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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

ACQUISITION OF INTEREST IN ELECTRICITY BUSINESS

ACQUISITION OF INTEREST IN ELECTRICITY BUSINESS

The Board is pleased to announce that 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.

Upon Completion, the Company will hold 86.22% of the equity interest in the Target Company, such that 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.

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 and is 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, 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.

EGM ARRANGEMENTS

The Company will convene the EGM for the Individual Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition). The Controlling Shareholders and all other Shareholders materially interested in such matters shall abstain from voting on the relevant resolutions to be proposed at the EGM.

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).

A circular including, among other things, (i) a letter from the Board containing detailed information about the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition); (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of such matters; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of such matters; and (iv) a notice convening the EGM, together with the relevant proxy form, is expected to be despatched to the Shareholders on or before 31 March 2026. The expected despatch date is more than 15 business days from the date of publication of this announcement because additional time may be required to gather the relevant information and finalise the disclosures to be contained in the circular.

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 |
| 15. | Mr. Wu Yonggang (吳永崗) | 494,920.42 | 1.68 |
| 16. | Mr. Liu Xiwen (劉喜文) | 494,920.42 | 1.68 |

| No. | Name of Vendor | Registered capital subscribed for and contributed RMB | Shareholding % |
|--------------|--------------------------|--|---------------------|
| 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 | | <u>25,350,000.16</u> | <u>86.22</u> |

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.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, unless otherwise indicated in the table above, the Vendors are Individual 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 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 "Valuation Methodology" in this announcement.

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).

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.

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.

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.

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, which will generate predictable cash flows and guarantee a stable profit margin, 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:

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

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

The cash flow forecast covers the period up to 31 December 2030, on the assumption that Chenteng Electricity Sales will continue operating from the date immediately following the valuation base date until 31 December 2030.

The principal business activities of Chenteng Electricity Sales are sales of electricity, which are expected to account for over 97.00% of the company's revenue during the forecast period. In addition, Chenteng Electricity Sales is also expected to start to record the following types of revenue during the financial year ending 31 December 2026 or afterwards:

- specific service fees to be charged in respect supply of electricity to specific users whose demand exceeds the ordinary electricity supply standard for guaranteeing stability and continuity in electricity supply;
- sales of electricity generated using photovoltaic power facilities;
- revenue to be generated with clean energy electric vehicle charging stations; and
- profit to be generated with 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.

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; and

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.

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:

$$Ke = Rf + \beta_1 * RPm + RPs + RPu$$

where

“Ke” is the costs of equity;

“Rf” is the risk-free interest rate;

“ β_1 ” 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;
- “ β_l ” is determined using the following formula:

$$\beta_l = \beta_u * [1 + (1 - T_c) * (D/E)]$$

where

“ β_u ” is the un-levered beta coefficient;

“Tc” is the corporate profits tax rate; and

“D/E” is the debt-to-equity ratio.

“ β_u ” 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, “ β_l ” 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:

$$\text{WACC} = K_d * (1-T) * [D/(D+E)] + K_e * [E/(D+E)]$$

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 Model to assess the DLOM. 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

The cash flow forecast covers the period up to 31 December 2030, on the assumption that the Target Company will continue operating from the date immediately following the valuation base date until 31 December 2030.

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. 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.

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;

“ β_l ” 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;
- “ β_l ” is determined using the following formula:

$$\beta_l = \beta_u * [1 + (1 - T_c) * (D/E)]$$

where

“ β_u ” is the un-levered beta coefficient;

“Tc” is the corporate profits tax rate; and

“D/E” is the debt-to-equity ratio.

“ β_u ” 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, “ β_l ” 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:

$$\text{WACC} = Kd * (1-T) * [D/(D+E)] + Ke * [E/(D+E)]$$

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 Model to assess the DLOM. 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 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 “Chentong 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

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, which is assumed to be the source of revenue throughout the forecast period.

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;

“ β_l ” 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;

- “ β_l ” is determined using the following formula:

$$\beta_l = \beta_u * [1 + (1 - T_c) * (D/E)]$$

where

“ β_u ” is the un-levered beta coefficient;

“ T_c ” is the corporate profits tax rate; and

“ D/E ” is the debt-to-equity ratio.

“ β_u ” 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.

“ T_c ” 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, “ β_l ” is calculated at 0.22;

- “ RP_m ” 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
- “ RP_u ” 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:

$$WACC = K_d * (1-T) * [D/(D+E)] + K_e * [E/(D+E)]$$

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. 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. 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.

Implications under Rule 14.60A 14A.68(7) of the Listing Rules

The valuation of the entire equity interest in each of the companies within the Target Group adopts the income approach and constitutes a profit forecast under Rule 14.61 of the Listing Rules.

In accordance with the requirements under Rules 14.60A and 14A.68(7) of the Listing Rules,

- details of the principal assumptions adopted upon which the profit forecast is based are set forth in the section headed “Valuation Methodology” in this announcement;
- a letter from the Company’s reporting accountants confirming that they have reviewed the calculations for the profit forecast is set forth in Appendix I to this announcement;
- a letter from the Board confirming that the profit forecast has been made after due and careful enquiry is set forth in Appendix II to this announcement; and
- qualifications of the experts whose statements are included in this announcement are set forth below:

| Name | Qualification |
|--|---|
| Colliers International (Hong Kong) Limited | Professional valuer |
| Prism Hong Kong Limited | Certified public accountants |
| | Registered Public Interest Entity Auditor |

As at the date of this announcement, none of the above experts has 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.

Each of the above experts has given and has not withdrawn its written consent to the publication of this announcement with its statements included in the form and context in which they are included.

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).

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 “Equity Transfer Agreement – Parties” in this announcement 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, 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, 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) <i>RMB'000</i> | Year ended 31 December 2025 (unaudited) <i>RMB'000</i> |
|--------------------------|--|--|
| 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.

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. 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. Through the above ways, the Group is expected to reap benefits from the synergistic effects created by the Acquisition.

The terms and conditions of the Equity Transfer Agreement were determined after arm's-length negotiations between the Vendors and the Company. Taking into account the factors discussed in the paragraphs above, the Directors (other than the independent non-executive Directors whose views will be given after considering the advice from the independent financial adviser) are of the view that the terms and conditions of the Equity Transfer Agreement are fair and reasonable and in the interests of the 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.

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 and is 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, 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.

EGM ARRANGEMENTS

The Company will convene the EGM for the Individual Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition). The Controlling Shareholders and all other Shareholders materially interested in such matters shall abstain from voting on the relevant resolutions to be proposed at the EGM.

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).

A circular including, among other things, (i) a letter from the Board containing detailed information about the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition); (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of such matters; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of such matters; and (iv) a notice convening the EGM, together with the relevant proxy form, is expected to be despatched to the Shareholders on or before 31 March 2026. The expected despatch date is more than 15 business days from the date of publication of this announcement because additional time may be required to gather the relevant information and finalise the disclosures to be contained in the circular.

DEFINITIONS

In this announcement, unless otherwise specified or the context requires otherwise, the following terms shall have the meanings set forth below:

| | |
|------------------------------|---|
| “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 |
| “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 |
| “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 |
| “Company” | 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 PRC whose issued H Shares are listed on the Main Board of the Stock Exchange |
| “Completion” | the 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 announcement, 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 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, 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 RMB0.5 each, which are subscribed for and paid up in RMB and currently not listed or traded on any stock exchange

“EGM”

the extraordinary general meeting of the Company to be convened and held 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 the 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

| | |
|---------------------------------------|---|
| “Group” | collectively, the Company and its subsidiaries from time to time |
| “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 this announcement |
| “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 |
| “H Share(s)” | the overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company with a nominal value of RMB0.5 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 |
| “Independent Board Committee” | the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition) |
| “Independent Shareholders” | the Shareholders other than the Controlling Shareholders, who are materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder (including, without limitation, the Acquisition) |

| | |
|--|---|
| “Independent Third Party(ies)” | person(s) or company(ies) which is(are) not connected person(s) or deemed connected person(s) of the Company |
| “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 announcement, excludes 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 this announcement |
| “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 |
| “SGEDZ Construction & Development” | Shijiazhuang Gaocheng Economic Development Zone Zhengtong Construction & Development Co., Ltd.* (石家庄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)” | the ordinary shares of RMB0.5 each in the capital of the Company, comprising the Domestic Shares and the H Shares |
| “Shareholder(s)” | the holder(s) of the 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. |

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

Shijiazhuang, The PRC, 12 January 2026

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

* For identification purpose only

APPENDIX I – LETTER FROM THE COMPANY’S REPORTING ACCOUNTANTS

The following is the full text of the letter from the Company’s reporting accountants dated 12 January 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 this announcement, prepared for incorporation in this announcement.



12 January 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 disclosable and connected transaction of acquisition of interest in electricity business as published in the Company’s announcement dated 12 January 2026 (“**Announcement**”). 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
12 January 2026

APPENDIX II – LETTER FROM THE BOARD

12 January 2026

The Stock Exchange of Hong Kong Limited

Dear Sirs,

We refer to the announcement of the Company dated 12 January 2026 (the “**Announcement**”) of which this letter forms part. Unless otherwise specified or the context otherwise requires, terms and expression as defined in the Announcement shall carry the same meanings when used herein.

We refer to the valuation of the entire equity interest in each of the companies within the Target Group adopting the income approach as detailed in the section headed “Valuation Methodology” in the Announcement, which constitutes a profit forecast as defined under Rule 14.61 of the Listing Rules (the “**Valuation**”). We have reviewed the bases and assumptions upon which the Valuation was prepared by the valuer and discussed the same with the valuer with a view to understanding the underlying information and its reasonableness. We have also considered the letter from the Company’s reporting accountants confirming that they have reviewed the calculations for the profit forecast constituted by the Valuation.

On the basis of the above, we are of the opinion that the profit forecast constituted by the Valuation has been made after due and careful enquiry.

Yours faithfully,

for and on behalf of the Board

Hebei Yichen Industrial Group Corporation Limited*

ZHANG Haijun

Chairman