the above inputs, "βl" is calculated at 0.22;

- "RPm" is taken to be 8.75%, determined based on the risk premium in the Chinese stock market as at the valuation base date of 10.62% assessed according to data extracted from the Bloomberg Terminal less the risk-free interest rate in the PRC market as at the same date of 1.87%;

- "RPS" is taken to be 4.40%, being the size premium applicable to micro-cap according to the Duff & Phelps Valuation Handbook 2024; and

- "RPu" is taken to be 3.00%, which serves to reflect the unsystematic risks specific to Chentong Construction taking into account individual risk factors relating to its operating condition, business model and other matters.

Based on the above inputs, "Ke" is calculated at 11.23%.

The costs of debt are taken to be 4.90%, which is determined based on the base interest rates as quoted in the market of debts with a tenor of five years or above in the PRC extracted from the Bloomberg Terminal.

The required rate of return is determined using the following formula:

WACC = Kd * (1-T) * [D/(D+E)] + Ke * [E/(D+E)]

where

"WACC" is the required rate of return;

"Kd" is the costs of debt;

"T" is the corporate profits tax rate;

"D/(D+E)" is the debt-to-capital ratio;

"Ke" is the costs of equity; and

"E/(D+E)" is the equity-to-capital ratio.

Based on "Kd" of 4.90% (determined in the manner explained in the relevant paragraph above), "T" of 25.00% (being the corporate profits tax rate prescribed under the laws of the PRC as at the valuation base date), "D/(D+E)" of 0.00% (determined based on information in the statement of financial position of Chentong Construction as at the valuation base date), "Ke" of 11.23% (calculated using the formula for calculating "Ke" as presented above) and "E/(D+E)" of 100.00% (determined based on information in the statement of financial position of Chentong Construction as at the valuation base date), "WACC" is calculated at 11.23%.

Valuation Results

By discounting the free cash flows using the required rate of return, a preliminary negative value of Chentong Construction of approximately RMB671,000 is derived.

After adding cash and cash equivalents of approximately RMB49,000, the value of Chentong Construction remains negative. As Chentong Construction is a limited liability company, the value of which should not be negative. Accordingly, the value of the entire equity interest in Chentong Construction is appraised at RMB0.

(b) Asset-based Approach

Under the asset-based approach, the other receivables of Chentong Construction carry a negative fair value of approximately RMB549,000, its cash and cash equivalents carry a fair value of approximately RMB49,000 and its accounts payable carry a negative fair value of RMB46,000. The fair value of each of these items is identical to its book value.

The net assets of Chentong Construction have a combined negative fair value of approximately RMB454,000. As Chentong Construction is a limited liability company, the value of which should not be negative. Accordingly, the value of the entire equity interest in Chentong Construction is appraised at RMB0.

Taking into account the valuation results obtained under the income approach and the asset-based approach and the fact that Chentong Construction is a limited liability company, the appraised value of the entire equity interest in Chentong Construction is RMB0.

4. INFORMATION ABOUT PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Company is principally engaged in research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products.

The Vendors comprise 26 individuals who are residents of the PRC including Mr. Zhang Haijun (張海軍), Ms. Zhang Junxia (張軍霞), Mr. Zhang Xiaosuo (張小鎖), Mr. Zhang Xiaogeng (張小更), Mr. Wu Jinyu (吳金玉), Mr. Zhang Ligang (張立剛), Ms. Zhang Hong (張宏), Ms. Zhang Yanfeng (張艷峰), Mr. Zhang Ning (張寧), Mr. Zhang Chao (張超), Mr. Zhang Lihuan (張力歡), Mr. Zhang Lijie (張力杰), Mr. Zhang Lifeng (張力峰), Mr. Zhang Ruiqiu (張瑞秋), Mr. Wu Yonggang (吳永崗), Mr. Liu Xiwen (劉喜文), Mr. Zhang Fengxuan (張風選), Mr. Ma Hailu (馬海錄), Mr. Zhao Liqiang (趙利強), Ms. Fan Luyao (樊璐瑤), Ms. Ma Li (馬利), Mr. Zhang Qinghua (張慶華), Ms. Zhang Shuangge (張雙格), Ms. Fan Xiulan (樊秀蘭), Mr. Gao Weifeng (高衛峰) and Ms. Liu Jiao (劉姣).

5. INFORMATION ABOUT THE TARGET GROUP

Target Company

The Target Company is a limited liability company established under the laws of the PRC on 6 April 2017 with registered capital of RMB29,400,000.16, which is principally engaged in electricity trading business. As at the date of the Equity Transfer Agreement, the Target Company was directly held as to an aggregate of 86.22% by the Vendors. Please refer to the section headed "2. Equity Transfer Agreement – Parties" in this Letter from the Board for a breakdown of the shareholding of the Vendors in the Target Company.

Chenteng Electricity Sales

Chenteng Electricity Sales is a limited liability company established under the laws of the PRC on 13 August 2021 with registered capital of RMB110,000,000, which is principally engaged in electricity supply business as an incremental electricity distribution network operating entity in Gaocheng District, Shijiazhuang City, Hebei Province, the PRC with the rights to sell electricity in the district. As at the date of the Equity Transfer Agreement and the Latest Practicable Date, Chenteng Electricity Sales was directly held as to 100.00% by the Target Company.

Chentong Construction

Chentong Construction is a limited liability company established under the laws of the PRC on 21 February 2024 with registered capital of RMB40,000,000, which is principally engaged in electricity construction business and licensed to conduct electricity facility installation works. As at the date of the Equity Transfer Agreement and the Latest Practicable Date, Chentong Construction was directly held as to 60.00% by Chenteng Electricity Sales and 40.00% by SGEDZ Construction & Development, a state-owned enterprise established under the laws of the PRC.

Financial Information about the Target Group

Set forth below is a summary of the consolidated financial information of the Target Group (comprising the Target Company and its subsidiaries including Chenteng Electricity Sales and Chentong Construction) for the years ended 31 December 2024 and 31 December 2025:

	Year ended 31 December 2024 (unaudited)	**Year ended 31 December 2025 (unaudited)**
	RMB'000	*RMB'000*
Profit/(loss) before tax	(1,813)	(1,304)
Profit/(loss) after tax	(1,813)	(1,304)

The unaudited consolidated net assets of the Target Group was approximately RMB30,624,000 as at 31 December 2025.

Set forth below is a summary of the financial information of each of the Target Company, Chenteng Electricity Sales and Chentong Construction for the years ended 31 December 2024 and 31 December 2025:

The Target Company

	Year ended 31 December 2024 (unaudited) *RMB'000*	Year ended 31 December 2025 (unaudited) *RMB'000*
Profit/(loss) before tax	(35.5)	(58.7)
Profit/(loss) after tax	(35.5)	(58.7)

The unaudited net assets of the Target Company was approximately RMB34,129,000 as at 31 December 2025.

Chenteng Electricity Sales

	Year ended 31 December 2024 (unaudited) *RMB'000*	Year ended 31 December 2025 (unaudited) *RMB'000*
Profit/(loss) before tax	(1,594.1)	(913.6)
Profit/(loss) after tax	(1,594.1)	(913.6)

The unaudited net assets of Chenteng Electricity Sales was approximately RMB41,000,000 as at 31 December 2025.

Chenteng Construction

	Year ended 31 December 2024 (unaudited) *RMB'000*	Year ended 31 December 2025 (unaudited) *RMB'000*
Profit/(loss) before tax	(182.9)	(331.6)
Profit/(loss) after tax	(182.9)	(331.6)

The unaudited net liabilities of Chenteng Construction was approximately RMB515,000 as at 31 December 2025.

6. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company, together with its subsidiaries, is principally engaged in, among other things, research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products. As a manufacturing business of an established operating scale, the Company considers a stable supply of electricity to be of the utmost importance given that it is instrumental in securing the uninterrupted operation of the Company's production lines and other business functions. For this reason, the Company entered into a high voltage electricity supply contract with

Chenteng Electricity Sales on 1 November 2023, pursuant to which Chenteng Electricity Sales, as the electricity supplier authorised to carry out electricity distribution and sales businesses within its approved operating area that covers the site of operations of the Company, shall supply electricity to the Company for a term of three years from 1 November 2023 to 31 October 2026. For further details, please refer to the announcements of the Company dated 1 November 2023 and 29 August 2024. Through entering into the above electricity supply contract, the Company has been assured of a reliable supply of electricity from its authorised electricity supplier over a relatively extended term.

By acquiring the Equity Interest, the Company can obtain control over the Target Group, including, among others, Chenteng Electricity Sales as the principal operating subsidiary. Chenteng Electricity Sales is principally engaged in electricity supply business as an incremental electricity distribution network operating entity in Gaocheng District, Shijiazhuang City, Hebei Province, the PRC, having the rights to sell electricity in the district. With the authorised electricity supplier under its direct control, the Company will become better placed to ensure stability and continuity in its electricity supply, and efficiency is optimised from both operational and compliance perspectives.

Aside from enhancing the Company's energy security and streamlining its operations, the Acquisition can also diversify and enrich the Group's income stream in the long term as the electricity trading, supply and construction businesses carried out by the members of the Target Group grow. Most importantly, the Group stands to improve and fortify its financial resilience, given that electricity is a basic necessity that serves as the backbone of all social and economic activities and is therefore characterised by relatively stable and robust demand.

Under Chenteng Electricity Sales' electricity distribution business model, electricity produced by power generation companies is transmitted at high voltages to Chenteng Electricity Sales; after being processed at transformation facilities, the electricity is then distributed to consumers at lower voltages via the electricity distribution network of Chenteng Electricity Sales. Under the policy of State Grid Corporation of China (國家電網有限公司), different electricity tariffs apply depending on the voltage. The operating profit of Chenteng Electricity Sales is primarily derived from the differential between the higher electricity tariff at which low voltage electricity is distributed by Chenteng Electricity Sales to consumers and the lower electricity tariff at which high voltage electricity is transmitted by power generation companies to Chenteng Electricity Sales.

As shown in the consolidated management accounts of the Target Group, the Target Group recorded operating revenue of approximately RMB43.3 million and gross profit of RMB3.8 million for the year ended 31 December 2024, and operating revenue of RMB56.9 million and gross profit of RMB5.2 million for the year ended 31 December 2025. As at 31 December 2025, major components of the assets and liabilities of the Target Group included monetary capital of approximately RMB7.2 million, fixed assets of RMB34.1 million, construction in progress of RMB18.5 million, intangible assets of RMB4.8 million, short-term borrowings of RMB10.0 million, trade payables of RMB2.1 million and other payables of RMB2.0 million.

As Chenteng Electricity Sales was licensed as an incremental electricity distribution network operating entity in 2023 (when it was entitled to take over the rights from the existing distribution network operating entity (the "**then operator**") to sell electricity to consumers within the licensed area), under the Implementation Measures for the Delineation of Distribution Areas for Incremental Distribution Business (增量配電業務配電區域劃分實施辦法) in the PRC, the then operator should transfer and hand over to Chenteng Electricity Sales the relevant electricity distribution assets and the existing consumers in the licensed area. Nevertheless, the original delineation of the licensed area resulted in certain practical difficulties, such as the supply of electricity by both the then operator and Chenteng Electricity Sales in different areas of the same village. As a results, there had been delay in the transfer and handover of the relevant electricity distribution assets and the existing consumers (most of which are Independent Third Parties) from the then operator to Chenteng Electricity Sale pending re-delineation of the licensed area. Due to the aforementioned, for the year ended 31 December 2024, out of the total operating revenue of the Target Group, approximately RMB39.8 million or 91.9% was attributable to the Group, and the remaining RMB3.5 million or 8.1% was derived from transactions with other customers who were Independent Third Parties. For the year ended 31 December 2025, out of the total operating revenue of the Target Group, approximately RMB43.2 million or 75.8% was attributable to the Group, and the remaining RMB13.8 million or 24.2% was derived from transactions with other customers who were Independent Third Parties. Following the written confirmation sought from the National Development and Reform Commission of the Hebei Province in late 2025 regarding the re-delineation of the licensed area, negotiations and handover procedures with the then operator have been progressing constructively. The management expects that all transfers and handover procedures will be completed by the end of June 2026, and all existing consumers within Chenteng Electricity Sales' licensed area will become customers of Chenteng Electricity Sales as the existing electricity distribution network is completely transferred from the then operator to Chenteng Electricity Sales. As the Target Group has been seeking to build up and diversify its customer base, as reflected in the growth in its revenue contributed by customers other the Group in both monetary and percentage terms, and that there are concrete plans formulated and implementing to proceed with the handover of the existing consumers within the licensed area from the then operator to Chenteng Electricity Sales, the Directors are of the view that there is and will be actual demand for Chenteng Electricity Sales's electricity and Chenteng Electricity Sales has the capabilities to sell electricity to Independent Third Parties. The Directors are also confident that the Target Group will have the potential of bringing in substantial revenue from external source to substantively supplement the Group's income stream subsequent to Completion.

On top of the above, from an internal point of view, the Acquisition will enable to the Group to make tangible savings on electricity costs going forward. As the supply of electricity by Chenteng Electricity Sales to other Group companies will become intra-group transactions, and the costs of the electricity supplied will be recorded at the price at which electricity is transmitted to Chenteng Electricity Sales from its external supplier(s). It is estimated that savings of up to approximately RMB0.09 per kilowatt-hour, which is roughly equivalent to the historical mark-up of Chenteng Electricity Sales, can be made. Assuming that the volume of electricity to be supplied by Chenteng Electricity Sales to the Group per year remains the same as that supplied during the year ended 31 December 2025, the annual savings on electricity costs could amount to

approximately RMB5.9 million. The Directors foresee that the actual cost savings could potentially go beyond the above level, as the Group's production capacity is expected to expand from time to time.

As regards Chentong Construction, the other operating subsidiary of the Target Company, its principal business is electricity construction. Licensed to conduct electricity construction works, it focuses on operation of electricity distribution system, such as replacement and installation of cables and other electricity facilities for existing and customers within the approved operating area. The Target Group aims to act as a one-stop energy solution provider, covering not only sales of electricity but also the ancillary constructions works to be undertaken to guarantee effective distribution of electricity to customers, in which Chentong Construction has a role to play. Besides, for the purposes of ensuring stability and continuity in electricity supply and/or optimising its cost structure, Chenteng Electricity Sales may from time to time set up additional electricity facilities such as photovoltaic power facilities, energy storage facilities and charging stations. In this connection, electricity construction works may have to be conducted and Chentong Construction is capable of providing the requisite support. Further, Chentong Construction may take advantage of the business network and resources of SGEDZ Construction & Development, its 40.00% shareholder that is a state-owned enterprise established under the laws of the PRC, to expand its electricity construction business. While Chentong Construction, as a company newly established in February 2024, is still at the preliminary stage of development, it is well-positioned to establish itself as an electricity construction service provider of a sizeable operating scale. Accordingly, the Directors consider that the indirect acquisition of the 60% equity interest in Chentong Construction is advisable and favourable, in that it could strengthen the overall capacity of the Group in its electricity supply business following Completion and that it also aligns well with the goals of the Acquisition of achieving stability and continuity in electricity supply, streamlining of operations, and diversification and enrichment of income stream. Hence, the Directors have resolved to proceed with the acquisition of the Equity Interest without carving out Chentong Construction.

Through the above ways, the Group is expected to reap benefits from the synergistic effects created by the Acquisition. For the purpose of determining the Consideration for the Acquisition, the Company had engaged an independent professional valuer to appraise the aggregate value of the entire equity interest in the companies comprising the Target Group. As reported by the valuer, the entire equity interest in such companies had an aggregate appraised value of RMB214,470,000 as at 30 September 2025. Further details of the valuation are set forth in the section headed "3. Valuation Methodology" in this Letter from the Board. The fair value of the Equity Interest of approximately RMB184,916,000 was deduced by multiplying the above appraised value by 86.22%, being the level of equity interest in the Target Company to be acquired by the Company under the Acquisition. The Directors regard the fair value of the Equity Interest so deduced as a fair representation of the benefits and rewards that the Acquisition could bring to the Group from operational, business development and financial perspectives as detailed in the paragraphs above, having considered, in particular (1) the opportunity to capitalise on the future growth momentum of the Target Group; (2) the fact that, while the historical operating performance of the Target Group had not reflected the actual demand of electricity in the licensed area, particularly in respect of the usage by the existing

consumers to be transferred to Chenteng Electricity Sales from the then operator (which amounted to approximately 95 million kWh for the year ended 31 December 2025 which is higher than the electricity supplied by Chenteng Electricity Sales to its existing customers during the year of approximately 86 million kWh), the valuation has taken into account, amongst others, such future customer base and future demand of electricity from Chenteng Electricity Sales in the licensed area; (3) Chenteng Electricity Sales' independent revenue-generating ability (as the proportion of revenue contributed by the Group would be significantly lower after all the existing consumers within the licensed area have been transferred to Chenteng Electricity Sales); and (4) the economies of scale that Chenteng Electricity Sales can benefit after taking over the relevant existing electricity distribution assets and customer base from the then operator and improving the utilisation of its facilities to improve its gross profit and net profit margins. Taking the fair value of the Equity Interest as the starting point, a significant discount had been applied to factor in the financial risks that the Group may be subject to primarily by virtue of the historical operating performance of the Target Group, including, among other things, its net loss position in the recent financial years. After arm's-length negotiations between the Vendors and the Company, the Consideration was set at RMB135,000,000, which the Directors believe fairly balanced the rewards and risks associated with the Acquisition as illustrated above without putting any undue strain on the Group's cash flow and overall financial position. As at 30 June 2025, the Group had monetary capital of approximately RMB271,132,000. On account of the above, the Directors consider it justified to apply part of the existing monetary capital of the Group to fund the acquisition. To ensure that the Group will retain sufficient working capital to meet its operational needs, it is intended that the consideration will also be satisfied in part with bank borrowings. As at 30 June 2025, the Group had a low gearing ratio (calculated as net debt (being total of short-term borrowings and long-term borrowings less monetary capital) divided by total owner's equity) of approximately 14.4%, and the new bank borrowings to be obtained are not expected to have any material adverse impact on the Group's capital adequacy and financial standing.

The terms and conditions of the Equity Transfer Agreement were determined after arm's-length negotiations between the Vendors and the Company. As explained in the paragraph above, the Consideration was premised on valuation results that reflect the benefits and rewards of the Acquisition from multiple perspectives, on the basis of which downward adjustments had been made with due regard to the underlying risks stemming from the Target Group's historical operating conditions and financial performance. For this reason and taking into account all other factors discussed in the paragraphs above, the Directors are of the view that the terms and conditions of the Equity Transfer Agreement (including, without limitation, the Consideration) are fair and reasonable and in the interests of the Shareholders (including the Independent Shareholders) as a whole, and the transactions contemplated thereunder (including, without limitation, the Acquisition), although not being in the ordinary and usual course of business of the Group, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Mr. Zhang Haijun, Mr. Wu Jinyu, Mr. Zhang Chao and Mr. Zhang Lihuan, each an executive Director, are four of the Vendors. In addition, the executive Director Ms. Ma Xuehui was a shareholder holding 1.50% of the equity interest in the Target Company as at

the date of the Equity Transfer Agreement. Other than the above executive Directors, none of the Directors has any connection with the entities involved in the Equity Transfer Agreement or the transactions contemplated thereunder (including, without limitation, the Acquisition). Mr. Zhang Haijun, Mr. Wu Jinyu, Mr. Zhang Chao, Mr. Zhang Lihuan and Ms. Ma Xuehui have abstained from voting on the resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition) at the relevant board meeting in accordance with the requirements under the articles of association of the Company.

7. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed(s) 5.00% but all of them fall below 25.00%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is be subject to the announcement requirement under Chapter 14 of the Listing Rules.

Among the Vendors, (1) 14 individuals are members of the Controlling Shareholders Group (a group of individuals who are acting in concert in terms of their exercise of voting rights at general meetings of the Company and, as at the date of the Equity Transfer Agreement and the Latest Practicable Date, collectively beneficially owned an aggregate of approximately 63.80% of the total issued share capital of the Company) and are therefore connected persons of the Company; and (2) three individuals are deemed connected persons of the Company. Hence, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed(s) 5.00% and the Consideration exceeds HK$10 million, the Acquisition is subject to the announcement, circular (including independent financial advice), Independent Shareholders' approval and annual reporting requirements under Chapter 14A of the Listing Rules.

8. EGM AND PROXY ARRANGEMENT

The EGM will be held at the meeting room of the Company, No. 1 Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC on Thursday, 28 May 2026 at 11:30 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition). Notice of the EGM is set out on pages 78 to 80 of this circular.

Pursuant to Rule 13.39 of the Listing Rules, the resolution to be proposed at the EGM will be taken by poll, the results of which will be announced after the EGM.

The Controlling Shareholders and any other Shareholders who are materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition) shall abstain from voting on the resolution to be proposed at the EGM approving such matters. As at the date of the Equity Transfer Agreement and the Latest Practicable Date, the Controlling Shareholders collectively beneficially owned an aggregate of approximately 63.80% of the total issued share capital of the Company.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders, and Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, on the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition).

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 22 May 2026 to Thursday, 28 May 2026, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, holders of the H Shares whose transfers have not been registered shall deposit all transfer documents accompanied by the relevant share certificates at 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, for registration not later than 4:30 p.m. on Thursday, 21 May 2026 (Hong Kong time). The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Thursday, 28 May 2026.

A form of proxy for use at the EGM is enclosed herewith and also published on both the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hbyc.com.cn). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM (i.e. at or before 11:30 a.m. on Wednesday, 27 May 2026 (Hong Kong time)) or any adjournment thereof (as the case may be). For H Shareholders, the forms of proxy must be deposited at the Company's H share registrar, Computershare Hong Kong Investor Services Limited. For Domestic Shareholders, the forms of proxy should be deposited at the Secretariat of the Board at the Company's principal place of business in the PRC.

9. RECOMMENDATIONS

The Board considers that the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition) are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution approving these matters to be proposed at the EGM.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on page 40 of this circular which contains its advice to the Independent Shareholders in connection with the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition), the letter from the IFA set out on page 42 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the foregoing matters and the principal factors and reasons taken into consideration and the key assumptions made in arriving at its advice, and the additional information set out in the Appendices to this circular.

11. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

12. MISCELLANEOUS

The Chinese text of this circular shall prevail over the English text for the purpose of interpretation in case of any inconsistency.

Yours faithfully,
For and on behalf of the Board
Hebei Yichen Industrial Group Corporation Limited*
Zhang Haijun
Chairman

* *For identification purpose only*

Hebei Yichen Industrial Group Corporation Limited*
河北翼辰實業集團股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1596)

31 March 2026

To the Independent Shareholders

Dear Sir/Madam

CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF INTEREST IN ELECTRICITY BUSINESS

We refer to the circular issued by the Company to the Shareholders and dated 31 March 2026 (the "**Circular**") of which this letter forms part. Unless otherwise specified or the context requires otherwise, terms and expressions as defined in the Circular shall carry the same meanings when used herein.

Under the Listing Rules, the transactions contemplated under the Equity Transfer Agreement (including, without limitation, the Acquisition) constitute a connected transaction and is subject to, among other things, the approval of the Independent Shareholders. We have been appointed by the Board to consider the terms of the Equity Transfer Agreement and to advise the Independent Shareholders in connection with the connected transaction contemplated thereunder as to whether, in our opinion, the terms and conditions of the Equity Transfer Agreement are fair and reasonable, whether the connected transaction contemplated under the Equity Transfer Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendations of the IFA. Somerley Capital Limited has been appointed as the IFA to advise us and the Independent Shareholders in relation to the connected transaction contemplated under the Equity Transfer Agreement.

* *For identification purpose only*

We wish to draw your attention to the Letter from the Board and the Letter from the IFA as set out in the Circular. Having considered the principal factors and reasons considered by, the key assumptions made and the advice of the IFA as set out in its letter of advice, we consider that the terms and conditions of the Equity Transfer Agreement are fair and reasonable. We also consider that the connected transaction contemplated under the Equity Transfer Agreement, although not being in the ordinary and usual course of business of the Group, is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition).

Yours faithfully,
For and on behalf of
Independent Board Committee

Jip Ki Chi **Zhang Liguo** **Wang Fuju**

Independent non-executive Directors

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

31 March 2026

To: the Independent Board Committee and the Independent Shareholders

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF INTEREST IN ELECTRICITY BUSINESS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement (including, without limitation, the Acquisition). Details of the Acquisition are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 31 March 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On 12 January 2026, the Vendors and the Company entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agreed to acquire the Equity Interest representing 86.22% of the issued share capital of the equity interest in the Target Company for a Consideration of RMB135,000,000 on and subject to the terms and conditions of the Equity Transfer Agreement.

Among the Vendors, (1) 14 individuals are members of the Controlling Shareholders Group (a group of individuals who are acting in concert in terms of their exercise of voting rights at general meetings of the Company and, as at the date of the Equity Transfer Agreement and the Latest Practicable Date, collectively beneficially owned an aggregate of approximately 63.80% of the total issued share capital of the Company) and are therefore connected persons of the Company; and (2) three individuals are deemed connected persons of the Company. Hence, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed(s) 5.00% and the Consideration exceeds HK$10 million, the Acquisition is subject to the announcement, circular (including independent financial advice), Independent Shareholders' approval and annual reporting requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Jip Ki Chi, Mr. Zhang Liguo and Mr. Wang Fuju has been established to advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition). We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regards.

We are not associated or connected with the Company, the Vendors or their respective close associates or core connected persons. In the past two years, there was no engagement between the Group and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Vendors or their respective close associates or core connected persons. Accordingly, we are independent from the Company under Rule 13.84 of the Listing Rules and are considered eligible to give independent advice on the Equity Transfer Agreement.

In formulating our advice and recommendation, we have reviewed, among others, (i) announcement of the Company dated 12 January 2026 in relation to, among others, the Equity Transfer Agreement (the "**Announcement**"), (ii) the annual reports of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**") and interim report for the six months ended 30 June 2025 (the "**2025 Interim Report**"), and (iii) other information contained in the Circular. In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the "**Management**") and the respective professional advisers of the Company and have assumed that they are true, accurate and complete in all material aspects and in relation to any opinions to be honestly held at the time they were made and will remain, in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held, up to the date of the EGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Acquisition, we have taken into account the principal factors and reasons set out below.

1. Information of the parties to the Acquisition

1.1 Information of the Group

The Company is principally engaged in research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products.

Financial performance of the Group

Set out below is the summary of the financial information of the Group for the years ended 31 December 2023 and 2024, and the six months ended 30 June 2024 and 2025 as extracted from the 2024 Annual Report and the 2025 Interim Report:

	For the year ended 31 December		For the six months ended 30 June	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
– Rail fastening system	692,229	674,208	300,433	303,537
– Welding wire	382,209	310,594	154,013	141,841
– Railway sleepers	112,854	92,326	40,556	28,761
– Others	8,855	13,622	3,705	3,004
	1,196,146	**1,090,750**	**498,707**	**477,143**
Operating profits/ (losses)	48,907	(58,653)	(51,618)	53,612
Net profit/(loss) for the year/period attributable to owners of the parent	**49,444**	**(50,828)**	**(42,177)**	**48,617**

For the six months ended 30 June 2024 and 2025

As set out in the 2025 Interim Report, the revenue of the Group decreased by approximately 4.3% from approximately RMB498.7 million for the first half of 2024 to approximately RMB477.1 million for the same period of 2025, mainly as a result of the decrease in revenue from welding wire products and railway sleeper products.

Revenue related to rail fastening system products increased by approximately 1.0% from approximately RMB300.4 million for the first half of 2024 to approximately RMB303.5 million for the same period of 2025, mainly attributable to the increase in shipments of rail fastening system products driven by the steady progress of the previously awarded high-speed rail lines. Revenue related to welding wire products decreased by approximately 7.9% from approximately RMB154.0 million for the first half of 2024 to approximately RMB141.8 million for the same period of 2025, mainly due to the decrease in unit selling price of welding wire products as a result of the

intense market competition during the first half of 2025. Revenue related to railway sleeper products decreased by approximately 29.1% from approximately RMB40.6 million for the first half of 2024 to approximately RMB28.8 million for the same period of 2025, mainly attributable to the delay in delivery of railway sleeper products to customers as per their requests. Apart from revenue from sales of rail fastening system products, welding wire products and railway sleeper products, the Group also received other operating revenue from sales of raw materials, the provision of product processing services as well as electricity sales business of approximately RMB3.7 million and RMB3.0 million for the six months ended 30 June 2024 and 2025, respectively.

The Group recorded a gross profit of approximately RMB126.7 million for the first half of 2025, representing an increase of approximately 24.7% as compared to the gross profit of approximately RMB101.6 million for the same period of 2024, which was mainly due to the combined effect of higher revenue from rail fastening system products, optimised customer structure of the Group and lower raw material prices.

In the first half of 2025, the Group's net profit attributable to owners of the parent amounted to approximately RMB48.6 million, representing an increase of approximately RMB90.8 million as compared with net loss attributable to owners of the parent of approximately RMB42.2 million for the same period of 2024, which was mainly due to the overall sound business performance as a result of the Group's proactive optimisation of customer structure and the decline in raw material prices in the first half of 2025.

For the two years ended 31 December 2023 and 2024

In 2024, the revenue of the Group decreased by approximately 8.8% to approximately RMB1,090.7 million from approximately RMB1,196.1 million in 2023. The decrease of revenue was mainly attributable to the decrease in shipments during the year impacted by the construction progress of railways and market competition.

Revenue related to rail fastening system products decreased by approximately 2.6% to approximately RMB674.2 million in 2024 from approximately RMB692.2 million in 2023, which was attributable to the decrease in shipments of rail fastening system products during the year impacted by the construction progress of railways of the major customers. Revenue related to welding wire products decreased by approximately 18.7% from approximately RMB382.2 million in 2023 to approximately RMB310.6 million in 2024. The change in revenue from welding wire products was mainly attributable to the decrease in sales volume of welding wire products during the year. Revenue related to railway sleeper products decreased by approximately 18.2% from approximately RMB112.9 million in 2023 to approximately RMB92.3 million in 2024. The change in revenue from railway sleeper products was mainly attributable to the decrease in shipments of

railway sleeper products during the year impacted by the construction progress of railways. Apart from revenue from sales of rail fastening system products, welding wire products and railway sleeper products, the Group also received other operating revenue from sales of raw materials, provision of product processing services as well as electricity sales business of approximately RMB8.9 million and RMB13.6 million for the year ended 31 December 2023 and 2024, respectively.

The Group recorded a gross profit of approximately RMB253.1 million in 2024, representing a year-on-year decrease of approximately 13.1% as compared to the gross profit of approximately RMB291.4 million in 2023, which was mainly due to the change in product structure of rail fastening system products and the decrease in gross profit of welding wire series products during the year.

The Group's net losses attributable to owners of the parent amounted to approximately RMB50.8 million in 2024, representing a decrease of approximately 202.8% from approximately a net profit attributable to owners of the parent of approximately RMB49.4 million in 2023. Such change was mainly attributable to (i) a decrease in the gross profit as discussed above; (ii) the change in the price of Hong Kong listed company securities originally held by the Company, resulting in increase in loss from changes in fair value and investment loss related to financial assets held for trading, and as of 31 December 2024; and (iii) the increase in loss on credit impairment under the ECL model provided by the Company as a result of the longer cycle of recovery of loan receivables amid the sluggish macroeconomic environment.

Financial position of the Group

Set out below is the summary of the financial position of the Group as at 31 December 2023 and 2024, and 30 June 2025 as extracted from the 2024 Annual Report and 2025 Interim Report:

	As at 31 December		**As at 30 June**
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)
Total assets	3,439,192	3,501,497	3,593,149
Total liabilities	960,289	1,107,124	1,167,767
Total equity attributable to owners of the parent	2,465,759	2,381,448	2,412,403

As at 30 June 2025, the Group's total assets amounted to approximately RMB3,593.1 million, mainly comprised of (i) accounts receivables of approximately RMB1,150.2 million; (ii) fixed assets of approximately RMB663.8 million; (iii) inventories of approximately RMB466.2 million; and (iv) long-term equity investments of approximately RMB320.7 million.

As at 30 June 2025, the Group's total liabilities amounted to approximately RMB1,167.8 million, mainly comprised of (i) borrowings of approximately RMB620.1 million; and (ii) accounts payables of approximately RMB371.0 million.

As at 30 June 2025 and 31 December 2024, the Group's total equity attributable to owners of the Company amounted to approximately RMB2,412.4 million and RMB2,381.4 million, respectively, mainly as a result of the increase in undistributed profits.

1.2 Information of the Vendors

The Vendors comprise 26 individuals who are residents of the PRC including Mr. Zhang Haijun (張海軍), Ms. Zhang Junxia (張軍霞), Mr. Zhang Xiaosuo (張小鎖), Mr. Zhang Xiaogeng (張小更), Mr. Wu Jinyu (吳金玉), Mr. Zhang Ligang (張立剛), Ms. Zhang Hong (張宏), Ms. Zhang Yanfeng (張艷峰), Mr. Zhang Ning (張寧), Mr. Zhang Chao (張超), Mr. Zhang Lihuan (張力歡), Mr. Zhang Lijie (張力杰), Mr. Zhang Lifeng (張力峰), Mr. Zhang Ruiqiu (張瑞秋), Mr. Wu Yonggang (吳永崗), Mr. Liu Xiwen (劉喜文), Mr. Zhang Fengxuan (張風選), Mr. Ma Hailu (馬海錄), Mr. Zhao Liqiang (趙利強), Ms. Fan Luyao (樊璐瑤), Ms. Ma Li (馬利), Mr. Zhang Qinghua (張慶華), Ms. Zhang Shuangge (張雙格), Ms. Fan Xiulan (樊秀蘭), Mr. Gao Weifeng (高衛峰) and Ms. Liu Jiao (劉姣).

As at the date of the Equity Transfer Agreement, the Vendors were the registered holder and beneficial owner of an aggregate of 86.22% of the equity interest in the Target Company. Please refer to the section headed "2. EQUITY TRANSFER AGREEMENT – Parties" in the Letter from the Board for the respective shareholding in the Target Company of each of the Vendors and their relationship with the Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, unless otherwise indicated in the table in the section headed "2. EQUITY TRANSFER AGREEMENT – Parties" in the Letter from the Board, the Vendors are Independent Third Parties.

1.3 Information of the Target Group

The Target Company is a limited liability company established under the laws of the PRC on 6 April 2017 with registered capital of RMB29,400,000.16, which is principally engaged in electricity trading business. As at the date of the Equity Transfer Agreement, the Target Company was directly held as to an aggregate of 86.22% by the Vendors and 13.78% by 11 individuals. Please refer to the table in the section headed "2. EQUITY TRANSFER AGREEMENT — Parties" in the Letter from the Board for detailed shareholding of the Target Company.

Chenteng Electricity Sales is a limited liability company established under the laws of the PRC on 13 August 2021 with registered capital of RMB110,000,000, which is principally engaged in electricity supply business as an incremental electricity distribution network operating entity in Gaocheng District, Shijiazhuang City, Hebei Province, the PRC with the rights to sell electricity in the district. As at the date of the Equity Transfer Agreement and the Latest Practicable Date, Chenteng Electricity Sales was directly held as to 100.00% by the Target Company.

Chentong Construction is a limited liability company established under the laws of the PRC on 21 February 2024 with registered capital of RMB40,000,000, which is principally engaged in electricity construction business and licensed to conduct electricity facility installation works. As at the date of the Equity Transfer Agreement and the Latest Practicable Date, Chentong Construction was directly held as to 60.00% by Chenteng Construction and 40% by SGEDZ Construction & Development, a state-owned enterprise established under the laws of the PRC.

Financial information of the Target Group

Set forth below is a summary of the consolidated financial information of the Target Group (comprising the Target Company and its subsidiaries including Chenteng Electricity Sales and Chentong Construction) for the years ended 31 December 2024 and 31 December 2025:

	Year ended 31 December 2024 (unaudited) *RMB'000*	**Year ended 31 December 2025** (unaudited) *RMB'000*
Loss before tax	(1,813)	(1,304)
Loss after tax	(1,813)	(1,304)

The unaudited consolidated net assets of the Target Group was approximately RMB30,624,000 as at 31 December 2025.

Set forth below is a summary of the financial information of each of the Target Company, Chenteng Electricity Sales and Chentong Construction for the years ended 31 December 2024 and 31 December 2025:

The Target Company

	Year ended 31 December 2024 (unaudited) *RMB'000*	**Year ended 31 December 2025** (unaudited) *RMB'000*
Loss before tax	(35.5)	(58.7)
Loss after tax	(35.5)	(58.7)

The unaudited net assets of the Target Company was approximately RMB34,129,000 as at 31 December 2025.

Chenteng Electricity Sales

	Year ended 31 December 2024 (unaudited) *RMB'000*	**Year ended 31 December 2025** (unaudited) *RMB'000*
Loss before tax	(1,594.1)	(913.6)
Loss after tax	(1,594.1)	(913.6)

The unaudited net assets of Chenteng Electricity Sales was approximately RMB41,000,000 as at 31 December 2025.

Chenteng Construction

	Year ended 31 December 2024 (unaudited) *RMB'000*	**Year ended 31 December 2025** (unaudited) *RMB'000*
Loss before tax	(182.9)	(331.6)
Loss after tax	(182.9)	(331.6)

The unaudited net liabilities of Chenteng Construction was approximately RMB515,000 as at 31 December 2025.

2. Reasons for and benefits of the Acquisition

As set out in the Letter from the Board, the Company, together with its subsidiaries, is principally engaged in, among other things, research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products. As a manufacturing business of an established operating scale, the Company considers a stable supply of electricity to be of the utmost importance given that it is instrumental in securing the uninterrupted operation of the Company's production lines and other business functions. For this reason, the Company entered into a high voltage electricity supply contract with Chenteng Electricity Sales on 1 November 2023, pursuant to which Chenteng Electricity Sales, as the electricity supplier authorised to carry out electricity distribution and sales businesses within its approved operating area that covers the site of operations of the Company, shall supply electricity to the Company for a term of three years from 1 November 2023 to 31 October 2026. For further details, please refer to the announcements of the Company dated 1 November 2023 and 29 August 2024. Through entering into the above electricity supply contract, the Company has been assured of a reliable supply of electricity from its authorised electricity supplier over a relatively extended term.

By acquiring the Equity Interest, the Company can obtain control over the Target Group, including, among others, Chenteng Electricity Sales as the principal operating subsidiary. Chenteng Electricity Sales is principally engaged in electricity supply business as an incremental electricity distribution network operating entity in Gaocheng District, Shijiazhuang City, Hebei Province, the PRC, having the rights to sell electricity in the district. With the authorised electricity supplier under its direct control, the Company will become better placed to ensure stability and continuity in its electricity supply, and efficiency is optimised from both operational and compliance perspectives.

Aside from enhancing the Company's energy security and streamlining its operations, the Acquisition can also diversify and enrich the Group's income stream in the long term as the electricity trading, supply and construction businesses carried out by the members of the Target Group grow. Most importantly, the Group stands to improve and fortify its financial resilience, given that electricity is a basic necessity that serves as the backbone of all social and economic activities and is therefore characterised by relatively stable and robust demand.

Under Chenteng Electricity Sales' electricity distribution business model, electricity produced by power generation companies is transmitted at high voltages to Chenteng Electricity Sales; after being processed at transformation facilities, the electricity is then distributed to consumers at lower voltages via the electricity distribution network of Chenteng Electricity Sales. Under the policy of State Grid Corporation of China (國家電網有限公司), different electricity tariffs apply depending on the voltage. The operating profit of Chenteng Electricity Sales is primarily derived from the differential between the higher electricity tariff at which low voltage electricity is distributed by Chenteng Electricity Sales to consumers and the lower electricity tariff at which high voltage electricity is transmitted by power generation companies to Chenteng Electricity Sales.

As shown in the consolidated management accounts of the Target Group, the Target Group recorded operating revenue of approximately RMB43.3 million and gross profit of RMB3.8 million for the year ended 31 December 2024, and operating revenue of RMB56.9 million and gross profit of RMB5.2 million for the year ended 31 December 2025. As at 31 December 2025, major components of the assets and liabilities of the Target Group included monetary capital of approximately RMB7.2 million, fixed assets of RMB34.1 million, construction in progress of RMB18.5 million, intangible assets of RMB4.8 million, short-term borrowings of RMB10.0 million, trade payables of RMB2.1 million and other payables of RMB2.0 million.

As Chenteng Electricity Sales was licensed as an incremental electricity distribution network operating entity in 2023 (when it was entitled to take over the rights from the existing distribution network operating entity (the "**then operator**") to sell electricity to consumers within the licensed area), under the Implementation Measures for the Delineation of Distribution Areas for Incremental Distribution Business (增量配電業務配電區域劃分實施辦法) in the PRC, the then operator should transfer and hand over to Chenteng Electricity Sales the relevant electricity distribution assets and the existing consumers in the licensed area. Nevertheless, the original delineation of the licensed area resulted in certain practical difficulties, such as the supply of electricity by both the then operator and Chenteng Electricity Sales in different areas of the same village. As a results, there had been delay in the transfer and handover of the relevant electricity distribution assets and the existing consumers (most of which are Independent Third Parties) from the then operator to Chenteng Electricity Sale pending re-delineation of the licensed area. Due to the aforementioned, for the year ended 31 December 2024, out of the total operating revenue of the Target Group, approximately RMB39.8 million or 91.9% was attributable to the Group, and the remaining RMB3.5 million or 8.1% was derived from transactions with other customers who were Independent Third Parties. For the year ended 31 December 2025, out of the total operating revenue of the Target Group, approximately RMB43.2 million or 75.8% was attributable to the Group, and the remaining RMB13.8 million or 24.2% was derived from transactions with other customers who were Independent Third Parties. Following the written confirmation sought from the National Development and Reform Commission of the Hebei Province in late 2025 regarding the re-delineation of the licensed area, negotiations and handover procedures with the then operator have been progressing constructively. The management expects that all transfers and handover procedures will be completed by the end of June 2026, and all existing consumers within Chenteng Electricity Sales' licensed area will become customers of Chenteng Electricity Sales as the existing electricity distribution network is completely transferred from the then operator to Chenteng Electricity Sales. As the Target Group has been seeking to build up and diversify its customer base, as reflected in the growth in its revenue contributed by customers other the Group in both monetary and percentage terms, and that there are concrete plans formulated and implementing to proceed with the handover of the existing consumers within the licensed area from the then operator to Chenteng Electricity Sales, the Directors are of the view that there is and will be actual demand for Chenteng Electricity Sales's electricity and Chenteng Electricity Sales has the capabilities to sell electricity to Independent Third Parties. The Directors are also confident that the Target Group will have the potential of bringing in substantial revenue from external source to substantively supplement the Group's income stream subsequent to Completion.

The abovementioned transition was evidenced by the growth in revenue from Independent Third Parties customers from approximately 8.1%, or approximately RMB3.5 million in 2024 to approximately 24.2%, or approximately RMB13.8 million in 2025. From our review of the revenue projection of Chenteng Electricity Sales for the coming years as discussed in the section headed "4.3 Valuation basis and assumptions — (a) Revenue" below, the revenue proportion from Independent Third Parties from is expected to further increase, in which the majority of revenue of Chenteng Electricity Sales would be from Independent Third Parties by 2030. We have discussed with the Management and noted that such expectation was due to the fact that the transfers and handover procedures of client accounts within the area where Chenteng Electricity Sales was authorised to distribute electricity are expected to be completed by the end of June 2026.

On top of the above, from an internal point of view, the Acquisition will enable to the Group to make tangible savings on electricity costs going forward. As the supply of electricity by Chenteng Electricity Sales to other Group companies will become intra-group transactions, and the costs of the electricity supplied will be recorded at the price at which electricity is transmitted to Chenteng Electricity Sales from its external supplier(s). It is estimated that savings of up to approximately RMB0.09 per kilowatt-hour, which is roughly equivalent to the historical mark-up of Chenteng Electricity Sales, can be made. Assuming that the volume of electricity to be supplied by Chenteng Electricity Sales to the Group per year remains the same as that supplied during the year ended 31 December 2025, the annual savings on electricity costs could amount to approximately RMB5.9 million. The Directors foresee that the actual cost savings could potentially go beyond the above level, as the Group's production capacity is expected to expand from time to time. From our review of the underlying calculation, we noted that the estimated annual saving on electricity costs was calculated based on the volume of electricity supplied by Chenteng Electricity Sales to the Group for the year ended 31 December 2025, multiplied by the maximum difference in electricity price during the year. We concur with the Management that such calculation serves as a best estimate of the Group. Moreover, as the electricity supply to the Group will become an intra-group transaction post-Acquisition, the primary benefit is the realization of electricity cost savings, which will enhance the Group's operational efficiency and financial resilience, irrespective of the precise amount, which may vary based on future actual electricity usage and costs different.

As regards Chentong Construction, the other operating subsidiary of the Target Company, its principal business is electricity construction. Licensed to conduct electricity construction works, it focuses on operation of electricity distribution system, such as replacement and installation of cables and other electricity facilities for existing and customers within the approved operating area. The Target Group aims to act as a one-stop energy solution provider, covering not only sales of electricity but also the ancillary constructions works to be undertaken to guarantee effective distribution of electricity to customers, in which Chentong Construction has a role to play. Besides, for the purposes of ensuring stability and continuity in electricity supply and/or optimising its cost structure, Chenteng Electricity Sales may from time to time set up additional electricity facilities such as photovoltaic power facilities, energy storage facilities and charging stations. In this connection, electricity construction works may have to be conducted and Chentong Construction is capable of providing the requisite support. Further, Chentong

Construction may take advantage of the business network and resources of SGEDZ Construction & Development, its 40.00% shareholder that is a state-owned enterprise established under the laws of the PRC, to expand its electricity construction business. While Chentong Construction, as a company newly established in February 2024, is still at the preliminary stage of development, it is well-positioned to establish itself as an electricity construction service provider of a sizeable operating scale. Accordingly, the Directors consider that the indirect acquisition of the 60% equity interest in Chentong Construction is advisable and favourable, in that it could strengthen the overall capacity of the Group in its electricity supply business following Completion and that it also aligns well with the goals of the Acquisition of achieving stability and continuity in electricity supply, streamlining of operations, and diversification and enrichment of income stream. Hence, the Directors have resolved to proceed with the acquisition of the Equity Interest without carving out Chentong Construction.

Through the above ways, the Group is expected to reap benefits from the synergistic effects created by the Acquisition. For the purpose of determining the Consideration for the Acquisition, the Company had engaged an independent professional valuer to appraise the aggregate value of the entire equity interest in the companies comprising the Target Group. As reported by the valuer, the entire equity interest in such companies had an aggregate appraised value of RMB214,470,000 as at 30 September 2025. Further details of the valuation are set forth in the section headed "3. Valuation Methodology" in the Letter from the Board. The fair value of the Equity Interest of approximately RMB184,916,000 was deduced by multiplying the above appraised value by 86.22%, being the level of equity interest in the Target Company to be acquired by the Company under the Acquisition. The Directors regard the fair value of the Equity Interest so deduced as a fair representation of the benefits and rewards that the Acquisition could bring to the Group from operational, business development and financial perspectives as detailed in the paragraphs above, having considered, in particular (1) the opportunity to capitalise on the future growth momentum of the Target Group; (2) the fact that, while the historical operating performance of the Target Group had not reflected the actual demand of electricity in the licensed area, particularly in respect of the usage by the existing consumers to be transferred to Chenteng Electricity Sales from the then operator (which amounted to approximately 95 million kWh for the year ended 31 December 2025 which is higher than the electricity supplied by Chenteng Electricity Sales to its existing customers during the year of approximately 86 million kWh), the valuation has taken into account, amongst others, such future customer base and future demand of electricity from Chenteng Electricity Sales in the licensed area; (3) Chenteng Electricity Sales' independent revenue-generating ability (as the proportion of revenue contributed by the Group would be significantly lower after all the existing consumers within the licensed area have been transferred to Chenteng Electricity Sales); and (4) the economies of scale that Chenteng Electricity Sales can benefit after taking over the relevant existing electricity distribution assets and customer base from the then operator and improving the utilisation of its facilities to improve its gross profit and net profit margins. Taking the fair value of the Equity Interest as the starting point, a significant discount had been applied to factor in the financial risks that the Group may be subject to primarily by virtue of the historical operating performance of the Target Group, including, among other things, its net loss position in the recent financial years.After arm's-length negotiations between the Vendors and the Company, the Consideration was set at RMB135,000,000, which the Directors

believe fairly balanced the rewards and risks associated with the Acquisition as illustrated above without putting any undue strain on the Group's cash flow and overall financial position. As at 30 June 2025, the Group had monetary capital of approximately RMB271,132,000. On account of the above, the Directors consider it justified to apply part of the existing monetary capital of the Group to fund the acquisition. To ensure that the Group will retain sufficient working capital to meet its operational needs, it is intended that the consideration will also be satisfied in part with bank borrowings. As at 30 June 2025, the Group had a low gearing ratio (calculated as net debt (being total of short-term borrowings and long-term borrowings less monetary capital) divided by total owner's equity) of approximately 14.4%, and the new bank borrowings to be obtained are not expected to have any material adverse impact on the Group's capital adequacy and financial standing.

The terms and conditions of the Equity Transfer Agreement were determined after arm's-length negotiations between the Vendors and the Company. As explained in the paragraph above, the Consideration was premised on valuation results that reflect the benefits and rewards of the Acquisition from multiple perspectives, on the basis of which downward adjustments had been made with due regard to the underlying risks stemming from the Target Group's historical operating conditions and financial performance. For this reason and taking into account all other factors discussed in the paragraphs above, the Directors are of the view that the terms and conditions of the Equity Transfer Agreement (including, without limitation, the Consideration) are fair and reasonable and in the interests of the Shareholders (including the Independent Shareholders) as a whole, and the transactions contemplated thereunder (including, without limitation, the Acquisition), although not being in the ordinary and usual course of business of the Group, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As disclosed in the announcement of the Company dated 1 November 2023, Chenteng Electricity Sales has received approval for its incremental distribution network and has been authorised to carry out distribution and electricity sales businesses within its approved operating area, which covers the site of operations of the Company, and therefore is the authorised electricity supplier of the Company. As advised by the Management, Chenteng Electricity Sales is the only authorised electricity supplier in the distribution network where the Company's operations are located. As disclosed in the announcement of the Company dated 29 August 2024 and the 2024 Annual Report, since the entering into of the abovementioned electricity supply contract, the aggregate amount of the consideration payable by the Company to Chenteng Electricity Sales in connection with the purchase of electricity (inclusive of value added tax) amounted to approximately RMB4.1 million and RMB44.9 million for the period from 1 November 2023 to 31 December 2023 and for the year ended 31 December 2024, respectively. Such amounts represents over 80% of the respective annual caps pursuant to such agreement. For the year ended 31 December 2024, the amount payable by the Company to Chenteng Electricity Sales represents over 5% of the total operating cost of the Group for the year. Through the Acquisition, the Company gains control over the electricity source, moving from a contractual customer relationship, which is expected to enhance operational stability and efficiency.

Furthermore, as disclosed in the 2024 Annual Report, apart from revenue from sales of rail fastening system products, welding wire products and railway sleeper products, the Group also received other operating revenue from sales of raw materials, the provision of product processing services as well as electricity sales business. Such other operating revenue increased from approximately RMB8.9 million for the year ended 31 December 2023 to approximately RMB13.6 million for the year ended 31 December 2024, representing an increase of approximately 53.8%. The Acquisition is expected to enhance the Group's long-term diversification of income streams through the electricity trading, supply, and construction businesses of the Target Group.

Taking into account the above, in particular, that (i) the Acquisition is in line with the business development of the Group, which is expected to enhance the Group's long term diversification of income streams; and (ii) the potential synergies to be brought to the Group, including potential electricity costs savings, through the Acquisition as highlighted above, we concur with the Management's view that the Acquisition, although not being in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Acquisition

Set out below are the principal terms of the Equity Transfer Agreement, details of which are set out in the section headed "2. EQUITY TRANSFER AGREEMENT" of the Letter from the Board:

Date

12 January 2026

Parties

(1) The Company as purchaser

(2) The Vendors as vendors

Subject Matter

Pursuant to the Equity Transfer Agreement, the Company conditionally agreed to acquire from the Vendors the Equity Interest registered under the names of and beneficially owned by the Vendors, which represents 86.22% of the equity interest in the Target Company.

Upon Completion, the Company will hold 86.22% of the equity interest in the Target Company, as a result of which the Target Group (comprising the Target Company and its subsidiaries which, as a whole, are principally engaged in electricity business) will become subsidiaries of the Company and their financial results will be consolidated in the Company's financial statements.

Consideration

The Consideration for the Acquisition is RMB135,000,000, which shall be payable by the Company to the Vendors in two tranches as follows:

(1) the First Instalment, being RMB108,000,000, shall be paid on the First Instalment Payment Date; and

(2) the Second Instalment, being RMB27,000,000, shall be paid on the Second Instalment Payment Date.

The Consideration was determined after arm's-length negotiations between the Vendors and the Company taking into account, among other things, (i) the historical operating performance of the Target Group; and (ii) the corresponding value of the Equity Interest of approximately RMB184,916,000, determined based on the aggregate value of the entire equity interest in the companies comprising the Target Group as at 30 September 2025 of RMB214,470,000 as appraised by an independent professional valuer using the income approach. Further details of the valuation are set forth in the section headed "3. Valuation Methodology" in the Letter from the Board.

The consideration will be satisfied by the Company by depositing the relevant tranche into bank accounts designated by the Vendors and will be funded through self-owned cash and bank loans.

Conditions Precedent

Set forth below are the conditions precedent to payment of the First Instalment and the Second Instalment respectively.

First Instalment CPs

Payment of the First Instalment is conditional upon satisfaction or, as the case may be, waiver of the following conditions set forth in the Equity Transfer Agreement:

(1) the Equity Transfer Agreement having been signed and delivered by all parties to the agreement and having come into effect; and all parties to the agreement having obtained all necessary consents, approval, authorisations, exemptions and/or notices (including, without limitation, approval and/or authorisations from relevant governmental authorities, the board of directors and/or shareholders, where applicable) in accordance with the requirements under the applicable laws and regulations (including, without limitation, the Listing Rules) and their respective articles of association (where applicable) in respect of the signing of the Equity Transfer Agreement and the Acquisition, and such consents, approval, authorisations, exemptions and notices remaining in full force and effect and not having been cancelled, suspended, terminated, revoked or withdrawn;

(2) all existing shareholders of the Target Company other than the Vendors having confirmed in writing their non-exercise of the rights of first refusal in respect of the proposed transfer of the Equity Interest from the Vendors to the Company, with relevant documentary evidence provided to the Company;

(3) all representations and warranties given by the Vendors under the Equity Transfer Agreement remaining true, accurate, complete and not misleading;

(4) the Target Company having amended its articles of association in accordance with the requirements under the Equity Transfer Agreement to record the shareholding position after completion of the Acquisition, and the legal representative of the Target Company having signed and the company seal of the Target Company having been affixed to the articles of association of the Target Company so amended;

(5) the Target Company having obtained all necessary permissions from relevant third parties (if any, including, without limitation, written consents from the relevant bank lenders, other than permissions from any governmental authority in the PRC) in respect of its signing of and performance of obligations under the Equity Transfer Agreement and the Acquisition such that the Target Company will not contravene any applicable law of the PRC as a result thereof, and such permissions remaining in full force and effect and not having been cancelled, suspended, terminated, revoked or withdrawn;

(6) for the purpose of completing the required registration and/or filing procedures with the relevant market supervision and management authority in respect of the Acquisition, the Target Company and its shareholders having signed all necessary documents (including, without limitation, the Equity Transfer Agreement and shareholders' resolutions and amended articles of association of the Target Company);

(7) the Target Group and/or the Vendors having fully, genuinely and completely disclosed in writing information relating to the operating activities, financial position and accounting matters of the Target Group and the Acquisition to the Company and the professional advisers engaged by it, and the Company having completed relevant due diligence and remaining satisfied with the results;

(8) none of the following adverse events having occurred to the Target Group during the transitional period (i.e. the period commencing on the date of the Equity Transfer Agreement and ending on the First Instalment Payment Date or (as the case may be) the Second Instalment Payment Date): any adverse situation that contradicts any of the representations and warranties given by the Target Group or the Vendors or any information disclosed to the Vendors, or any adverse

event or other condition that may have an impact on the operating environment, financial position, profitability or compliance with applicable laws and regulations of the Target Group;

(9) the Target Group having obtained all necessary approvals, permits and licences relevant to its business or assets that should have been obtained prior to the First Instalment Payment Date or (as the case may be) the Second Instalment Payment Date in accordance with the requirements under the PRC laws and completed registration of changes in the particulars of such approvals, permits and licences with the relevant governmental authorities, and such approvals, permits and licences remaining in full force and effect and not having been cancelled, suspended, terminated, revoked or withdrawn; and

(10) the Target Group and the Vendors having signed and delivered to the Company a written confirmation in respect of fulfilment of all of the above conditions (other than those conditions the fulfilment of which is, by nature, to be determined by the Company) and having provided relevant documentary evidence to the Company.

The Company may waive in part or in full in writing the above conditions precedent (other than those set forth in paragraphs (1), (2), (4), (5), (6) and (9) above, which are incapable of being waived). If any of the conditions has not been satisfied or, as the case may be, waived by the Company on or before the First Instalment CPs Long Stop Date, the Equity Transfer Agreement shall cease and terminate forthwith and no party shall have any claim against the other party in respect of the Equity Transfer Agreement or any transaction contemplated thereunder (including, without limitation, the Acquisition).

As at the Latest Practicable Date, the condition precedents set forth in paragraph(s) 7 above have been fulfilled. The Board expects that the First Instalment CPs will be fulfilled and/or waived (as applicable) and Completion will take place by the end of April 2026.

Second Instalment CPs

Payment of the Second Instalment is conditional upon satisfaction or, as the case may be, waiver of the following conditions set forth in the Equity Transfer Agreement:

(1) the conditions precedent to payment of the First Instalment by the Company under the Equity Transfer Agreement remaining satisfied;

(2) the Target Company having completed the required registration and/or filing procedures with the relevant market supervision and management authority in respect of the Acquisition, and the relevant market supervision and management authority having issued an updated business licence to the Target Company;

(3) the Target Group and the Vendors having duly performed other obligations that shall be performed prior to payment of the Second Instalment under the Equity Transfer Agreement; and

(4) the Target Group and the Vendors having signed and delivered to the Company a written confirmation in respect of fulfilment of all of the above conditions (other than those conditions the fulfilment of which is, by nature, to be determined by the Company) and having provided relevant documentary evidence to the Company.

The Company may waive in part or in full in writing the above conditions precedent (other than those set forth in paragraphs (1) and (2) above, which are incapable of being waived). If any of the conditions has not been satisfied or, as the case may be, waived, by the Company on or before the Second Instalment CPs Long Stop Date, the Vendors shall be liable for breach of contract in accordance with the terms of the Equity Transfer Agreement.

The condition precedent set forth in paragraph (2) above is a procedural requirement for equity interest transfer under the PRC law. Such procedure(s) would not affect (i) the validity of the Acquisition; (ii) any shareholder's rights that the Company enjoys; and (iii) the business operation of the Target Group.

Completion

With effect from the First Instalment Payment Date, the Company will enjoy all rights and assume all obligations as a shareholder of the Target Company and be entitled to share the reserves and the undistributed profits of the Target Company according to the shareholding represented by the Equity Interest. Accordingly, for the purpose of the Acquisition, Completion is deemed to take place, and the Completion Date is deemed to fall, on the First Instalment Payment Date. Detailed terms in relation to the Completion is set out in the Letter from the Board.

4. Analysis on the Consideration

As mentioned above, the Consideration of RMB135 million was determined after arm's-length negotiations between the Vendors and the Company taking into account, among other things, (i) the historical operating performance of the Target Group; and (ii) the corresponding value of the Equity Interest of approximately RMB184,916,000, determined based on the aggregate value of the entire equity interest in the companies comprising the Target Group as at 30 September 2025 of RMB214,470,000 as appraised by an independent professional valuer using the income approach.

The valuation report (the "**Valuation Report**") on the valuation of the Target Group as at 30 September 2025 (the "**Valuation**") has been issued by Colliers International (Hong Kong) Limited (the "**Valuer**"), details of which are set out in the section headed "Valuation Methodology" in the Letter from the Board. The value of the Equity Interest of RMB184,916,000 was derived from the appraised value of the Target Group of

RMB214,470,000, comprising the appraised value of the Target Company of RMB470,000, Chenteng Electricity Sales of RMB214 million and Chentong Construction of nil. As set out in the Letter from the Board, each of the companies in the Target Group was considered as a separate legal entity for the purpose of valuation, and such aggregate appraised value was calculated by summing up the share-holding weighted value of each company. For our due diligence purpose, we have reviewed the Valuation Report prepared by the Valuer, and have discussed with the Valuer regarding the Valuation, including details of the assumptions, basis and methodology of the Valuation, with details set out below.

4.1 Scope of work and qualifications of the Valuer

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. From the engagement letter and the relevant information provided by the Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Valuer as well as their qualification for preparation of the Valuation and the Valuation Report. The Valuer also confirmed that they are independent to the Group, the Target Group and the Vendors.

4.2 Valuation methodologies

Based on our discussion with the Valuer and review of the Valuation Report, it is noted that the Valuer selected income approach to conclude the Valuation for each of the Target Company, Chenteng Electricity Sales and Chentong Construction. Given that Chentong Construction had just commenced operation and had yet to be fully staffed as at the valuation benchmark date, the Valuer has cross-check the result from the income approach based on the asset-based approach. We understand that the Valuer has considered the three commonly used valuation approaches for valuation of a company, namely the asset-based approach, the market approach and the income approach:

(i) Asset-based approach:

The asset-based approach reflects the valuation of the costs incurred by the entity in acquiring and developing its currently owned or controlled resources, by reasonably assessing the value of various assets and liabilities included in the scope of valuation based on the balance sheet of the appraised entity. Given that each of the Target Company and Chenteng Electricity Sales does not own material assets and the asset-based approach does not directly incorporate the synergies between different tangible and intangible assets, including human resource and management structure, and cannot directly reflect the future economic benefits and growth potential of the relevant assets, the Valuer considers that the asset-based approach is not appropriate. As Chentong Construction was established in February 2024, in arriving its appraised value of nil under the income approach, the Valuer has also take into account its fair value under the asset-based approach.

(ii) Market approach:

The market approach assesses the current fair market value of the valuation subject with reference to comparables on the market, with the characteristics of directly sourcing valuation data from market and convincing valuation conclusion. The Valuer consider the market approach the most direct valuation approach in appraising an entity and attempted to identify comparable transactions and companies in the market.

Under the market approach, commonly adopted multiples includes price to sales ("**P/S**") multiple, price to earnings ("**P/E**") multiple, enterprise value to earnings before interest and tax multiple and enterprise value to earnings before interest, tax, depreciation and amortization (EBITDA) ("**EV/EBITDA**") multiple, and price to book ("**P/B**") multiple. Considering the business nature and industry of each of the entity of the Target Group, the P/E multiple and EV/EBITDA multiple are most appropriate multiples as the P/S multiple is more appropriate to assess the value of unprofitable, sales driven, and high volatile profitability companies and the P/B ratio is more appropriate for capital intense and assets-driven companies. Taking into account the historical financial performance of each of the entities of the Target Group and the negative earning recorded by the Target Group as set out in the section headed "1.3 Information of the Target Group" above, the Valuer considers that the market approach was not applicable.

(iii) Income approach:

The income approach represents the quantified present value of the cash flows projected to be generated from the target company's business in future. Generally, the present value is calculated by discounting the projected cash flows (**DCF**) using a required rate of return (based on risk factors). As (a) the Target Group is in a growth stage, the DCF method can better reflect its future cash flow potential; and (b) the DCF method incorporates management's defined business plans, the Valuer has adopted the income approach for the Valuation.

We have reviewed the historical financial information, including the income statement and balance sheet, and the forecasted income statement, of each of the Target Company, Chenteng Electricity Sales and Chentong Construction. From our review, we noted that each of the Target Company and Chenteng Electricity Sales is not asset-heavy and is loss making, rendering it inapt to adopt the asset-based approach or market approach for their Valuation. On the other hand, the business nature of the Target Group exhibit relatively predictable revenue streams, which can be reasonably projected based on their operational nature and income source, and hence the income approach is applicable. Despite Chentong Construction is also not asset-heavy, given that it has just commenced operation and its appraised value under the income approach of nil was determined with the two construction projects (as discussed below), the Valuer has also take into account its fair value

under the asset-based approach. Based on the above, and taking into account our discussions with the Valuer regarding their selection of valuation approach, we consider that the methodologies used by the Valuer in valuing the Target Group to be appropriate.

As the Valuer adopted the income approach to appraise the equity interest of each of the companies within the Target Group, in such case, it is stipulated under Rule 14.60A of the Listing Rules that the Company is required to obtain, among others, (i) a letter from its reporting accountants confirming that they have reviewed the calculations for the profit forecast; and (ii) a letter from the Board confirming that the profit forecast has been made after due and careful enquiry. We consider that the above stipulation of the Listing Rules could safeguard the interest of the Shareholders and we noted that the Company has complied with the said requirements as set out in Appendix I and Appendix II to the Announcement.

From Appendix I to the Circular, we noted that in the Company's auditors' opinion, so far as the arithmetical accuracy of the calculations of the DCF forecast which the valuation report is based on (the "**Forecast**") is concerned, the Forecast has been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors. From Appendix II to the Announcement, we noted that the Board has confirmed that the Forecast has been made after due and careful enquiry.

4.3 Valuation basis and assumptions

We further reviewed and enquired into the Valuer on the methodology adopted and the basis and assumptions adopted in the Valuation Report. We also discussed the key assumptions and parameters under the Valuation, including revenue, operational expenses, free cash flow to firm, discount rate (derived by weighted average cost of capital (**WACC**)), discount for lack of marketability, etc. Details of which are set out below:

(a) Revenue

The Target Company

Revenue of the Target Company mainly comprises income from the sales of electricity. We have reviewed the historical monthly revenue from the sales of electricity of the Target Company for the year ended 31 December 2024 and the nine months ended 30 September 2025 and noted that the revenue for the year ended 31 December 2025 was projected based on the actual transaction amount for the nine months ended 30 September 2025 and the projected monthly revenue for the remaining months of the year with reference to the sales patterns for these months in the previous year. The projected revenue for each of the five years ending 31 December 2026, 2027, 2028, 2029 and 2030 is expected to remain constant and in line with that for the year ended 31 December 2025. As advised by the Management, such projection was

determined based on the information provided by the Target Company and the discussion between the Management and the Target Company. As the electricity generation capacity and client base is expected to remain constant for the Target Company during the forecast period, the revenue from the sales of electricity is projected to remain the same. We further understand from the Valuer that as the price of electricity is not typically correlated to inflation in the PRC, such factor was not considered in formulating the forecast.

Chenteng Electricity Sales

Revenue of Chenteng Electricity Sales mainly comprises the income from the sales of electricity, such income was projected by client account, including the Group and Independent Third Parties. We have reviewed the historical monthly sales of electricity by client account for the year ended 31 December 2024 and the eight months ended 31 August 2025. We noted that the revenue for the year ended 31 December 2025 was projected based on (i) the actual transaction amount for each of the existing client accounts for the eight months ended 31 August 2025; (ii) the projected monthly revenue for the remaining months of the year with reference to the sales patterns of such client accounts for these months in the previous year; and (iii) the expected revenue from a few new client accounts in 2025. In respect of the existing client accounts, the projected revenue for each of the five years ending 31 December 2026, 2027, 2028, 2029 and 2030 is expected to remain constant and in line with that for the year ended 31 December 2025. Although more than 70% of the revenue of Chenteng Electricity Sales is derived from the Group for the year ended 31 December 2025, the inclusion of (i) the actual transaction amount of the existing client accounts, and (ii) the projected monthly revenue with reference to the sales patterns of such client accounts in the valuation of Chenteng Electricity Sales provides a complete and accurate representation of the current and ongoing revenue streams of Chenteng Electricity Sales, regardless of whether the Acquisition will take place.

Despite more than 70% of the revenue of Chenteng Electricity Sales is derived from the Group for the year ended 31 December 2025, the revenue growth of Chenteng Electricity Sales for the five years ending 31 December 2030 is mainly contributed by the new client accounts in 2025 and new client accounts, being the existing consumers of the then operator within the licensed area of Chenteng Electricity Sales that are yet to be transferred to Chenteng Electricity Sales, that are expected to be transferred by the end of June 2026, all of which are Independent Third Parties. As discussed in the section headed "2. Reasons for and benefits of the Acquisition" above, Chenteng Electricity Sales has been seeking to build up and diversify its customer and to facilitate the transfer procedures of the existing customers of the then operator, as evidenced by the growth in revenue from Independent

Third Parties customers from approximately 8.1%, or approximately RMB3.5 million in 2024 to approximately 24.2%, or approximately RMB13.8 million in 2025. As advised by the Management, Chenteng Electricity Sales is the only authorised electricity supplier in the distribution network where the Company's operations are located. As such, enterprises and factories within the same designated area shall engage Chenteng Electricity Sales should they intend to engage an incremental electricity distributor. However, as discussed in the section headed "2. Reasons for and benefits of the Acquisition" above, there had been delay in the transfer and handover of the relevant electricity distribution assets and the existing consumers from the then operator to Chenteng Electricity Sale pending re-delineation of the licensed area. From our review of the revenue projection of Chenteng Electricity Sales for the coming years, the revenue proportion from Independent Third Parties from is expected to further increase, contributed by the completion of transfer of the existing customers of the then operator to Chenteng Electricity Sales, in which the majority of revenue of Chenteng Electricity Sales would be from Independent Third Parties by 2030. Such increase in proportion from the Independent Third Parties was due to (i) the fact that the energy usage of the existing client accounts (including those of the Group's) are expected to remain relatively stable from their respective existing usage; and (ii) the expected energy usage projected based on forecasted demand from new client accounts to be set up in 2026, which was in turn based on their respective historical usage of electricity with the then operator.

The revenue for new client accounts was projected based on the expected electricity sales volume for each account in each month during the five years ending 31 December 2030 and the expected selling price of electricity. As advised by the Management, such projection was determined based on the information provided by Chenteng Electricity Sales, which was in turn based on the forecasted demand submitted by clients. We have reviewed the expected installation schedule of each new client account and the underlying calculation in formulating the projected income, we noted that the electricity sales volume for the new accounts is expected to grow significantly in 2027 as compared to the prior year as the new accounts are expected to gradually installed during 2026. From the installation schedule of new client account, we have obtained four application forms (the "**Sample Application Forms**") for new installation submitted by clients and noted that, among others, the energy capacity applied and expected electricity usage for the coming years were stipulated in such application forms, which is in line with those adopted in the DCF calculation of Chenteng Electricity Sales by the Valuer. As the application forms reviewed by us represents four out of the total of nine new client accounts to be installed in 2026, we consider the Sample Application Forms reviewed are fair and representative in accessing the reasonableness of the projected electricity usage of new client accounts. Based on the projection, the

electricity sales volume of the new accounts is expected to increase by approximately 8% to 11% for each of the years ending 31 December 2028, 2029 and 2030, in accordance with their forecasted usage. Given that the revenue projection in the DCF calculation of Chenteng Electricity Sales is based on (i) the actual electricity usage patterns and volume of the existing client accounts; and (ii) the forecasted demand submitted by the new client accounts to be set up, we concur with the Management that such revenue is reasonably projected.

We further understand from the Valuer that as the price of electricity is not typically correlated to inflation in the PRC, such factor was not considered in formulating the forecast. Given the increase in forecasted revenue, Chenteng Electricity Sales is expected to become profit making and record significant free cash flow in the five years ending 31 December 2030.

Chentong Construction

As set out in the Valuation Report, as at the valuation benchmark date, Chentong Construction was undertaking two construction projects in relation to cable replacement and installation works. These projects are assumed to be the source of revenue throughout the forecast period. As set out in the Letter from the Board, as Chentong Construction is only established in 2024, the cash flow forecast is based on the contracts that it has in hand and other foreseeable contracts to be entered by it in the future. Given the remoteness of other future projects that Chentong Construction may enter into, the cash flow forecast covers the period up to 31 December 2026, on the assumption that Chentong Construction will continue operating from the date immediately following the valuation base date until 31 December 2026. We have reviewed the principal terms of the two contracts, including the contract sum, payment terms, status and schedule of the two projects, and noted that the forecasted revenue was projected based on the contract sum and payment terms as stipulated in the contracts.

(b) Operational expenses

The major operational expenses of the Target Company mainly comprised of management salaries, which was projected based on the monthly salaries in September 2025 and an annual growth rate of 3%. We have reviewed the average wage indices of employed persons in urban units in China from 2020 to 2024 published by the National Bureau of Statistics of China and noted that the estimated growth rate is within the range of growth rate of such average wage during the period.

The major operational expenses of Chenteng Electricity Sales include costs of electricity sold and general and administrative expenses. Cost of electricity sold was projected based on the historical average costs of electricity. As discussed with the Management, we noted that the electricity procurement price and selling price are regulated and announced monthly by the authority. The total procurement costs are comprised of various components such as the on-grid benchmark price, transmission or distribution tariffs, system operation fees and other surcharges. Electricity unit prices vary depending on various factors such as time-of-use and accumulated total usage. While all these factors can fluctuate and affect the overall profit margin of Chenteng Electricity Sales, as an essential utility, overall electricity prices are not expected to fluctuate significantly under the regulatory environment. From our review of the historical average electricity procurement price of Chenteng Electricity Sales for the eight months ended 31 August 2025, the monthly fluctuations in the average procurement price were below 5%. We have reviewed the electricity procurement price table for industrial and commercial users in Hebei announced by the State Grid Corporation of China for December 2025. We noted that the estimated unit cost of electricity sold adopted in the forecast is within the range of unit procurement price announced. Taking into account the abovementioned nature of the electricity trading industry, we concur with the Management that it is fair and reasonable to project the costs of electricity based on the latest available average price. General and administrative expenses mainly consist of depreciation and salaries, which were generally expected to remain generally stable during the forecast period taking into account an inflation rate of 1.16%, being the average inflation rate in China from 2020 to 2024. We noted that the projected depreciation also included the expected depreciation of facilities that are planned to be constructed in the coming years, including electricity distribution network, photovoltaic facilities, charging stations and energy storage facilities.

The major operational expenses of Chentong Construction include sub-contracting fees and management expenses. The sub-contracting expenses were determined with the estimated gross margin on the contract sums and the management expenses, comprising salaries of employees, contributions to social insurance scheme for employees and administrative expenses, are expected to remain the same to the amount recorded for the year ended 31 December 2025.

(c) Free cash flow to firm

Based on the forecast, the free cash flow to firm is based on the earnings before interest after tax adjusted for the change in net working capital, capital expenditure and depreciation and amortization (being EBIT – tax expenses – changes in net working capital – capital expenditure + depreciation and amortization).

The tax expenses are forecasted based on the corporate tax rate in the PRC while interest expense are based on historical interest expenses taking into account additional financing required and inflation.

For the capital expenditure, it is expected that there will be no further capital expenditure for the Target Company and Chentong Construction. Based on the development plan of Chenteng Electricity Sales, there will be capital investment for the construction of electricity distribution network, photovoltaic facilities, charging stations and energy storage facilities from 2025 to 2030. We noted that such capital expenditure is approximately 0.5% to 9.7% of the projected revenue for the year.

(d) Discount rate

The discount rate applied to the valuation of the equity value of the Target Group under the DCF is based on the weighted average cost of capital (the "**WACC**"). The WACC is the weighted average of cost of equity and cost of debt. The cost of equity is determined by capital asset pricing model ("**CAPM**"), and the cost of debt refers to the base interest rates of debts with a tenor of five years or above in the PRC, net of tax effect. In arriving at the WACC, we have inquired with the Valuer the key parameters and calculation considered, details of which are listed as follows:

Risk-free rate

The risk-free rate adopted is 1.87%, which represented risk-free rate in the PRC market published by Bloomberg as the valuation benchmark date.

We have reviewed the website of "ChinaBond.com.cn" operated by the Central Depository and Clearing Corporation and noted that the 10-year yield to maturity of treasury bonds in the PRC is 1.8605% as at the valuation benchmark date. Given that the risk-free rate adopted by the Valuer is close to the interest rate of long-term treasury bonds in the PRC, we consider the risk-free rate adopted appropriate.

Expected market return

The expected market return adopted is 10.62%, which represented the market return in PRC stock market published by Bloomberg as at the valuation benchmark date.

Beta

The Valuer adopted different beta for each of the Target Company, Chenteng Electricity Sales and Chentong Construction, being 0.35, 0.35 and 0.22 respectively. Such beta represents the relevered beta of the median unlevered beta of the respective comparable companies for each of the Target Company, Chenteng Electricity Sales and Chentong Construction, based on the data on Bloomberg.

We have reviewed the list of comparable companies identified by the Valuer and the calculation in arriving at the betas adopted in the Valuation. We have also reviewed the latest published financial reports of the comparable companies and noted that the principal business of such comparable companies are similar to the Target Company, Chenteng Electricity Sales and Chentong Construction, respectively. Given the selection criteria are tailored to identify companies principally engaged in similar business to the appraised companies, and the adopted betas were relevered to incorporate the specific financing structure of the appraised companies, we are of the view that the selected comparable companies and calculation in determining the market beta are appropriate.

Other specific risk

Other specific risk premium consists of size premium of 4.40%, which refers to historical average size premium for the small-sized firms of the "S&P 500 Annual Return for Period 1937-2024", and 3.00% of other specific risks of the Target Group.

Cost of debt

The cost of debt adopted is 4.90%, which is determined with reference to the base interest rates as quoted in the market of debts with a tenor of five years or above in the PRC extracted from Bloomberg, net of tax effect.

We have reviewed the data published on the website of the People's Bank of China and noted that the latest published interest rate of loans over five years in China was 4.90%.

WACC

We have obtained the supporting document from the Valuer and noted that the Valuer has calculated the discount rate of approximately 12.30%, 11.06% and 11.23% for the Target Company, Chenteng Electricity Sales and Chentong Construction, respectively, based on the WACC.

(e) Discount for lack of marketability (DLOM)

As the Target Group is not listed, the Valuer has applied a DLOM of 20.00% due to reduced level of marketability of a private company. We have discussed with the Valuer the concept of the DLOM and noted that the DLOM was commonly applied in valuation exercise on unlisted companies. We have obtained the supporting document from the Valuer and noted that the Valuer has calculated the DLOM of based on the Black-Scholes Put Option Model. We have also reviewed the "Control Premium & Discount for Lack of Marketability Study (Issue 4 – November 2025)" published by Moore Hong Kong (a member firm of Moore Global Network Limited which is a global accounting and consulting network), which has summarised the DLOMs adopted and disclosed in the circulars issued by Hong Kong listed Companies in the past twelve months and noted that those DLOMs adopted ranged from 15.6% to 28.7% with an average of 20.8% and a median of 20.4%. Given the DLOM of 20.00% used by the Valuer is the comparable to the median and close to the average of the DLOMs adopted by other Hong Kong listed companies in the past twelve months, we consider the DLOM adopted by the Valuer to be fair and reasonable.

Based on the above parameters and input, the Valuer determined the value of the Target Company, Chenteng Electricity Sales and Chentong Construction to be RMB470,000, RMB214 million and nil, respectively. The appraised value of Chenteng Electricity Sales was mainly attributable to the projected increase in revenue as discussed above, resulting in expected net profits and free cash flow in the five years ending 31 December 2030. The valuation result of Chentong Construction under the income approach of nil was cross-checked with its fair value under the asset-based approach, which was also determined to be nil by the Valuer. During our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report.

Having considered the above and that the Consideration of RMB135 million is lower than the appraised value of the Equity Interest of approximately RMB184.9 million derived from the Valuation, we are of the view that the Consideration is fair and reasonable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that (i) the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable; and (ii) the Acquisition, although not being in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 21 years of experience in the corporate finance industry.

The following is the full text of the letter from the Company's reporting accountants dated 31 March 2026 confirming that they have reviewed the calculations for the profit forecast constituted by the valuation of the entire equity interest in each of the companies within the Target Group adopting the income approach, whose details are set forth in the section headed "Valuation Methodology" in the Letter from the Board in this circular, prepared for incorporation in this circular.

31 March 2026

Board of Directors
Hebei Yichen Industrial Group Corporation Limited
No. 1 Yichen North Street,
Gaocheng District,
Shijiazhuang City,
Hebei Province, China

Dear Sirs,

INDEPENDENT ASSURANCE REPORT

We have examined the calculations of the underlying profit forecast (the **"Underlying Forecast"**) to the business valuations dated 9 December 2025 prepared by Colliers International Hong Kong Limited (the **"Valuer")** in respect of the valuation on 河北辰翔售電有限公司 (the **"Target Company"**) and its subsidiaries, namely 河北辰騰售電 有限公司 and 河北辰通建設工程有限公司 (the **"Valuations"**), in connection with the discloseable and connected transaction of acquisition of interest in electricity business as published in the Company's circular dated 31 March 2026 ("**Circular**"). The Valuations are based upon the discounted future cash flows and regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of the Company and the Target Company (the **"Directors"**) are solely responsible for the preparation of the Underlying Forecast including the bases and assumptions, for the purpose of business valuations of the Target Company and its subsidiaries based on discounted cash flow method. The Underlying Forecast has been prepared using a set of bases and assumptions (the **"Assumptions"**) that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the Assumptions.

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants, ("**HKICPA**") which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Management ("**HKSQM**") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations for the Underlying Forecast, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.60A of the Listing Rules and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work. The Underlying Forecast does not involve adoption of accounting policies.

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) ("**HKSAE 3000 (Revised)**") "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. We examined the arithmetical accuracy of the calculations for the Underlying Forecast. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

We have planned and performed such procedures as we considered necessary to assist the Directors solely in evaluating whether the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, so far as the arithmetical accuracy of the calculations for the Underlying Forecast is concerned, the Underlying Forecast has been properly compiled, in all material aspects, in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Prism Hong Kong Limited
Certified Public Accountants
Dai Tin Yau
Practising Certificate Number: P06318

Hong Kong
31 March 2026

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as was known to the Directors, the Directors and the chief executive of the Company had the following interests in the Shares which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Directors were taken or deemed to have under such provisions of the SFO); or (ii) entered, pursuant to section 352 of the SFO, in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set forth in Appendix C3 to the Listing Rules (the "**Model Code**"):

Name	Position	Number of Domestic Shares			Approximate percentage of shareholding in relevant class of Shares	Approximate percentage of shareholding in total issued share capital of Company
		Personal interest	Deemed interest pursuant to section 317 of SFO *(Note 1)*	Total number	% *(Note 2)*	% *(Note 3)*
Mr. Zhang Haijun (張海軍)	Director	128,426,480	444,426,294	572,852,774	85.07	63.80
Mr. Wu Jinyu (吳金玉)	Director	28,219,706	544,633,068	572,852,774	85.07	63.80
Mr. Zhang Lihuan (張力歡)	Director	17,202,679	555,650,095	572,852,774	85.07	63.80
Mr. Zhang Chao (張超)	Director	17,205,163	555,647,611	572,852,774	85.07	63.80
Mr. Zhang Lifeng (張力峰)	Chief executive officer	16,643,140	556,209,634	572,852,774	85.07	63.80

Notes:

(1) Each of the above Directors and the chief executive officer of the Company is a member of the Controlling Shareholder Group, which comprises 15 individuals who are acting in concert in terms of their exercise of voting rights at general meetings of the Company and had entered into a written agreement on 17 December 2020 to confirm their acting-in-concert agreement. As at the Latest Practicable Date, members of the Controlling Shareholder Group collectively beneficially owned an aggregate of approximately 63.80% of the total issued share capital of the Company. Under the SFO, each member of the Controlling Shareholders Group is taken to be interested in the Shares beneficially owned by the other members of the Controlling Shareholders Group.

(2) The shareholding percentages are calculated based on the total number of 673,380,000 Domestic Shares in issue as at the Latest Practicable Date and rounded to two decimal places.

(3) The shareholding percentages are calculated based on the total number of 897,840,000 Shares in issue as at the Latest Practicable Date and rounded to two decimal places.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were taken or deemed to have under such provisions of the SFO); or (ii) entered, pursuant to section 352 of the SFO, in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Further, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable date, none of the Directors or their respective close associates had any interest in any business apart from the Group's business which competed or would be likely to compete, either directly or indirectly, with the Group's business.

4. DIRECTORS' AND EXPERT'S INTERESTS IN ASSETS

None of the Directors or the experts (as named in this circular) had any interest, direct or indirect, in any asset which had, since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding service contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. EXPERT QUALIFICATION AND CONSENT

The qualification of the experts who have been named in this circular and have given opinions or advice which are contained herein is set out below:

Name	Qualification
Somerley Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Prism Hong Kong Limited	Certified public accountants *Registered Public Interest Entity Auditor*
Colliers International (Hong Kong) Limited	Professional valuer

The above experts have given and have not withdrawn their written consent to the issue of this circular with their respective statement(s) included in the form and context in which they are included.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there were no material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MISCELLANEOUS

(a) All references to times and dates in this circular are to Hong Kong times and dates.

(b) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

A copy of the Equity Transfer Agreement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hbyc.com.cn) for a period of 14 days from the date of this circular.

Hebei Yichen Industrial Group Corporation Limited*
河北翼辰實業集團股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1596)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Hebei Yichen Industrial Group Corporation Limited* (河北翼辰實業集團股份有限公司) (the "**Company**") will be held at the meeting room of the Company, No. 1 Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC on 28 May 2026 at 11:30 a.m. to consider, and if thought fit, pass (with or without modifications) the following resolution (unless otherwise specified or the context requires otherwise, terms and expressions as defined in the circular of the Company dated 31 March 2026 (the "**Circular**") shall carry the same meanings when used herein):

ORDINARY RESOLUTION

"**THAT**:

(a) the equity transfer agreement dated 12 January 2026 entered into between Mr. Zhang Haijun (張海軍), Ms. Zhang Junxia (張軍霞), Mr. Zhang Xiaosuo (張小鎖), Mr. Zhang Xiaogeng (張小更), Mr. Wu Jinyu (吳金玉), Mr. Zhang Ligang (張立剛), Ms. Zhang Hong (張宏), Ms. Zhang Yanfeng (張艷峰), Mr. Zhang Ning (張寧), Mr. Zhang Chao (張超), Mr. Zhang Lihuan (張力歡), Mr. Zhang Lijie (張力杰), Mr. Zhang Lifeng (張力峰), Mr. Zhang Ruiqiu (張瑞秋), Mr. Wu Yonggang (吳永崗), Mr. Liu Xiwen (劉喜文), Mr. Zhang Fengxuan (張風選), Mr. Ma Hailu (馬海錄), Mr. Zhao Liqiang (趙利強), Ms. Fan Luyao (樊璐瑤), Ms. Ma Li (馬利), Mr. Zhang Qinghua (張慶華), Ms. Zhang Shuangge (張雙格), Ms. Fan Xiulan (樊秀蘭), Mr. Gao Weifeng (高衛峰) and Ms. Liu Jiao (劉姣) (collectively, the "**Vendors**") as vendors and the Company as purchaser in relation to transfer of 86.22% of the equity interest in Hebei Chenxiang Electricity Sales Co., Ltd.* (河北辰翔售電有限公司) (the "**Target Company**") by the Vendors to the Company (the "**Equity Transfer Agreement**"), whose details are set forth in the Circular (a copy of which marked "A" is produced to the EGM and signed by the chairman of the EGM for identification purpose), the execution thereof and the transactions contemplated thereunder (including, without limitation, the Acquisition) be and are hereby approved, confirmed and ratified; and

(b) each of the Directors be and is hereby authorised to do all such acts and things, sign, ratify and execute all such documents and take all such steps as the Director may in his/her discretion consider necessary, appropriate, desirable and/or expedient for the purpose of implementing or giving effect to or otherwise in connection with the Equity Transfer Agreement and/or any of the transactions contemplated thereunder (including, without limitation, the Acquisition), and further authorised to agree to all such variations and amendments to any document and to give all such waivers of the obligations under any document as are, in his/her opinion, in the interests of the Company and its shareholders."

By order of the Board of Directors
Hebei Yichen Industrial Group Corporation Limited*
Zhang Haijun
Chairman

Shijiazhuang, the PRC, 31 March 2026

** For identification purpose only*

Notes:

All resolutions at the meeting will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

1. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 22 May 2026 to 28 May 2026, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, holders of the H Shares whose transfers have not been registered shall deposit all transfer documents accompanied by the relevant share certificates at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on 21 May 2026 (Hong Kong time) for registration. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Thursday, 28 May 2026.

2. A shareholder entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies can only vote on a poll.

3. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised. If that instrument is signed by an attorney of a shareholder, the power of attorney or other document authorising that attorney to sign must be notarised.

   If the shareholder is a corporation, the instrument appointing a proxy must be either under its common seal or under the hand of its duly authorised officer(s).

4. In order to be valid, the form of proxy enclosed with the Circular together with the notarised power of attorney or other authorisation document (if any) must be deposited at the Secretariat of the Board at the Company's principal place of business in the PRC (for holders of the Domestic Shares) or at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of the H Shares) not less than 24 hours before the time fixed for holding the EGM (i.e. at or before 11:30 a.m. on 27 May 2026 (Hong Kong time)) or any adjournment thereof (as the case may be).

5. The address and contact details of the Company's H share registrar, Computershare Hong Kong Investor Services Limited, are as follows:

   As to the transfer documents:
   Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

   As to the form of proxy:
   17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
   Telephone No.: (+852) 2862 8555
   Facsimile No.: (+852) 2865 0990

6. The address and contact details of the Company's principal place of business in the PRC are as follows:

   No. 1 Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC
   Telephone No.: (+86) 311 88929020
   E-mail: yichenshiye@hbyc.com.cn

7. In accordance with the Company's articles of association, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, and this notice, when served on such a person, shall be deemed to have been served on all the joint holders of such a share.

8. The EGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses.

9. Shareholders or their proxies shall produce their identification documents and/or the forms of proxy executed by the relevant shareholders (as the case may be) for inspection when attending the EGM.

As at the date of this notice, the Board comprises Mr. Zhang Haijun, Mr. Wu Jinyu, Mr. Zhang Lihuan, Mr. Zhang Chao and Ms. Ma Xuehui as executive Directors; Ms. Zheng Zhixing as a non-executive Director; and Mr. Jip Ki Chi, Mr. Zhang Liguo and Mr. Wang Fuju as independent non-executive Directors.