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 China HK Power Smart Energy Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

中国港能
CHINA HK POWER

CHINA HK POWER SMART ENERGY GROUP LIMITED
中國港能智慧能源集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

(1) CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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

SOMERLEY CAPITAL LIMITED

Capitalised terms used on this cover page have the same meaning as defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 14 of this circular.

A notice convening the EGM to be held on Thursday, 14 May 2026 at 5:00 p.m. at 8th Floor, St. John's Building, 33 Garden Road, Central, Hong Kong is set out on pages 45 to 46 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

28 April 2026

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

"Announcement"	the announcement of the Company dated 5 March 2026 in relation to the Loan Capitalisation
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Business Day(s)"	day(s) (excluding Saturdays) on which banks are generally open for normal banking business in Hong Kong
"Board"	the board of Directors
"Capitalisation Price"	HK$0.36 per Capitalisation Share
"Capitalisation Shares"	722,222,222 Shares to be allotted and issued to the Subscriber by the Company at the Capitalisation Price pursuant to the Loan Capitalisation Agreement, each a Capitalisation Share
"Company"	China HK Power Smart Energy Group Limited (stock code: 931), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the allotment and issue of the Capitalisation Shares under the Loan Capitalisation
"Completion Date"	the date of Completion
"connected person(s)"	has the meanings as ascribed thereto under the Listing Rules
"controlling shareholder(s)"	has the meanings as ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Dr. Kan" or "Subscriber"	Dr. Kan Che Kin, Billy Albert, the chairman of the Board and an executive Director and a substantial shareholder holding 50.59% of the total issued share capital of the Company as at the Latest Practicable Date
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve, if thought fit, the Loan Capitalisation and the transactions contemplated thereunder and the grant of the Specific Mandate to allot and issue the Capitalisation Shares
"Ground Up"	Ground Up Profits Limited, a company incorporated in the Hong Kong with limited liability and wholly-owned by Dr. Kan, the controlling shareholder of the Company

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholder(s) other than those who are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s) who are third parties independent of the Company and the connected persons of the Company in accordance with the Listing Rules
"Last Trading Day"	4 March 2026, being the last full trading day on which the Shares were traded on the Stock Exchange immediately prior to the date of the Loan Capitalisation Agreement
"Latest Practicable Date"	21 April 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Capitalisation"	capitalisation of the Repayment Amount into the share capital of the Company by applying the Repayment Amount in payment of the subscription amount credited as fully paid to the Subscriber under the Loan Capitalisation Agreement
"Loan Capitalisation Agreement"	the conditional agreement dated 5 March 2026 entered into between the Subscriber and the Company in relation to the Loan Capitalisation
"Long Stop Date"	the date upon the expiry of three (3) months from the date of the Loan Capitalisation Agreement, or such other date as the parties may agree in writing

"Mrs. Kan"	Mrs. Kan Kung Chuen Lai, being a non-executive Director and the spouse of Dr. Kan, who is deemed to be interested in 3,761,807,346 Shares, representing 50.59% of the issued share capital of the Company as at the Last Practicable Date
"Mr. Kan"	Mr. Kan Yiu Chung, Benjamin, being the son of Dr. Kan, who beneficially owns 200,000,000 Shares, representing 2.69% of the issued share capital of the Company as at the Latest Practicable Date
"Mr. Li"	Mr. Li Kai Yien, Arthur Albert, being an executive Director and the nephew of Dr. Kan, who beneficially owns 200,000 Shares, representing less than 0.01% of the issued share capital of the Company as at the Latest Practicable Date
"PRC"	the People's Republic of China which, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Repayment Amount"	being the agreed amount for Loan Capitalisation under the Loan Capitalisation Agreement, including certain outstanding Shareholder's Loan principals in an aggregated amount of HK$260,000,000 that the Group due to the Subscriber
"SFO"	Securities and Futures Ordinance
"Share(s)"	ordinary share(s) of nominal value of HK$0.02 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loan(s)"	the unsecured loan(s) due from the Group to the Subscriber, bearing an interest rate of 5% per annum, the aggregated outstanding principal and accrued interest of which amounted to approximately HK$454.77 million as at the date of the Loan Capitalisation Agreement
"Specific Mandate"	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Capitalisation Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

CHINA HK POWER SMART ENERGY GROUP LIMITED
中國港能智慧能源集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

Executive Directors:
Dr. Kan Che Kin, Billy Albert *(Chairman)*
Mr. Deng Yaobo *(Chief executive officer)*
Mr. Li Kai Yien, Arthur Albert

Non-executive Director:
Mrs. Kan Kung Chuen Lai
Mr. Simon Murray

Independent Non-executive Directors:
Mr. Li Siu Yui
Mr. Chow Ching Ning
Mr. Lam Lum Lee

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
8th Floor, St. John's Building
33 Garden Road
Central
Hong Kong

28 April 2026

To the Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION
LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Loan Capitalisation.

The purpose of this circular is to provide you with, among other things, (i) details of the Loan Capitalisation Agreement and the transactions contemplated thereunder; (ii) recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Loan Capitalisation Agreement and the transactions contemplated thereunder; and (iv) a notice of the EGM.

II. THE LOAN CAPITALISATION AGREEMENT

On 5 March 2026 (after the Stock Exchange trading hours), the Company (as issuer) and Dr. Kan (as Subscriber) entered into the Loan Capitalisation Agreement, pursuant to which the parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, a total of 722,222,222 Capitalisation Shares at the Capitalisation Price of HK$0.36 per Capitalisation Share. The aggregate Capitalisation Price of all Capitalisation Shares payable by the Subscriber shall be satisfied by capitalising and setting off against the Repayment Amount of HK$260,000,000 upon Completion.

The Shareholder's Loans have been provided by the Subscriber to the Group from time to time since January 2018 for the purpose of financing its general working capital requirement and business development. As at the date of the Loan Capitalisation Agreement, the Shareholder's Loans amount to approximately HK$454.77 million, which comprise outstanding principal amount of approximately HK$415.63 million and accrued interest of approximately HK$39.14 million. All of the Shareholder's Loans are unsecured and bear interest at the rate of 5% per annum.

As at the Latest Practicable Date, the outstanding principal amount and accrued interest of the Shareholder's Loans in aggregate amounted to HK$456.78 million, details of which are set out below:

No.	Items	Principal amount *HK$'000*	Accrued interest *HK$'000*	Maturity date
1.	Shareholder's Loans	387,872	39,646	Repayment on demand
2.	Shareholder's Loans	16,500	423	16 October 2026
3.	Shareholder's Loans	12,255	81	3 March 2027
	Total amount	**416,627**	**40,150**	

As at the Latest Practicable Date, item 1 consists of 31 Shareholders Loans which are unsecured, repayable on demand and bear interest at the rate of 5% per annum. The Repayment Amount to be set off will include certain Shareholder's Loan principals in item 1 of the above table in an aggregate amount of HK$260 million. The remaining balance of Shareholder's Loans principals of HK$156.63 million and accrued interest of HK$40.15 million of the above table in an aggregate amount of approximate HK$196.78 million are expected to be settled by the Group's future income generated by improved business environment in the natural gas business and by new projects of the new energy business or from proceeds from equity financing or debt financing of the Company subject to the market sentiment.

The Loan Capitalisation Agreement

The principal terms of the Loan Capitalisation Agreement are as follows:

Date: 5 March 2026 (after the Stock Exchange trading hours)

Parties: (1) the Company (as the issuer); and

(2) Dr. Kan (as the Subscriber).

Number of Capitalisation Shares

The Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 722,222,222 Capitalisation Shares. The Capitalisation Shares represent (i) approximately 9.71% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 8.85% of the total number of issued Shares as enlarged by the allotment and issue of the Capitalisation Shares, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the Completion Date.

Based on the closing price of the Shares of HK$0.37 per Share on the Last Trading Day, the Capitalisation Shares have a market value of approximately HK$267,222,222 and an aggregate nominal value of approximately HK$14,444,444.

The Capitalisation Shares to be issued and allotted to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the EGM.

Capitalisation Price

The Capitalisation Price of HK$0.36 per Capitalisation Share represents:

(i) the closing price of HK$0.36 per Share as quoted on the Stock Exchange on 5 March 2026, the date of the Loan Capitalisation Agreement;

(ii) a discount of approximately 0.27% to the average closing price per Share of HK$0.361 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;

(iii) a discount of approximately 2.17% to the average closing price per Share of HK$0.368 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;

(iv) a discount of approximately 8.63% to the average closing price per Share of HK$0.394 as quoted on the Stock Exchange for the last twenty consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;

(v) a discount of approximately 12.62% to the average closing price per Share of HK$0.412 as quoted on the Stock Exchange for the last thirty consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;

(vi) a discount of approximately 13.25% to the closing price per Share of HK$0.415 as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) a premium of approximately 753.08% over the Company's unaudited consolidated net asset value per Share as at 30 September 2025 of approximately HK$0.0422 (calculated by equity attributable to the Shareholders of approximately HK$314,054,000 as at 30 September 2025 and 7,435,678,367 Shares in issue as at the date of the Loan Capitalisation Agreement).

The amount of the total Capitalisation Price of approximately HK$260,000,000 shall be satisfied by way of capitalising and setting off against the Repayment Amount. The professional fees and related expenses for the Capitalisation, which amount to approximately HK$0.2 million, will be settled by the Company in cash.

The Capitalisation Price of HK$0.36 per share was determined after arm's length negotiations between the Company and the Subscriber with reference to:

- Trading Performance: The price represents a very slim discount of approximately 0.27% to the average closing price of HK$0.361 per Share for the last five consecutive trading days immediately preceding the Agreement date.

- Market conditions: The Board considered the recent geopolitical instability and its resulting impact on global energy costs and inflationary trends, which have caused significant fluctuations in market sentiment.

- Financial Position: Given the Group's current liabilities of HK$260,000,000 owed to the Subscriber, the price allows the Group to settle substantial debt without cash outlay, thereby preserving liquidity.

- Business Prospects: The transaction demonstrates the controlling shareholder's confidence in the Group's expansion into the smart energy sector and provides the Group with a cleaner balance sheet to fund future projects.

In view of the above, the Directors (including the independent non-executive Directors but excluding the Subscriber who is considered to have material interest, Mrs. Kan and Mr. Li who is considered to be an associate of the Subscriber respectively, in the transactions contemplated under the Loan Capitalisation Agreement) consider that the Capitalisation Price are fair and reasonable.

Conditions Precedent

Completion is conditional upon the following conditions being fulfilled or waived (if applicable):

(i) the Board having passed and approved the Loan Capitalisation Agreement and the transactions contemplated thereunder;

(ii) the Independent Shareholders having approved and passed at the EGM, of the necessary resolutions to approve the Loan Capitalisation Agreement and the transaction contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issuance of the Capitalisation Shares);

(iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Capitalisation Shares and such approval and permission having not subsequently been revoked or withdrawn prior to the commencement of dealings in the Capitalisation Shares on the Stock Exchange;

(iv) the representations and warrants given by the parties under the Loan Capitalisation Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading until the date of completion; and

(v) all necessary consents and approvals required to be obtained on the part of the Company in respect of Loan Capitalisation Agreement and the transactions contemplated thereunder having been obtained.

Save for condition (iv) above which can be waived by the Subscriber by notice in writing to the Company, none of the above conditions may be waived by the Company or the Subscriber. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Loan Capitalisation Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of such Loan Capitalisation Agreement.

As at the Latest Practicable Date, except condition (i) which has been fulfilled, none of the other conditions set out above has been fulfilled. In terms of condition (iii), application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

Completion

Completion shall take place on or before the tenth (10) business day following the day upon which the conditions precedent have been satisfied (or such later date as may be agreed between the Company and the Subscriber in writing).

At Completion, the Company will allot and issue 722,222,222 Capitalisation Shares to the Subscriber, and the Subscriber will pay to the Company the Capitalisation Price satisfied by way of offsetting the Repayment Amount, upon which the Repayment Amount shall be deemed to have been fully repaid.

Ranking of the Capitalisation Shares

The Capitalisation Shares when allotted and issued, shall rank pari passu in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Capitalisation Shares including all dividends declared or payable or distribution made or proposed on or after the Completion Date.

III. INFORMATION ON THE PARTIES

The Company and The Group

The Company is an investment holding company. The Group is principally engaged in the sales and distribution of natural gas, the development and production of new energy technology products and integrated solutions in PRC and the provision of financial services business. The natural gas business of the Group includes natural gas energy center, natural gas point-to-point supply services, natural gas truck filling stations, natural gas transportation fleet logistics, local government and gas company natural gas peak shaving storage, national natural gas pipeline network gas transmission, natural gas trading, pipeline natural gas direct supply services and pipeline natural gas trading respectively. In the new energy sector, the Group promotes modern energy system construction based on several proprietary patents and self-developed core platform technologies, such as "IDH Smart Heating" and "ICE Smart Integrated Energy." The advanced energy utilization technologies include household thermal balance, efficient energy storage, and various other solutions. The business distribution encompasses comprehensive smart energy supply for industrial parks (including but not limited to cooling, heating, and steam supply), smart cooling and heating for building complexes, smart heating for northern residential communities, smart management of building energy efficiency, energy storage, industrial power, electricity operation, and carbon trading, among nine major energy service businesses.

The Subscriber

As at the Latest Practicable Date, the Subscriber is the chairman of the Board, an executive Director and the controlling shareholder of the Company who beneficially owns 3,761,807,346 Shares, representing approximately 50.59% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company under Chapter 14A of the Listing Rules.

IV. REASONS FOR AND BENEFITS OF THE LOAN CAPITALISATION

As disclosed in the interim report of the Company for the six months period ended 30 September 2025, the gearing ratio of the Company was 189.97%, calculated by dividing the interest-bearing debts by total equity. As at 30 September 2025, the Group's interest-bearing borrowings amounted to approximately HK$616.08 million, which comprised bank borrowings of approximately HK$239.12 million and outstanding principal of the Shareholder's Loans of approximately HK$376.96 million. Interest accrued for the Shareholder's Loans as at 30 September 2025 amounted to approximately HK$30.83 million. Moreover, the cash and cash equivalents of the Group as at 30 September 2025 amounted to approximately HK$57.91 million. As at the date of the Loan Capitalisation Agreement, the Shareholders' Loans further increased to approximately HK$454.77 million in outstanding principal amount and accrued interest.

As at the Latest Practicable Date, the gearing ratio of the Company was 251.78%, calculated by dividing the interest-bearing debts by total equity. As at the Latest Practicable Date, the Group's interest-bearing borrowings amounted to approximately HK$695.04 million, which comprised bank borrowings of approximately HK$278.41 million and outstanding principal of the Shareholder's Loans of approximately HK$416.63 million. Interest accrued for the Shareholder's Loans as at the Latest Practicable Date amounted to approximately HK$40.15 million. Moreover, the cash and cash equivalents of the Group as at the Latest Practicable Date amounted to approximately HK$17.53 million.

Given the financial positions of the Group, the Group is not able to repay the amount due to the Subscriber with the existing financial resources. Capitalisation of the Repayment Amount enables the Group to setting off part of its existing liabilities without utilising the existing financial resources and can avoid cash outflows. Furthermore, the capitalisation of the Repayment Amount reduces the indebtedness level of the Company and broadens its capital base.

The Directors have considered other alternative means for raising funds to settle the Shareholder's Loans, such as bank borrowings, share placement, rights issue or open offer. However, having taken into account that:

(i) given debt financing and bank borrowing will inevitably increase the gearing ratio of the Group and lenders generally require pledge of assets from the borrower, the Group does not commence any negotiations with any financial institutions for debt financing and bank borrowings for repayment of the Shareholder's Loans;

(ii) the capitalisation of the Repayment Amount under the Loan Capitalisation Agreement will reduce the indebtedness of the Group;

(iii) given other equity financing such as placing of new shares, rights issue and open offer usually require deeper discount to the prevailing market price of the Shares and is relatively more time consuming and less cost effective as compared to the Loan Capitalisation, and there would be greater dilution effects on the shareholdings of the existing Shareholders. As such, the Company accordingly considers that the Loan Capitalisation, which is conducted at the Capitalisation Price same as the market price of the Shares as at date of Loan Capitalisation Agreement, be the more appropriate equity financing method in comparison with those other equity financing methods. Accordingly, the Group does not commence any negotiations with any financial institutions for equity financing for repayment of the Shareholder's Loans;

(iv) the Capitalisation Price represents a slight discount over the average market price of the Shares for the last ten consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement. The Board is of the view that such a slight discount is justifiable and appropriate under the current market environment, as it strikes a reasonable balance between the theoretical market value of the Shares and the prevailing geopolitical instability and uncertain economic outlook in the short term, which have collectively dampened market sentiment; and

(v) the Loan Capitalisation demonstrates the support and solid confidence given by the Subscriber to the Group.

Accordingly, taking into account the existing financial performance of the Group which has been in a loss-making position for the past consecutive financial years, and the financial position of the Group in which the gearing ratio was approximately 251.78% as at the Latest Practicable Date, the Directors consider that the Loan Capitalisation will allow the Company to partially settle the Shareholder's Loans without obtaining additional bank borrowings or incurring additional finance costs. This avoids utilising the Group's existing financial resources, which can instead be retained for general working capital and business development. Furthermore, the Loan Capitalisation is expected to significantly improve the gearing level to approximately 81.15% upon Completion, thereby strengthening the overall financial position of the Group.

Although the allotment and issue of the Capitalisation Shares will have a dilution effect to the existing Independent Shareholders from approximately 49.4% to 45.03%, having considered (i) the capitalisation of the Repayment Amount can alleviate the repayment and settlement pressure of the Group; and (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Group, the Directors are of the view that the dilution effect arising from the allotment and issue of the Capitalisation Shares is justifiable in this regard.

While the Subscriber has expressed to the Company his intention to capitalise the Repayment Amount and increase his equity investment in the Company given his confidence in the Group's future business performance, the Company considers that the Capitalisation of Shares by the Subscriber, being an executive Director and the controlling shareholder of the Company, reflects the confidence of the Subscriber towards the long-term and sustainable growth of the Group, and the continuing support of the Subscriber would be beneficial to the long term business development of the Group.

In view of the above, the Directors (including the independent non-executive Directors but excluding the Subscriber who is considered to have material interest, Mrs. Kan and Mr. Li who is considered to be an associate of the Subscriber respectively, in the transactions contemplated under the Loan Capitalisation Agreement) consider that the terms of the Loan Capitalisation Agreement are fair and reasonable based on the current market conditions and are on normal commercial terms, accordingly, the Loan Capitalisation is in the interest of the Company and the Shareholders as a whole. Each of the Subscriber, Mrs. Kan, Mr. Li have abstained from voting at the relevant Board resolutions approving the Loan Capitalisation.

Use of Proceeds

As the Capitalisation Price will be satisfied by way of offsetting the Repayment Amount, there will be no remaining net proceeds from the allotment and issue of the Capitalisation Shares available to be utilised by the Company.

V. EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

On 2 July 2025, the Company issued an aggregate of 717,948,718 Shares at the capitalization price of HK$0.195 per Share, with an aggregate amount of HK$140 million to Dr. Kan, in accordance with the terms and conditions of the conditional agreement dated 17 April 2025 entered into between Dr. Kan and the Company in relation to the capitalisation and set off of a portion of the unsecured Shareholder's loans due from the Group to Dr. Kan. For details, please refer to the announcements of the Company dated 17 April 2025, 22 May 2025 and 2 July 2025.

On 16 July 2025, the Company issued an aggregate of 43,700,000 Shares at the subscription price of HK$0.25 per Share, with an aggregate amount of HK$10.93 million to an independent individual subscriber, in accordance with the terms and conditions of the subscription agreement entered into between the Company and the said independent individual subscriber on 10 June 2025. For details, please refer to the announcements of the Company dated 10 June 2025 and 16 July 2025.

Saved as disclosed above, the Company had not conducted any equity fundraising activities in the past twelve months immediately preceding the date of this announcement.

VI. APPLICATION FOR LISTING OF THE CAPITALISATION SHARES

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

VII. CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion and the allotment and issue of the Capitalisation Shares as contemplated under the Loan Capitalisation (assuming there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Capitalisation Shares and the Subscriber will not acquire/dispose of any other Shares save for the Capitalisation Shares on the Completion Date):

Name of Shareholders	**As at the Latest Practicable Date**		**Immediately after the allotment and issue of the Capitalisation Shares**	
	No. of Shares	*Approximate % shareholding*	*No. of Shares*	*Approximate % shareholding*
Directors:				
Dr. Kan and Mrs. Kan *(Note i)*	3,761,807,346	50.59%	4,484,039,568	54.96%
Mr. Li	200,000	0.01%	200,000	0.01%
Other Public Shareholders	3,673,671,021	49.40%	3,673,671,021	45.03%
	7,435,678,367	100.00%	8,157,900,589	100.00%

Notes:

(i) 5,000,000 shares among these Shares are held by Ground Up, Dr. Kan beneficially owns the entire issued share capital of Ground Up, therefore he is deemed to be interested in all the Shares held by Ground Up by virtue of the SFO. Dr. Kan is the chairman of the Board and an executive Director, Dr. Kan is also a director of Ground Up.

VIII. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is the chairman of the Board, an executive Director and the controlling shareholder of the Company who beneficially owns 3,761,807,346 Shares, representing approximately 50.59% of the issued share capital of the Company, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Loan Capitalisation Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Dr. Kan (chairman of the Board and an executive Director), being the Subscriber, is considered to have material interest, Mrs. Kan (a non-executive Director and the spouse of Dr. Kan), and Mr. Li (an executive Director and the nephew of Dr. Kan) is considered to be an associate of the Subscriber respectively, in the transactions contemplated under the Loan Capitalisation Agreement. Therefore, Dr. Kan, Mrs. Kan and Mr. Li had abstained from voting on the relevant resolution(s) of the Board. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, none of the other Directors has any material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

IX. ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to (i) whether the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder are on normal commercial terms or better, (ii) whether or not they are in the ordinary and usual course of business of the Group; (iii) whether they are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iv) how to vote at the EGM. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

X. EGM

The EGM will be convened and held on Thursday, 14 May 2026 at 5:00 p.m. at 8th Floor, St. John's Building, 33 Garden Road, Central, Hong Kong for the purpose of considering and, if thought fit, approving the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Capitalisation Shares.

Set out on pages 45 to 46 of this circular is a notice convening the EGM to consider and, if appropriate, to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Capitalisation Shares. A form of proxy for use by the Shareholders at the EGM or any adjourned meeting is also enclosed herewith.

Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution set out in the notice of the EGM will be voted by poll.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and his associates will abstain from voting on the relevant resolutions at the EGM. Accordingly, (i) the Subscriber, being the chairman of the Board, an executive Director and the controlling shareholder of the Company who beneficially owns 3,761,807,346 Shares, representing approximately 50.59% of the issued share capital of the Company as at the Latest Practicable Date; (ii) Mrs. Kan, who is deemed to be interested in 3,761,807,346 Shares, representing approximately 50.59% of the issued share capital of the Company as at the Latest Practicable Date, being a non-executive Director and the spouse of Dr. Kan; (iii) Mr. Kan, who beneficially owns 200,000,000 Shares, representing 2.69% of the issued share capital of the Company as at the Latest Practicable Date, being the son of Dr. Kan; and (iv) Mr. Li, who beneficially owns 200,000 Shares, representing less than 0.01% of the issued share capital of the Company as at the Latest Practicable Date, being an executive Director and the nephew of Dr. Kan, is considered to be an associate of the Subscriber, will be required to abstain from voting on the resolution(s) to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder at the EGM, including the grant of the Specific Mandate. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than the Subscriber, Mrs. Kan, Mr. Kan and Mr. Li, no other Shareholder has a material interest in the transactions contemplated under the Loan Capitalisation Agreement, including the grant of the Specific Mandate, and no other Shareholder will be required to abstain from voting on the resolution(s) to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate to the Directors for the allotment and issue of the Capitalisation Shares to the Subscriber at the EGM.

XI. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 11 May 2026 to Thursday, 14 May 2026, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 8 May 2026.

XII. RECOMMENDATION

The Directors (including the independent non-executive Directors but excluding the Subscriber who is considered to have material interest, Mrs. Kan and Mr. Li who is considered to be an associate of the Subscriber respectively, in the transactions contemplated under the Loan Capitalisation Agreement) consider that the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned, and recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

XIII. GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information of the Group set out in the appendix to this circular.

Completion of the Loan Capitalisation is subject to the satisfaction of the conditions precedent in the Loan Capitalisation Agreement, and the Loan Capitalisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of the Board
China HK Power Smart Energy Group Limited
Deng Yaobo
Chief Executive Officer and Executive Director

The following is the full text of a letter from the Independent Board Committee setting out its recommendation for the purpose of inclusion in this circular.

Independent non-executive Directors:
Mr. Li Siu Yui
Mr. Chow Ching Ning
Mr. Mr. Lam Lum Lee

28 April 2026

To the Independent Shareholders

Dear Sirs or Madams,

(1) CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

We refer to the circular dated 28 April 2026 issued by the Company (the "**Circular**") to the Shareholders of which this letter forms part. The capitalised terms defined in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder are: (i) fair and reasonable; (ii) on normal commercial terms or better; and (iii) in the interests of the Company and its Shareholders as a whole; and (iv) to advise the Independent Shareholders how to vote at the EGM.

Somerley Capital Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder. The letter of advice from Somerley Capital Limited containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 17 to 39 of the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 14 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 17 to 39 of the Circular, both of which provide details of the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder. After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that although the entering into of the Loan Capitalisation Agreement is not conducted in the ordinary and usual course of business of the Group, the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully
For and on behalf of
the Independent Board Committee of
China HK Power Smart Energy Group Limited

Mr. Li Siu Yui	**Mr. Chow Ching Ning**	**Mr. Lam Lum Lee**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the letter of advice from the Independent Financial Adviser, 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

28 April 2026

To: the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION
LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Loan Capitalisation, details of which are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 28 April 2026 (the "**Circular**"), of which this letter forms part. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 5 March 2026 (after the Stock Exchange trading hours), the Company (as issuer) and Dr. Kan (as Subscriber) entered into the Loan Capitalisation Agreement, pursuant to which the parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, a total of 722,222,222 Capitalisation Shares at the Capitalisation Price of HK$0.36 per Capitalisation Share. The aggregate Capitalisation Price of all Capitalisation Shares payable by the Subscriber shall be satisfied by capitalising and setting off against the Repayment Amount (i.e. the partial amount of the Shareholder's Loans due to the Subscriber) of HK$260,000,000 upon Completion.

As at the Latest Practicable Date, the Subscriber is the chairman of the Board, an executive Director and the controlling Shareholder of the Company who beneficially owns 3,761,807,346 Shares, representing approximately 50.59% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company and accordingly, the Loan Capitalisation Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee, has been established to give a recommendation to the Independent Shareholders as to (i) whether the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable; (ii) whether or not they are in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; and (iii) how to vote at the EGM. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley Capital Limited has been engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to a connected transaction, details of which are set out in the announcements of the Company dated 13 January and 16 February 2026 (the "**Engagement**"). The Engagement was limited to providing independent advisory services and under the Engagement, Somerley Capital Limited received normal professional fees from the Company. As at the Latest Practicable Date, there have been no other relationships or interests existing between (a) Somerley Capital Limited; (b) the Group and the Subscriber that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation as detailed in the Circular.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and the Subscriber, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Information and prospect of the Group

(i) Business of the Group

Shares of the Company have been listed on the Main Board of the Stock Exchange (stock code: 931) since October 2001. The Group is principally engaged in (i) the sales and distribution of natural gas ("**NG**") in the People's Republic of China (the "**PRC**"), including wholesale of liquefied natural gas ("**LNG**") and pipeline natural gas ("**PNG**"), point-to-point supply of LNG, automobile gas stations, LNG pipeline network and provision of LNG logistic services; (ii) the development and production of new energy technology products and integrated solutions in the PRC, including smart heating, comprehensive energy efficiency management, and energy-saving and emission-reduction equipment manufacturing (the "**New Energy Business**"); and (iii) the financial services business, including the provision of finance leasing services for LNG vehicles and equipment in the PRC, and the provision of asset management services and money lending business in Hong Kong.

(ii) Financial information of the Group

The table below summarises the consolidated statements of profit or loss of the Group for the two years ended 31 March 2024 and 2025, and for the six months ended 30 September 2024 and 2025, as extracted from the 2025 annual report and 2025 interim report of the Company.

	For the six months ended 30 September		For the year ended 31 March	
	2025	**2024**	**2025**	**2024**
	(unaudited)	(unaudited)	(audited)	(audited)
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Revenue	**253,113**	**252,777**	**713,440**	**454,491**
– NG business	226,435	219,418	579,975	368,779
– New Energy Business	25,733	32,337	131,580	83,564
– Financial services business	945	1,022	1,885	2,148
(Loss) for the period/year	(72,778)	(57,018)	(121,888)	(146,767)
(Loss) for the period/year attributable to owners of the Company	(70,809)	(52,895)	(106,014)	(139,297)

(A) Revenue

For the year ended 31 March 2025 ("**FY2024/25**"), total revenue of the Group amounted to approximately HK$713.4 million, representing an increase of approximately 57.0% compared to the previous financial year. This growth was primarily driven by the NG business, which remains the principal source of revenue for the Group contributing approximately 81.3% of total revenue for FY2024/25. Revenue from the NG business amounted to approximately HK$580.0 million for FY2024/25, representing a year-on-year increase of approximately HK$211.2 million or 57.3%. The New Energy Business commenced operations as a new business segment in the financial year ended 31 March 2024. Revenue generated from the New Energy Business was approximately HK$131.6 million for FY2024/25, contributing about 18.4% of the Group's total revenue. This represents a growth of approximately HK$48.0 million or 57.5% compared to the previous financial year ended 31 March 2024.

For the six months ended 30 September 2025, the Company recorded revenue of approximately HK$253.1 million, compared to approximately HK$252.8 million for the previous corresponding period. Revenue from the NG business amounted to approximately HK$226.4 million, representing an increase of approximately 3.2% compared to the corresponding period in 2024, mainly attributable to the increase in the wholesale of LNG and PNG trade business due to the rebound in domestic NG consumption and the expansion of distribution channels. The New Energy Business generated revenue of approximately HK$25.7 million for the six months ended 30 September 2025, representing a decrease of approximately 20.4% compared to the corresponding period in 2024. The decline was primarily due to a reduction in the volume of contracts relating to the sales and distribution of new energy products relative to the corresponding period in 2024.

(B) Gross profit and gross profit margin

The overall gross profit of the Company for FY2024/25 was approximately HK$116.6 million compared to gross profit of approximately HK$63.6 million for the previous financial year. The increase in gross profit for FY2024/25 was mainly due to (i) an increase in gross profit from the LNG supply business, driven by favourable LNG procurement prices obtained through the Company's cooperation with China National Offshore Oil Corporation (CNOOC); (ii) cost-saving measures implemented in the LNG logistics business; (iii) a reduction in the LNG costs in the logistics business due to a decline in national LNG prices; and (iv) significant gross profit contributions from the newly developed New Energy Business. The gross profit margin was approximately 16.3% in FY2024/25 as compared to approximately 14.0% for the previous financial year.

The overall gross profit of the Company for the six months ended 30 September 2025 was approximately HK$15.5 million compared to approximately HK$40.8 million for the corresponding period in 2024. The decrease in gross profit was mainly due to (i) decrease in sales volume of point-to-point supply of LNG, impacted by fierce market competition and reduced gas consumption from industrial users with scaled-back production capacity; (ii) decrease in the number of applications from household users for LNG; (iii) year-on-year decrease in PNG trading gross profit attributable to market volatility; and (iv) decline in the contracted volume of new energy products. The gross profit margin decreased from approximately 16.1% for the six months ended 30 September 2024 to approximately 6.1% for the six months ended 30 September 2025, representing a reduction of approximately 10.0 percentage points.

(C) (Loss) for the period/year

The Group recorded heavy losses since 2017. For FY2024/25, the Company's loss was approximately HK$121.9 million (loss attributable to owners of the Company: approximately HK$106.0 million) as compared to a loss of approximately HK$146.8 million for the year ended 31 March 2024. The decrease in loss in FY2024/25 was mainly attributable to (a) increase in gross profit of approximately HK$53.0 million as mentioned above; (b) decrease in provision of penalty charges on legal proceedings of approximately HK$25.9 million; and (c) offset by increase in selling and distribution expenses and administrative expense in total of approximately HK$49.9 million which was mainly driven by higher marketing costs from expanding the customer base in the NG business, and increased marketing and operating expenses from the operations of new energy companies established and newly acquired in FY2024/25.

For the six months ended 30 September 2025, the Company's loss was approximately HK$72.8 million (loss attributable to owners of the Company: approximately HK$70.8 million), representing an increase of approximately 27.6% as compared to approximately HK$57.0 million in the previous corresponding period. The increase in loss for the six months ended 30 September 2025 was mainly attributable to (a) decrease in gross profit of approximately HK$25.3 million as discussed above; (b) other losses amounted to approximately HK$12.7 million for the six months ended 30 September 2025, as compared to the net gains of approximately HK$1.8 million for the corresponding period in 2024, with the turnaround result mainly due to the loss on disposal of plant and equipment amounting to approximately HK$12.8 million for the six months ended 30 September 2025; and (c) counteract by decrease in selling and distribution expenses and administrative expense of approximately HK$22.9 million in total as a result of the streamlining of the staff structure, the cost-reduction and efficiency improvement measures.

(iii) Financial position of the Group

The table below summarises the consolidated statements of financial position of the Group as at 31 March 2025 and 30 September 2025, as extracted from the 2025 interim report of the Company.

	As at 30 September 2025 (unaudited) *(HK$'000)*	**As at 31 March 2025** (audited) *(HK$'000)*
TOTAL ASSETS	**1,772,409**	**1,703,399**
Key non-current assets		
– Property, plant and equipment	452,873	447,524
– Other assets	283,090	283,090
– Deposits for acquisition of plant and equipment, and land use rights	169,481	167,671
Key current assets		
– Accounts and other receivables, prepayments and deposits	334,900	332,328
TOTAL LIABILITIES	**1,448,109**	**1,465,006**
Key non-current liabilities		
– Loans from a shareholder	376,961	432,722
– Interest-bearing bank borrowings	68,765	75,480
Key current liabilities		
– Other payables and accruals	644,902	627,740
– Interest-bearing bank borrowings	170,357	139,226
NET CURRENT LIABILITIES	**(425,301)**	**(407,059)**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMAPNY	**314,054**	**225,474**

(A) Total assets

As at 30 September 2025, the Group's total assets were approximately HK$1,772.4 million, in which (i) approximately 41.5% or HK$736.0 million was property, plant and equipment (mainly consisting of equipment and machinery, motor vehicles, building and construction in progress) and other assets; (ii) approximately 18.9% or HK$334.9 million were accounts and other receivables, prepayments and deposits; and (iii) approximately 9.6% or HK$169.5 million were deposits for acquisition of plant and equipment, and land use rights.

The Group's cash and cash equivalents amounted to approximately HK$57.9 million as at 30 September 2025, representing approximately 3.3% of its total assets.

(B) Total liabilities

As at 30 September 2025, the Group's total liabilities amounted to approximately HK$1,448.1 million, in which (a) approximately 44.5% or HK$644.9 million were other payables and accruals, mainly consisted of payable for the right to acquire property, plant and equipment; (b) approximately 26.0% or HK$377.0 million were Shareholder's Loans; and (c) approximately 16.5% or HK$239.1 million were interest-bearing bank borrowings. The Group recorded net current liabilities of approximately HK$425.3 million as at 30 September 2025.

As at 30 September 2025, the Company's land use rights, property, plant and equipment and machinery with an aggregate carrying amount of approximately HK$81.6 million were pledged to secure certain loans and banking facilities granted to the Company.

The Shareholder's Loans have been provided by the Subscriber to the Group from time to time since January 2018 for the purpose of financing its general working capital requirement and business development. As at the date of the Loan Capitalisation Agreement, the Shareholder's Loans amounted to approximately HK$454.8 million, which comprised outstanding principal amount of approximately HK$415.6 million and accrued interest of approximately HK$39.1 million. All of the Shareholder's Loans are unsecured and bear interest at the rate of 5% per annum. As at the Latest Practicable Date, the total outstanding principal amount and accrued interest of the Shareholder's Loans were approximately HK$456.8 million. Out of the total outstanding principal amount of approximately HK$416.6 million, approximately HK$387.9 million is repayable on demand. Further details in relation to the Shareholder's Loans are set out in the section headed "The Loan Capitalisation Agreement" in the "Letter from the Board" of this Circular.

(C) Net asset value and gearing ratio

Equity attributable to owners of the Company amounted to approximately HK$314.1 million as at 30 September 2025, or approximately HK$0.0422 per Share.

The gearing ratio of the Company as at 30 September 2025, calculated by dividing the interest-bearing debts (including the Shareholder's Loans and interest-bearing bank borrowings) by total equity, was approximately 190.0%. As set out in the section headed "Reasons for and benefits of the Loan Capitalisation" in the "Letter from the Board" of this Circular, the gearing ratio was approximately 251.8% as at the Latest Practicable Date.

Summary

The Group recorded continued losses in recent years. For FY2024/25, the Group recorded loss attributable to owners of the Company of approximately HK$106.0 million, as compared to approximately HK$139.3 million in the previous financial year. As at 30 September 2025, the Group recorded net current liabilities and total liabilities of approximately HK$425.3 million and HK$1,448.1 million respectively, with gearing ratio of approximately 190.0%. As at 30 September 2025, the Group's cash and cash equivalents amounted to approximately HK$57.9 million.

(iv) Prospects of the Group

Regarding the natural gas business, the nation continues to emphasize the green and low-carbon transition. As set out in the 2025 annual report of the Company, compared to the global average of approximately 24% share in primary energy consumption, China's natural gas consumption accounted for only 8.5% of primary energy in 2024. Although this represents an increase from the previous year, the Company considers significant room for growth remains.

Recent government policies have strengthened prospects for the Group's New Energy Business. In January 2025, the National Development and Reform Commission (NDRC) and others issued the Catalog of Products Subject to Energy Efficiency Labeling (17th Batch) (FGHZ [2025] No.45), incorporating tower servers, water-cooled (heat pump) units, and other equipment into energy efficiency labeling management (effective February and December 2025). This promotes the phasing out of inefficient equipment, creating greater growth space for the Group's new energy equipment manufacturing business. Furthermore, the Chinese government's Government Work Report in March 2025 reiterated and expanded upon the requirement to "establish a number of zero-carbon industrial parks and zero-carbon factories," presenting more opportunities for the development of the Group's New Energy Business. In response to this trend, the Company has implemented a dual-drive strategy focusing on both natural gas and new energy businesses. In the natural gas sector, the Company will continue to expand the end-user market while employing flexible trading strategies for both LNG and PNG to capture market share and enhance profitability. In the new energy sector, the Company is committed to advancing digitalisation, green and low-carbon initiatives, and multi-energy coordination.

2. Reasons for and benefits of the Loan Capitalisation

As at 30 September 2025, the gearing ratio of the Company was approximately 190.0%, calculated by dividing the interest-bearing debts by total equity. As at 30 September 2025, the Group's interest-bearing borrowings amounted to approximately HK$616.1 million, which comprised outstanding principal of bank borrowings of approximately HK$239.1 million and outstanding principal of the Shareholder's Loans of approximately HK$377.0 million. Interest accrued for the Shareholder's Loans as at 30 September 2025 amounted to approximately HK$30.8 million. As at the date of the Loan Capitalisation Agreement, the Shareholder's Loans further increased to approximately HK$454.8 million in outstanding principal amount and accrued interest (which comprised outstanding principal amount of HK$415.6 million and accrued interest of approximately HK$39.1 million).

As at 30 September 2025, the cash and cash equivalents of the Group amounted to approximately HK$57.9 million and further decreased to approximately HK$17.5 million as at the Latest Practicable Date. Under the Loan Capitalisation Agreement, the Repayment Amount to be set off shall consist of the principals of certain Shareholder's Loans which are currently repayable on demand in an aggregate amount of HK$260 million. In the past, the outstanding Shareholder's Loans were partially converted into equity issued to the Subscriber under the first loan capitalisation (completed in May 2024) and second loan capitalisation (completed in July 2025) at market price as at the then respective loan capitalisation agreement was entered into, further details of which are set out in the Company's circulars dated 27 March 2024 and 22 May 2025 respectively.

Given the financial position of the Group, the Group is not able to repay the amount due to the Subscriber with the existing financial resources. Capitalisation of the Repayment Amount enables the Group to settle partially its existing liabilities (which are repayable on demand) without utilising the existing financial resources and can avoid cash outflows. Furthermore, the capitalisation of the Repayment Amount immediately reduces the indebtedness level of the Group without obtaining additional bank borrowings and incurring additional finance costs, lowers the gearing level of the Group, thereby strengthening the financial position and capital base of the Group. Further discussions on the financial effect of the Loan Capitalisation are set out in the section headed "Financial effects of the Loan Capitalisation" in this letter below.

The Company has explored other financing alternatives to raise funds for the Group to repay the Shareholder's Loans. It is noted from the Company's 2025 annual report that all the Group's bank loans were secured as at 31 March 2025, which carried (i) fixed interest rate per annum ranging from 2.6% to 5.5%; or (ii) floating interest rates ranging from loan prime rate plus 0.65% to 1.2%. We have discussed with the Company and understand that the existing bank loans were primarily obtained for general working purposes. Given the financial performance and position of the Group and prevailing market condition, the Company considers obtaining additional debt financing for the purpose of settlement of the Shareholder's Loans would be practically difficult. Even if it is possible, the cost of debt financing is expected to increase with additional requirements with asset pledging or guarantees to be requested by lenders to secure such financing. The Group recorded losses in recent years, with gearing ratio of approximately 190.0% as at 30 September 2025 and it has increased to approximately 251.8% as at the Latest Practicable Date. In view of the above, we consider that it would be challenging for the Group to obtain new borrowings for the settlement of the Shareholder's Loan, particularly at more favourable terms than the Shareholder's Loan and any debt financing at higher interest rates would increase the financial burden of the Group. Further, given the financial performance and position of the Group, the procurement of any other equity financing (such as placing of new shares, rights issue and open offer) is likely to be difficult without offering an attractive discount to the prevailing market price of the Shares. As compared with the Loan Capitalisation, in our experience, (i) more documentation is typically required for placing of new shares or rights issue; (ii) it is more costly to arrange placing of new shares or rights issue than the subscription as more professional parties would need to be engaged; and (iii) it generally takes longer time to arrange placing of new shares and rights issue. If placing agents are involved, they would charge commission with reference to certain percentages of the amount of the fundraising as compared with no commission from the Loan Capitalisation. In view of the above, we concur with the Board's view that other equity financing alternatives are impractical due to difficulties in obtaining suitable equity financing partners and reaching mutually acceptable financing terms within a short time frame. On the other hand, the Loan Capitalisation provides a higher degree of certainty as to the fundraising amount as compared to rights issue, etc. with minimal completion risk.

After considering the constraints of other debt and equity fundraising alternatives as discussed above, the Board considers the Loan Capitalisation a more appropriate option under the current financial position of the Group. Taking into consideration of the above factors, including the financial effects arising from the Loan Capitalisation, the Board considers, and we concur, the entering into of the Loan Capitalisation Agreement, although not conducted in the ordinary and usual course of business of the Group, is in the interests of the Group and the Shareholders as a whole.

3. Principal terms of the Loan Capitalisation Agreement

The principal terms of the Loan Capitalisation Agreement are summarised below. Further details of the terms of the Loan Capitalisation are set out in the section headed "The Loan Capitalisation Agreement" in the "Letter from the Board" of this Circular.

Date: 5 March 2026 (after the Stock Exchange trading hours)

Parties: (1) the Company (as the issuer)

(2) Dr. Kan (as the Subscriber)

(i) Subject Matters of the Loan Capitalisation Agreement

The Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 722,222,222 Capitalisation Shares at the Capitalisation Price of HK$0.36 per Capitalisation Share. The aggregate Capitalisation Price payable by the Subscriber under the Loan Capitalisation Agreement shall be satisfied by capitalising and setting off against the Repayment Amount of HK$260,000,000 upon Completion. The Capitalisation Shares represent (i) approximately 9.71% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 8.85% of the total number of issued Shares as enlarged by the allotment and issue of the Capitalisation Shares, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares.

The Capitalisation Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the EGM.

(ii) Conditions Precedent

Completion of the Loan Capitalisation Agreement is conditional upon the fulfilment of, among others, the following conditions:

(i) the Independent Shareholders having approved and passed at the EGM, of the necessary resolutions to approve the Loan Capitalisation Agreement and the transaction contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issuance of the Capitalisation Shares); and

(ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Capitalisation Shares and such approval and permission having not subsequently been revoked or withdrawn prior to the commencement of dealings in the Capitalisation Shares on the Stock Exchange.

In the event that the above conditions are not fulfilled on or before the Long Stop Date (i.e. the date upon the expiry of three months from the date of the Loan Capitalisation Agreement, or such other date as the parties may agree in writing), the Loan Capitalisation Agreement shall terminate in accordance with the terms of the Loan Capitalisation Agreement.

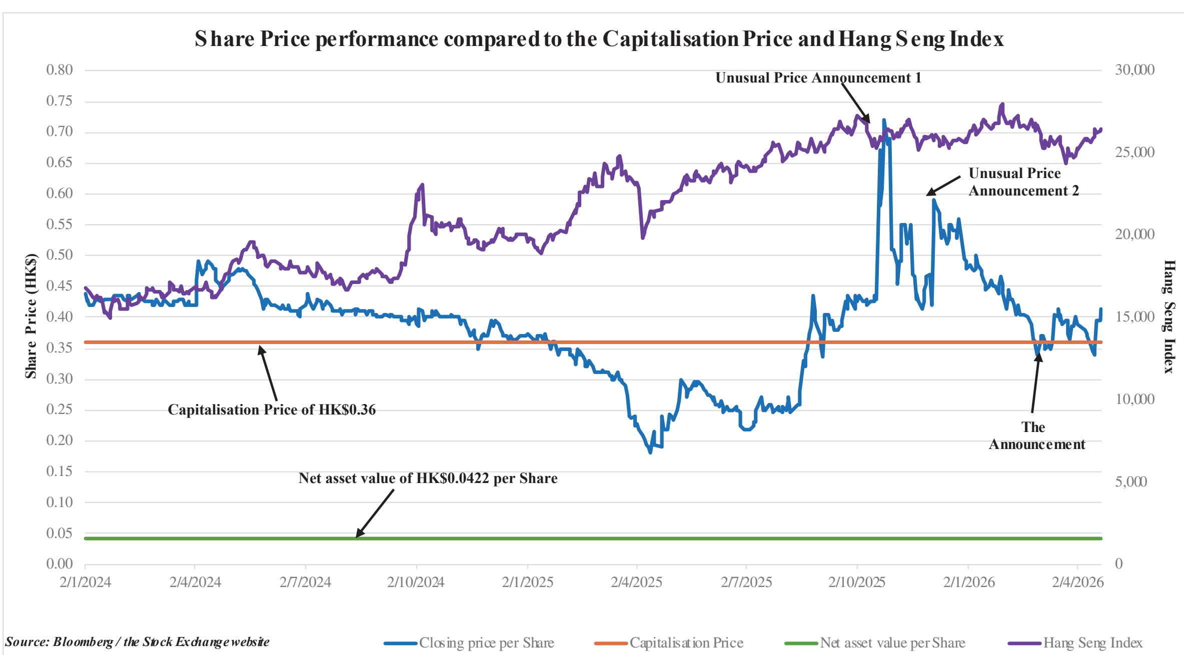
Completion shall take place on or before the tenth business day following the day upon which the conditions precedent have been satisfied (or such later day as may be agreed between the Company and the Subscriber in writing). Further details of the terms of the Loan Capitalisation Agreement are set out in the section headed "The Loan Capitalisation Agreement" in the "Letter from the Board" of this Circular.

As at the Latest Practicable Date, except for condition (i) as set out in abovementioned section of this Circular, none of the conditions precedent of the Loan Capitalisation Agreement has been fulfilled.

4. Evaluation of the terms of the Loan Capitalisation

(A) Historical price performance of the Shares

The chart below illustrates the daily closing price per Share from 1 January 2024 up to and including the Latest Practicable Date (the "**Review Period**"), alongside a comparison of the Share price performance against the Capitalisation Price, Hang Seng Index and net asset value per Share. We consider the Review Period, which covers over two years, can provide a comprehensive overview on the market performance of the Shares for the purpose of this analysis.



During the Review Period, the closing Share prices fluctuated in a wide range from HK$0.181 to HK$0.72 per Share. Closing Share prices showed a general downward trend from January 2024, reaching its lowest point during the Review Period of HK$0.181 per Share on 14 April 2025. From mid-April 2025, Share prices began to recover, generally aligning with the upward movement of the Hang Seng Index. On 20 October 2025, the closing Share price increased by approximately 55.8% compared to the previous trading day and closed at HK$0.67. After trading hours on the same day, the Company published an announcement regarding the unusual price and trading volume movements (the "**Unusual Price Announcement 1**"), disclosing that it had been engaged in negotiations to acquire a very significant LNG project since 1 May 2025 and had signed separately a confidential agreement with a LNG user company on 12 September 2025. Furthermore, it had also signed a confidential agreement on 1 July 2025 and subsequently a memorandum of understanding on 1 August 2025 with an international financial company for funding support of the aforementioned LNG project. The Share price closed at HK$0.72 on 24 October 2025, marking the highest price recorded during the Review Period.

Thereafter, Share prices experienced fluctuations, declining to HK$0.42 on 2 December 2025 following by a rebound of approximately 31.0% to HK$0.55 per Share on 3 December 2025 and HK$0.59 per Share on 4 December 2025. After trading hours on 4 December 2025, the Company published another announcement regarding the unusual price and trading volume movements (the "**Unusual Price Announcement 2**"), disclosing that the Directors were considering enlarging the capital base of the Company so as to improve the Company's financial performance and position by inviting the aforementioned international financial company mentioned in the Unusual Price Announcement 1 to subscribe for Shares at a discount to the market price.

Subsequently, the Share prices experienced a general downward trend. After trading hours on 5 March 2026, the Company published the announcement on the Loan Capitalisation and the Share price closed at HK$0.35 on the following business day. The Share price closed at HK$0.395 on 17 April 2026 and trading in Shares on the Stock Exchange was suspended on the next trading day (20 April 2026). The Company published an inside information announcement on 21 April 2026 before trading hours in relation to the entering into of the corporation agreements with Al-Qimmah Energy FZCO, an international energy trading and supply platform. Following the resumption of trading in the Shares at 9:00 a.m. on 21 April 2026, the closing Share price increased by approximately 5.1% to HK$0.415 per Share on 21 April 2026. The closing Share price as at the Latest Practicable Date was HK$0.415.

The Capitalisation Price of HK$0.36 per Capitalisation Share remains within the historical price range in the Review Period and represents:

(i) an equal to the closing price of HK$0.36 per Share as quoted on the Stock Exchange on 5 March 2026, being the date of the Loan Capitalisation Agreement;

(ii) a discount of approximately 0.27% to the average closing price per Share of HK$0.361 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;

(iii) a discount of approximately 2.17% to the average closing price per Share of HK$0.368 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement; and

(iv) a discount of 13.25% to the closing price of HK$0.415 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Capitalisation Price represents a premium of approximately 753.08% over the Company's unaudited consolidated net asset value per Share as at 30 September 2025 of approximately HK$0.0422 (calculated by equity attributable to owners of the Company of approximately HK$314,054,000 as at 30 September 2025 and 7,435,678,367 Shares in issue as at the date of the Loan Capitalisation Agreement).

(B) Comparable issue

To further assess the fairness and reasonableness of the Capitalisation Price, we have also searched on the website of the Stock Exchange to identify transactions in respect of subscription/issue of new shares under specific mandate by/to connected persons, with the following criteria: (i) the issuers are listed on the Stock Exchange; (ii) the subscriptions/issues of new shares were announced during the period from 6 September 2025 to 5 March 2026 (being six months prior to and including the date of the Loan Capitalisation Agreement); (iii) the new shares were not issued in connection with share incentive schemes, acquisition transactions, corporate/debt restructuring under a scheme or takeovers of a listed company; and (iv) excluding issues of A shares or PRC domestic shares.

We have identified an exhaustive list of 10 comparable transactions (the "**Comparable Transactions**") as set out in the table below which met the above selection criteria and consider such list to be fair and representative for the purpose of this analysis. We consider that the adoption of selection period of approximately six months is appropriate as it demonstrates the recent market trends with reasonable and representative number of recent Comparable Transactions for the purpose of our analysis. Despite that the business and prospects of the Group are not the same as the issuers of the Comparable Transactions, the Comparable Transactions provide a general reference for the market practices of similar transaction during the selection period. Details of the Comparable Transactions are set out below:

Date of announcement	Stock code	Company name	Premium/ (discount) of the subscription/issue price over/to the closing price on/ prior to the date of the agreement *Approximate %*	Premium/(discount) of the subscription/ issue price over/to the average closing price for the last five consecutive trading days prior to/up to and including the date of the agreement *Approximate %*
16 January 2026	9858	China Youran Dairy Group Limited	(8.84)	(17.89)
24 December 2025	353	Energy International Investments Holdings Limited	(18.33)	(19.67)
28 November 2025	475	Central Development Holdings Limited[1]	(3.61)	(8.05)
17 November 2025	2339	Beijingwest Industries International Limited	(34.21)	(20.00)
10 November 2025	1920	China Wacan Group Company Limited	4.34	0.38
31 October 2025	3395	JX Energy Ltd.[1]	(1.64)	(1.32)
24 October 2025	2371	Chuanglian Holdings Limited[1]	8.57	8.57
20 October 2025	8246	Zhonghua Gas Holdings Limited[1]	8.89	0.00
26 September 2025	8305	Sheng Tang Holdings Limited	(24.00)	(18.10)
16 September 2025	8365	Hatcher Group Limited	(34.07)	(37.57)
		Maximum	8.89	8.57
		Minimum	(34.21)	(37.57)
		Average	(10.29)	(11.37)
		Median	(6.23)	(12.97)
5 March 2026	**931**	**The Company**	**0.00**	**(0.27)**

Source: the Stock Exchange

[1] Comparable Transactions involved loan capitalisation

As illustrated in the table above, the subscription/issue prices of the Comparable Transactions:

(i) Ranged from a discount of approximately 34.21% to a premium of approximately 8.89% over their respective closing prices on or immediately prior to the date of the relevant agreement (the "**Market Range**"), with an average discount of approximately 10.29% (the "**Market Average Discount**") and a median discount of approximately 6.23% (the "**Market Median Discount**"); and

(ii) Ranged from a discount of approximately 37.57% to a premium of approximately 8.57% over the average closing price per share for the five consecutive trading days prior to/up to and including the date of the relevant agreement (the "**5-Day Market Range**"), with an average discount of approximately 11.37% (the "**5-Day Market Average Discount**") and a median discount of approximately 12.97% (the "**5-Day Market Median Discount**").

The Capitalisation Price is equivalent to the closing price per Share on the date of the Loan Capitalisation Agreement, which falls within the Market Range and better than the Market Average Discount and Market Median Discount. Notwithstanding the Capitalisation Price represents a minimal discount of approximately 0.27% to the average closing price per Share for the five consecutive trading days up to and including the date of the Loan Capitalisation Agreement, it is within the 5-Day Market Range and is better than the 5-Day Market Average Discount and 5-Day Market Median Discount.

Taking into account that (a) 7 out of 10 Comparable Transactions involved issuance of shares at discount ranged from approximately 1.64% to 34.21%; (b) the Capitalisation Price (i) falls within the historical closing price range during the Review Period; (ii) equals to the closing price per Share on the Loan Capitalisation Agreement; (iii) represents a minimal discount of approximately 0.27% to the average closing price per Share for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement; (iv) represents a premium of approximately 753.08% over the Company's unaudited consolidated net asset value attributable to owners of the Company (per Share) as at 30 September 2025; (v) falls within the Market Range and better than the Market Average Discount and Market Median Discount of the Comparable Transactions; and (vi) falls within the 5-Day Market Range and is better than the 5-Day Market Average Discount and 5-Day Market Median Discount of the Comparable Transactions, as well as the reasons for the entering into of the Loan Capitalisation Agreement and the financial position of the Group as discussed in this letter above, we are of the view that the terms of the Loan Capitalisation are fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial effects of the Loan Capitalisation

(A) Earnings

The Shareholder's Loans carry an interest rate of 5% per annum. The Loan Capitalisation will allow the Group to eliminate interest expenses associated with the capitalised portion of the Shareholder's Loans. Upon Completion, the Group is expected to save around HK$13 million in annual interest expenses, calculated by multiplying the 5% interest rate to the capitalised loan principal amount of HK$260 million. The aforesaid savings are expected to have positive impact on the Group's earnings going forward.

(B) Net assets and gearing ratio

Immediately upon Completion, the net asset value of the Group is expected to increase by HK$260 million, corresponding to the Repayment Amount being capitalised. Upon Completion, the capitalisation of the Shareholder's Loans will reduce the Group's total interest-bearing debt by HK$260 million. For illustration purpose, immediately upon Completion, the Group's gearing ratio is expected to significantly improve from 251.8% as at the Latest Practicable Date to approximately 81.2% (calculated by dividing the total interest bearing debts (less the capitalised amount of the Shareholder's Loans of HK$260 million) by total equity (increased by the corresponding capitalised amount of the Shareholder's Loans)).

Taking into account the financial effects above, we consider that the Loan Capitalisation is beneficial to the Group from financial perspective.

6. Possible dilution effect to the Shareholders

As at the Latest Practicable Date, the Company has 7,435,678,367 Shares in issue. Set out below is a table showing the shareholding structure of the Company as at (i) the Latest Practicable Date; and (ii) immediately after Completion and the allotment and issue of the Capitalisation Shares as contemplated under the Loan Capitalisation (assuming there are no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date (save for the allotment and issue of the Capitalisation Shares and the Subscriber will not acquire/dispose of any other Shares save for the Capitalisation Shares on the Completion Date):

Name of Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Capitalisation Shares	
	No. of Shares	*Approximate % shareholding*	*No. of Shares*	*Approximate % shareholding*
Directors:				
Dr. Kan and Mrs. Kan	3,761,807,346	50.59%	4,484,029,568	54.96%
Mr. Li	200,000	0.01%	200,000	0.01%
Other public Shareholders	3,673,671,021	49.40%	3,673,671,021	45.03%
	7,435,678,367	100.00%	8,157,900,589	100.00%

As illustrated in the table above, immediately after Completion and the allotment and issue of the Capitalisation Shares to the Subscriber, the shareholding interests of other public Shareholders will be diluted by 4.37 percentage points from approximately 49.40% to approximately 45.03%.

Taking into account (i) the reasons and benefits of entering into of the Loan Capitalisation Agreement as set out in the section headed "Reasons for and benefits of the Loan Capitalisation" in this letter above; (ii) the terms of the Loan Capitalisation being fair and reasonable as discussed in the section headed "Evaluation of the terms of the Loan Capitalisation" in this letter above; and (iii) the financial effects of the Loan Capitalisation as discussed above, in our opinion, the said level of dilution to the shareholding interests of the Independent Shareholders is acceptable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors, although the Loan Capitalisation is not conducted in the ordinary and usual course of business of the Group, we consider that (i) the terms of the Loan Capitalisation are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Loan Capitalisation.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission 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. She has over thirteen years' experience in the corporate finance industry.

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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are (i) required to be 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 he/she has taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Directors' Interests and Short Positions in Shares, Underlying Shares and Debenture of the Company

Name of Director	Capacity/Nature of interest	Long position/ Short position	Number of Shares	Approximate percentage of the issued share capital *(Note 1)*
Dr. Kan and Mrs. Kan	Beneficial owner/Spouse interest	Long position	3,761,807,346 *(Note 2)*	50.59%
		Short position	329,634,193	4.43%
Mr. Li	Beneficial owner	Long position	200,000	0.01%

Notes:

1. These percentages have been calculated based on the total number of issued Shares as at the Latest Practicable Date, i.e. 7,435,678,367 Shares.

2. 5,000,000 shares among these Shares are held by Ground Up, Dr. Kan beneficially owns the entire issued share capital of Ground Up, therefore he is deemed to be interested in all the Shares held by Ground Up by virtue of the SFO. Dr. Kan is the chairman of the Board and an executive Director, Dr. Kan is also a director of Ground Up.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of SFO) which are required, pursuant to Section 352 of the SFO, to be entered in the registers referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Interests in Shares in Associated Corporation of the Company

Name of Director	Name of company in which interests were held	Nature of interests	Number of Shares held	Approximate percentage of interests in the capital of the associated corporation
Dr. Kan	Key Fit Group Limited	Beneficial owner	69,982,878	9.99%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors or chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and 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' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

The followings are the contracts in which a Director is materially interested and which is significant in relation to the business of the Group:

(a) the Shareholder's Loan agreements;

(b) the Loan Capitalisation Agreement;

(c) the Letter of Grant of Director Options; and

(d) Supplemental Agreement to the Letter of Grant of Director Options.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any interest, directly or indirectly, in any assets which have, since 31 March 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

6. LITIGATION

On 9 May 2024, the Group received a "Civil Ruling" dated 25 April 2024 issued by the Tianjin Maritime Court of PRC (the "**Court**") regarding claims brought by an independent creditor of natural gas segment. Pursuant to the Civil Ruling, Great Trend Investment Management (Shanghai) Company Limited*, an indirect wholly-owned subsidiary of the Group, was liable to pay the creditor the outstanding balance, along with a penalty charge and overdue interest. The penalty expenses was amounting to approximately HK$39,221,000. Both the Company and its wholly-owned subsidiary, China LNG Limited, act as guarantors for the outstanding balance and the penalty charge.

For prudent purposes based on legal advice, a full provisions for penalty expenses in the amount of approximately HK$13,268,000 and HK$39,221,000 were recognised during the years ended 31 March 2025 and 31 March 2024 respectively.

Additionally, the Group will continue to incur overdue interest from 1 April 2025, until the outstanding balance are settled and the remaining 91 LNG tank containers are returned. As at 30 September 2025, the overdue interest amounts to approximately HK$5.8 million was fully provided.

* English company name translated for identification purpose only.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, the Company was not engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Company.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 March 2025, being the date to which the latest published audited consolidated accounts of the Company were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley Capital Limited:

(a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;

(b) 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; and

(c) did not have any direct or indirect interest in any assets which had been since 31 March 2025 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

9. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinahkpower.todayir.com) for a period of 14 days from the date of this circular:

(a) the Loan Capitalisation Agreement;

(b) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;

(d) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix; and

(e) this circular.

10. MISCELLANEOUS

(a) the registered office of the Company is at Cricket Square Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands;

(b) the head office and principal place of business of the Company is located at 8th Floor, St. John's Building 33 Garden Road Central, Hong Kong;

(c) the Company's branch share registrar in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong;

(d) the company secretary of the Company is Mr. Fung Chun Yin who is a member of the Hong Kong Institute of Certified Public Accountants; and

(e) the English text of this circular prevails over the Chinese text in case of inconsistency.

CHINA HK POWER SMART ENERGY GROUP LIMITED
中國港能智慧能源集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of China HK Power Smart Energy Group Limited (the "**Company**") will be held on Thursday, 14 May 2026 at 5:00 p.m. at 8th Floor, St. John's Building, 33 Garden Road, Central, Hong Kong for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) the Loan Capitalisation Agreement (the "**Loan Capitalisation Agreement**") dated 5 March 2026 and entered into between the Company (as issuer) and Dr. Kan Che Kin, Billy Albert (the "**Subscriber**") as the subscriber in relation to the conversion of the unsecured Shareholder's Loans with an outstanding principal amount of HK$260,000,000 as at the date of the Loan Capitalisation Agreement due from the Group to the Subscriber (the "**Repayment Amount**") into the share capital of the Company (the "**Loan Capitalisation**") involving the subscription (the "**Subscription**") of an aggregate of 722,222,222 new shares to be issued and allotted by the Company (the "**Capitalisation Shares**") at the Capitalisation Price of HK$0.36 per Capitalisation Share, a copy of which is tabled at the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in, the Capitalisation Shares, the directors (the "**Directors**") of the Company be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Capitalisation Shares to the Subscriber subject to the terms of the Loan Capitalisation Agreement (the "**Specific Mandate**"), with such Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

(c) any Director be and is hereby authorised to sign, execute, perfect and deliver all such documents, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and giving effect to the Loan Capitalisation Agreement, the Loan Capitalisation, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Loan Capitalisation Agreement and are in the best interests of the Company."

For and on behalf of the Board
China HK Power Smart Energy Group Limited
Deng Yaobo
(Chief Executive Officer and Executive Director)

Hong Kong, 28 April 2026

As at the date of this notice, the Board comprises three executive Directors, namely Dr. Kan Che Kin, Billy Albert (Chairman), Mr. Deng Yaobo (chief executive officer) and Mr. Li Kai Yien, Arthur Albert; and two non-executive Directors, namely Mrs. Kan Kung Chuen Lai and Mr. Simon Murray; and three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.

Notes:

1. A form of proxy for use at the EGM is enclosed.

2. Any member of the Company entitled to attend and vote at the EGM convened by this notice shall be entitled to appoint proxy to attend and vote instead of him in accordance with the Articles of the Company. A proxy need not be a member of the Company, but must be present in person to represent the member.

3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.

4. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should they so wish.

5. The above resolution will be voted by way of a poll at the EGM.

6. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 11 May 2026 to Thursday, 14 May 2026, both days inclusive. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 8 May 2026. The record date for entitlement to the EGM will be Monday, 11 May 2026.