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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

**CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE DISCLOSEABLE TRANSACTION
REGARDING THE ACQUISITION OF 80% EQUITY INTEREST IN
HYDROGEN ENERGY TECHNOLOGY LIMITED
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

Financial adviser to the Company



Diligent Capital Limited

Reference is made to the announcement (the “**Announcement**”) of CHYY Development Group Limited (the “**Company**”) dated 27 October 2023 in relation to the acquisition of 80% equity interest in Hydrogen Energy Technology Limited (the “**Target Company**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

THE SIDE LETTER

On 16 March 2024, the Company, the Vendor and the Guarantor entered into a side letter supplemental to the Agreement (the “**Side Letter**”) under which the parties have agreed to revise the terms relating to the Consideration and the Conditions Precedent under the Agreement.

A summary of the key terms of the Side Letter is set out below.

Date : 16 March 2024

Parties : 1) The Company;
2) The Vendor; and
3) The Guarantor.

1. Amendments to the Consideration

The clause pertaining to the Consideration under the Agreement (as disclosed on page 3 to page 5 under the section headed “Consideration” and “Adjustment Mechanism” of the Announcement) will be entirely replaced with the following:

Subject to the Adjustment Mechanism as mentioned below and certain terms and provisions under the Agreement, the total consideration payable for the Sale Shares shall not exceed HK\$70,200,000 (the “**Maximum Consideration**”), which shall be payable by the Company to the Vendor, in three installments:

- (i) as to HK\$10,368,000 (the “**1st Tranche Consideration**”), representing approximately 14.77% of the Maximum Consideration, by the allotment and issuance of 129,600,000 Consideration Shares at the issue price of HK\$0.08 per Share (the “**1st Tranche Consideration Shares**”), to the Vendor within ten (10) Business Days after fulfilling or waiving (as the case may be) all the Conditions Precedent. The 1st Tranche Consideration Shares will be subject to a lock-up and escrow arrangement as set out below;
- (ii) as to a maximum of HK\$29,916,000 (the “**2nd Tranche Consideration**”), representing approximately 42.62% of the Maximum Consideration, by the allotment and issuance of not more than 373,950,000 Consideration Shares at the issue price of HK\$0.08 per Share (the “**2nd Tranche Consideration Shares**”), to the Vendor within seven (7) Business Days after the completion of the audited financial statements of China Hydrogen Energy for the year ending 31 December 2024 by the Auditor and the GEM Listing Committee approves the listing of, and the permission to deal in the 2nd Tranche Consideration Shares (whichever is later) (the “**2nd Stage Completion**”). The 2nd Tranche Consideration will be subject to the adjustment mechanism as set out below; and
- (iii) as to a maximum of HK\$29,916,000 (the “**3rd Tranche Consideration**”), representing approximately 42.61% of the Maximum Consideration, by the allotment and issuance of not more than a total of 373,950,000 Consideration Shares at the issue price of HK\$0.08 per Share (the “**3rd Tranche Consideration Shares**”), to the Vendor within seven (7) Business Days after the completion of the audited financial statements of China Hydrogen Energy for the year ending 31 December 2025 and the GEM Listing Committee approves the listing of, and the permission to deal in the 3rd Tranche Consideration Shares (whichever is later) (the “**3rd Stage Completion**”). The 3rd Tranche Consideration will be subject to the adjustment mechanism as set out below.

The Profit Guarantee

The Vendor and the Guarantor jointly and severally, and irrevocably guarantee and undertake to the Company that (i) the actual audited net profit after taxation generated by China Hydrogen Energy for the year ending 31 December 2024 (the “**2024 Actual Profit**”) shall be not less than RMB22,000,000 (the “**2024 Guaranteed Profit**”); and (b) the aggregate sum of actual audited net profit after taxation generated by China Hydrogen Energy for the years ending 31 December 2024 and 31 December 2025 (the “**2024/25 Actual Profit**”) shall be not less than RMB44,000,000 (the “**2024/25 Guaranteed Profit**”).

The 2024 Guaranteed Profit and 2024/25 Guaranteed Profit were determined after arms-length negotiations between the Company and the Vendor based on a cash flow projection prepared by the management of China Hydrogen Energy covering the years 2024 to 2029 (the “**Projection**”).

The Adjustment Mechanism

The 2nd Tranche Consideration will be adjusted based on the 2024 Actual Profit, which will be made as follows:

Scenario 1: If the 2024 Actual Profit is less than RMB11,000,000, the Company is not obliged to issue any 2nd Tranche Consideration Shares to the Vendor upon the 2nd Stage Completion. The 2nd Tranche Consideration shall be settled upon the 3rd Stage Completion, subject to the adjustment based on the 2024/25 Actual Profit;

Scenario 2: If the 2024 Actual Profit reaches RMB11,000,000 (i.e., 50% of 2024 Guarantee Profit) but fails to reach the 2024 Guarantee Profit (i.e. RMB22,000,000), the 2nd Tranche Consideration, where the Company is obliged to settle upon the 2nd Stage Completion, will be calculated according to the following formula:

$$A = (B/C) \times D$$

Where:

A : The Adjusted 2nd Tranche Consideration

B : 2024 Actual Profit

C : 2024 Guarantee Profit

D : HK\$29,916,000, being the maximum amount of the 2nd Tranche Consideration

For the avoidance of doubt, the difference between the 2nd Tranche Consideration and the Adjusted 2nd Tranche Consideration shall be settled upon the 3rd Stage Completion, subject to the adjustment based on the 2024/25 Actual Profit (the “**Finalised 2nd Tranche Consideration**”).

Scenario 3: If the 2024 Actual Profit equals or exceeds the 2024 Guaranteed Profit (i.e. RMB22,000,000), the 2nd Tranche Consideration will remain at HK\$29,916,000.

The 3rd Tranche Consideration will be adjusted based on the 2024/25 Actual Profit, which will be made as follows:

Scenario 1: If the 2024/25 Actual Profit is less than RMB11,000,000, the 3rd Tranche Consideration will be reduced to zero. The issuance of the 1st Tranche Consideration Shares and the 2nd Tranche Consideration Shares (if applicable) will be considered as full payment for the Consideration;

Scenario 2: If the 2024/25 Actual Profit reaches RMB11,000,000 but fails to reach the 2024/25 Guarantee Profit (i.e. RMB44,000,000), the 3rd Tranche Consideration, where the Company is obliged to settle upon the 3rd Stage Completion, will be calculated according to the following formula:

$$A = (B/C) \times D - E$$

Where:

A : The Adjusted 3rd Tranche Consideration

B : 2024/25 Actual Profit

C : 2024/25 Guarantee Profit

D : HK\$59,832,000, being the aggregate amount of the maximum amount of the 2nd Tranche Consideration and the maximum amount of the 3rd Tranche Consideration

E : The Adjusted 2nd Tranche Consideration

For the avoidance of doubt,

(i) If the Adjusted 3rd Tranche Consideration is negative, the 3rd Tranche Consideration will be considered as zero, and the Company is not obliged to issue any 3rd Tranche Consideration Shares to the Vendor upon the 3rd Stage Completion. The issuance of the 1st Tranche Consideration Shares and the 2nd Tranche Consideration Shares (if applicable) will be considered as full payment for the Consideration;

- (ii) if the Adjusted 3rd Tranche Consideration exceeds HK\$29,916,000, the 3rd Tranche Consideration will remain at HK\$29,916,000. On the other hand, the Finalised 2nd Tranche Consideration will be calculated according to the following formula:

$$A = (B/C) \times D - (E + F)$$

Where:

- A : The Finalised 2nd Tranche Consideration
- B : 2024/25 Actual Profit
- C : 2024/25 Guarantee Profit
- D : HK\$59,832,000, being the aggregate amount of the maximum amount of the 2nd Tranche Consideration and the maximum amount of the 3rd Tranche Consideration
- E : The Adjusted 2nd Tranche Consideration
- F : The Adjusted 3rd Tranche Consideration

Scenario 3: If the 2024/25 Actual Profit equals or exceeds the 2024/25 Guaranteed Profit (i.e. RMB44,000,000), the 3rd Tranche Consideration will remain at HK\$29,916,000. The Finalised 2nd Tranche Consideration will be calculated according to the following formula:

$$A = (B/C) \times D - (E + F)$$

Where:

- A : The Finalised 2nd Tranche Consideration
- B : 2024/25 Actual Profit
- C : 2024/25 Guarantee Profit
- D : HK\$59,832,000, being the aggregate amount of the maximum amount of the 2nd Tranche Consideration and the maximum amount of the 3rd Tranche Consideration
- E : The Adjusted 2nd Tranche Consideration
- F : The Adjusted 3rd Tranche Consideration

For the avoidance of doubt, if the ratio of B to C is greater than one, it will be capped at one.

For the avoidance of doubt, (i) if China Hydrogen Energy incurs a net loss after taxation for the years ending 31 December 2024 and/or 31 December 2025, the net loss actually recorded by China Hydrogen Energy in the financial year 2024 and/or the financial year 2025 should be considered when calculating any adjustments in accordance with the adjustment mechanism; and (ii) under no circumstances shall the total number of issued shares of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares exceed 747,900,000 Consideration Shares.

The Lock-Up Undertaking

The Vendor has agreed and undertaken to the Company that it shall not engage in any transaction which will affect the ownership of the 1st Tranche Consideration Shares, including but not limited to (i) offer, pledge, gift, sell or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of any 1st Tranche Consideration Shares, or (ii) enter into any swap, option (including put or call options), short sale, future, forward or other arrangements that transfers any of the economic interest of the 1st Tranche Consideration Shares to another person for a period commencing from the date of the allotment and issue of the 1st Tranche Consideration Shares to the date on which the Company's annual results announcement for the year ending 31 December 2024 is uploaded to the website of the Stock Exchange.

The Escrow Arrangement

After the 1st Tranche Consideration Shares are issued, the Vendor and Company have agreed to appoint an Independent Third Party to act as an escrow agent, who will be responsible for holding the physical share certificate until the following conditions are met:

- (a) the purchase agreement entered into between Dongfeng Liuzhou Motor Co., Ltd.* (東風柳州汽車有限公司) (“**Dongfeng Liuzhou**”) and China Hydrogen Energy for fuel cell and hydrogen supply systems (with a purchase amount of at least RMB600,000,000) (the “**Dongfeng Agreement**”) is valid and signed; and
- (b) the 2024 Actual Profit is equal to or higher than RMB11,000,000.

The 1st Tranche Consideration Shares will be issued to the Vendor within three (3) business days after both of the above conditions are met.

If the conditions mentioned above are not fulfilled on or before the date on which the Company's annual results announcement for the year ending 31 December 2024 is uploaded to the website of the Stock Exchange (the “**Lock-up Period**”), the Company shall have the right to (i) repurchase and cancel the 1st Tranche Consideration Shares at zero cost; and (ii) require the Vendor to return any distributions and dividends (if applicable) that were declared and paid by the Company before such repurchase. However, such repurchase is subject to the Company obtaining all necessary regulatory approvals and complying with all applicable requirements under the applicable laws of the Cayman Islands, the GEM Listing Rules, and the Hong Kong Code on Takeovers and Mergers regarding the repurchase of Shares by the Company.

For the avoidance of doubt, during the Lock-up Period, the Vendor (as the holder of the 1st Tranche Consideration Shares) will not be entitled to any voting rights regarding the 1st Tranche Consideration Shares but will be entitled to the dividend rights under the following circumstances:

- (a) if the conditions stated in the Escrow Arrangement cannot be fulfilled before the Lock-up Period expires, the Company has the right to demand the Vendor or the escrow agent return any dividends received by the Vendor from the Company during the Lock-up Period within five (5) working days upon the expiry of the Lock-up Period; and
- (b) if all conditions stated in the Escrow Arrangement are fulfilled before the Lock-Up period expires, the escrow agent should return all the relevant dividends in its custody to the Vendor within five (5) working days from that day. However, any dividends received during this time must be delivered to the escrow agent for safekeeping.

2. Amendment to the Condition Precedents

The Conditions Precedent (a) under the Agreement will be entirely replaced with the following:

- (a) the GEM Listing Committee has approved the listing of, and the permission to deal in the 1st Tranche Consideration Shares (including unconditional approval or only conditions subject to which neither the Vendor nor the Company has reasonable objections) and such approval has not been revoked;

THE CLARIFICATION

The Board would like to provide additional clarification on the basis of Consideration following the change in Consideration as disclosed above in this announcement. This clarification is related to paragraphs 3, 4, and 5, under the “Consideration” section in the Announcement. The aforementioned paragraphs should be replaced entirely with the text below to provide clear information.

The Maximum Consideration was determined after arm’s length negotiations between the Company and the Vendor on normal commercial terms based on a discount of approximately 9.00% to the valuation of 80% equity interest in China Hydrogen Energy of approximately RMB77,000,000 (equivalent to approximately HK\$84,938,000)[#] as of 31 December 2023 which was conducted by the Valuer based on the income approach (the “**Valuation**”).

[#] As at 31 December 2023, the exchange rate between RMB and HK\$ is RMB1 = HK\$1.1031.

THE SUPPLEMENTAL INFORMATION

The Board would also like to provide additional information regarding the Acquisition.

1. Principal terms of the Dongfeng Agreement

The Dongfeng Agreement is an agreement entered into between Dongfeng Liuzhou and China Hydrogen Energy for the sales of fuel cell and hydrogen supply systems. Set out below is a summary of the key terms of the Dongfeng Agreement.

| | |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Products sold: | (i) 700 units of 150-Kilowatt (KW) hydrogen fuel cell systems with 700 sets of hydro supply systems; and (ii) 100 units of 90KW hydrogen fuel cell systems with 100 sets of hydro supply systems. |
| Total contract sum: | RMB893,250,000 |
| Order Confirmation: | After receiving the delivery note from Dongfeng Liuzhou, China Hydrogen Energy needs to confirm the detail delivery date in their designated system. |
| Delivery schedule: | From 2024 to 2026, the products will be delivered as per the request of Dongfeng Liuzhou. |
| Delivery place: | To be determined by Dongfeng Liuzhou. |
| Payment terms: | Within six months after receiving the invoice from China Hydrogen Energy. |

As of this announcement, the Dongfeng Agreement has been signed and is subject to verification by the Company's legal advisor.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Dongfeng Liuzhou is a subsidiary of Dongfeng Motor Group Company Limited* (東風汽車集團股份有限公司), a company whose shares are listed on the Stock Exchange (stock code: 489) and is primarily involved in the manufacturing and sale of automobiles, automotive parts, and components. Additionally, Dongfeng Liuzhou and its ultimate beneficial owners are Independent Third Parties.

2. Information about the Guarantor

The Guarantor is the founder of State Fuel Cell Technology Corporation* (深圳國氫新能源科技有限公司) ("SFCC"), which is the first company in Shenzhen to conduct mass commercial operation of hydrogen fuel cell vehicle. SFCC is also a leader in China's hydrogen fuel cell technology research, power system research and development and industrialisation, and a national high-tech enterprise with independent innovation core technologies.

The Guarantor has over twenty years of investment and management experience in new energy, materials, hydrogen fuel cells, and new energy vehicles. In 2013, the Guarantor started deploying hydrogen energy and fuel cells. In 2017, he led the SFCC team to develop China's first 30KW fuel cell engine and obtained a national inspection report* (國家強

檢報告) . This product is the first domestic fuel cell engine that has passed both IP67 and low-temperature cold start inspection certification. By the end of 2022, SFCC developed a 130KW fuel cell engine that passed national inspection and certification, forming two complete product series.

The Guarantor led SFCC to leverage its technical advantages and market experience in fuel cell engines, hydrogenation station equipment, and new energy vehicles.

3. Updated financial information of China Hydrogen Energy

Set out below is the unaudited financial information of China Hydrogen Energy since its incorporation up to 31 December 2023 as extracted from its management account for the same period:

| | |
|-------------------------|-------------------------------|
| | <i>RMB'000</i> (unaudited) |
| Revenue (<i>Note</i>) | 8,411 |
| Loss before taxation | 586 |

Note: Based on the information provided by the Vendor, the revenue of approximately RMB8.4 million for the year ended 31 December 2023 was primarily generated from the Chenglong Agreement (as defined below). Such Chenglong Agreement relates to the sale of 18 units of 90KW hydrogen fuel cell systems, along with 18 sets of hydro supply system.

As at 29 February 2024, the unaudited net asset value of China Hydrogen Energy was approximately RMB13,092,000.

4. The information about the Valuation

The Valuation approach and methods

In accordance with the valuation report in relation to the Valuation, the Valuation was conducted by the Valuer based on the income approach after considering certain factors;

- (i) China Hydrogen Energy was established in 2022 with a limited track record. Therefore, the market approach is not the most preferable method in this case;
- (ii) the cost approach is not appropriate for estimating the equity interest of China Hydrogen Energy as it disregards future profit potential; and
- (iii) the income approach is a method to showcase China Hydrogen Energy's business operations in the Valuation. The income approach works on the principle that the present value of the asset is equivalent to the economic benefits received throughout its lifetime. It takes into account future economic benefits and uses an appropriate discount rate to determine their present value, considering all risks associated with realising those benefits. This method provides a clear picture of the future earnings potential of the asset.

After considering the above factors, the Directors concluded that the Valuation using the income approach is more applicable.

The basis and key inputs under the income approach were determined

The fair value of China Hydrogen Energy was determined using the income approach by taking into account the Projection. The fair value of China Hydrogen Energy was derived from the summation of the free cash flows, based on the cash flow projections being discounted to the present value. Below are the calculations for the fair value of the entire issued share capital of China Hydrogen Energy based on the Valuation.

| As at the date of the Valuation | RMB'000 |
|-----------------------------------------------------------------------------|----------------|
| Sum of the present value of free cash flow for the period from 2024 to 2029 | 4,901 |
| Present value of terminal value | 102,596 |
| | <hr/> |
| Implied 100% enterprise value | 107,497 |
| Less: Interest-bearing debt | (8,599) |
| Add: Non-operating assets | 14,548 |
| | <hr/> |
| 100% equity value before discount on lack of marketability (DLOM) | 113,447 |
| Less: DLOM | (17,017) |
| | <hr/> |
| 100% equity value after DLOM | 96,430 |
| 100% equity value after DLOM (rounded) | 96,000 |
| 80% equity value after DLOM (rounded) | 77,000 |

Below is the table that outlines the factors used to determine the Projection. These include projected revenue, gross profit margin, operating expenses, terminal growth rate and discount rate.

| | |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Project revenue and gross profit: | The estimated revenue for the period from 31 December 2023 to 31 December 2026 is based on three major contracts. One of these contracts is the Dongfeng Agreement, while the other two have been signed with Beijing Chenglong Weiye Automobile Trading Co., Ltd.* (北京乘龍偉業汽車貿易有限公司) (the “ Chenglong Agreement(s) ”), a company mainly engaged in the manufacturing and sale of automobiles, automotive parts, and components. |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Below is a summary of the contracts that includes the expected number of hydrogen fuel cell systems to be sold and delivered, along with the projected revenue and gross profit for the years 2024 to 2026:

| | 2024 | 2025 | 2026 |
|---------------------------------------------------------------|----------------|----------------|----------------|
| Estimated number of hydrogen supply systems delivered: | | | |
| Dongfeng Agreement | | | |
| – 90KW | 50 | 50 | – |
| – 150KW | 130 | 220 | 350 |
| Chenglong Agreement(s) | | | |
| – 90KW | 62 | – | – |
| | RMB'000 | RMB'000 | RMB'000 |
| Estimated revenue | 192,430 | 257,172 | 375,911 |
| Estimated gross profit | 48,749 | 55,234 | 78,024 |
| Gross profit margin | 25.3% | 21.5% | 20.8% |
| Estimated net profit after taxation | 22,077 | 25,025 | 38,943 |

The estimated revenue for the years ending 31 December 2027, and 2028 is based on a revenue growth rate of 2.8%. The projected revenue for 2029 is estimated to grow at a rate of 2.7%.

Project operating expenses:

Operating expenses consist of distribution and selling costs, administrative expenses, research and development costs, and finance costs. The operating expenses, except for finance costs, are estimated based on a percentage of revenue. This percentage is determined by the actual cost incurred in the completed contract.

Terminal value:

The Gordon Growth Model was applied to calculate the terminal value, using a long-term growth rate of 2.2%. The formula is as follows

$$\text{Terminal Value} = (\text{Net Profit in 2031} + \text{Depreciation in 2031} - \text{Capex in 2031} - \text{Movement of Working Capital in 2031}) / (\text{Discount Rate} - \text{Long-term Growth Rate (Note)})$$

Note: The rate of 2.2% was derived based on the inflation rate of China forecasted by International Monetary Fund.

Discount rate:

The rate of 18.00%, was determined based on the weighted average cost of capital (WACC). WACC is determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure. The Valuer has levered China Hydrogen Energy as if it mirrored the median capital structure as the comparable listed companies on the assumption that over time, China Hydrogen Energy would approach the comparable listed companies' median capital structure to remain competitive. Subsequent to the calculations of the cost of equity and the cost of debt, the following equation is used to develop the WACC:

$$\text{WACC} = \%D \times R_d \times (1 - \text{Tax Rate}) + \%E \times R_e$$

The calculations of WACC, or the discount rate, therefore become:

| | |
|--------------------------------------------|--------|
| Risk free rate | 2.89% |
| Beta | 1.209 |
| Equity risk premium | 5.94% |
| Country risk premium | 1.22% |
| Size premium | 4.70% |
| Specific company adjustment | 5.00% |
| | <hr/> |
| x Cost of Equity (the "Re") (Note i) | 21.24% |
| Weight of Interest-Bearing Debt (the "%D") | 16.48% |
| x Cost of Debt (the "Rd") | 4.20% |
| x (1 – Income Tax Rate) | 75.00% |
| Weighted Cost of Debt (Note ii) | 0.52% |
| Weight of Equity (the "%E") | 83.52% |
| Re | 21.24% |
| Weighted Cost of Equity (Rounded) | 17.74% |
| Weighted Average Cost of Capital (Rounded) | 18.00% |

Note:

- i) The Valuer has adopted the modified capital asset pricing model to calculate the cost of equity for the Valuation, which can be summarized as follows:

$$\mathbf{Re = Rf + Beta \times ERP + RPs + RPu}$$

Where

| | |
|-------|-------------------------------|
| Re: | Cost of equity; |
| Rf: | Risk-free rate; |
| Beta: | A measure of systematic risk; |
| ERP: | Equity risk premium; |
| RPs: | Size premium; |
| RPu: | Specific company adjustment |

- ii) The Valuer relied on the China Loan Prime Rate to estimate the cost debt.

DLOM: A DLOM of 15% was adopted. When calculating the DLOM, the Valuer refer to the Stout Restricted Stock Study (the “**Study**”) compiled by Business Valuation Resources, a publisher of auditable market data, news and research, and expert opinion. The Study represents a widely used and accepted database of DLOM available to market participants. The Valuer has conducted a search on the website of the Stock Exchange and noticed the data presented in the Study was commonly adopted in valuation of private enterprises such as China Hydrogen Energy. Considering that China Hydrogen Energy is a private enterprise, we believe that the 15% DLOM is fair and reasonable.

The nature and source of information relied upon

The Valuation has been prepared solely based on the following assumptions which includes:

- (i) there would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in the regions and countries where China Hydrogen Energy is located and carrying on its businesses or plan to;
- (ii) there would be no significant deviation in the industry demand and market conditions from the current market expectation;
- (iii) there would be no material change in the current taxation law in the related regions or countries where China Hydrogen Energy and the comparable companies operate;
- (iv) there would be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
- (v) all relevant legal approvals, business certificates and banking licenses for the normal course of operation have been formally obtained, in good standing and no additional costs or fees are needed to procure such during the application;

- (vi) future capital expenditures will be consistent with the management’s forecasts;
- (vii) future revenue growth, profit margin, and capital expenditure for China Hydrogen Energy would largely conform to those forecasted by the management;
- (viii) China Hydrogen Energy would retain competent management, key personnel, and technical staff to support the ongoing business operation; and
- (ix) there were no contingent or unrecognised liabilities in China Hydrogen Energy.

The Board has reviewed the above principal assumptions upon which the profit forecast has been based and is of the view that the profit forecast has been made after due and careful enquiry.

The Company has engaged CL Partners CPA Limited (“**CL Partners**”) to review the arithmetical calculation and compilation of the Valuation, which does not involve adopting accounting policies.

The appendices to this announcement include a letter from CL Partners and a letter from the Board for the purposes of Rule 19.60(A) of the GEM Listing Rules.

Expert and consent

The following are the qualifications of the experts who have given their opinion and advice in this announcement:

| Name | Qualification |
|---------------------------------|---------------------------------|
| CL Partners | Certified Public Accountants |
| Greater China Appraisal Limited | Independent professional valuer |

The above experts have given and have not withdrawn their written consent to the publication of this announcement with the inclusion of their report/letter and all references to their name (including its qualification) in the form and context in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, the above experts are third parties independent of the Group and are not connected persons of the Group. As at the date of this announcement, the above experts do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of this announcement, the above experts do not have any direct or indirect interests in any assets which have been, since 31 December 2022 (the date to which the latest published annual results of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The qualification and independence of the Valuer

The Valuation Report was signed by Mr. Kenneth H.W. Lam (“**Mr. Lam**”), who is the director of the Valuer. Mr. Lam is a highly qualified and experienced valuer with more than 20 years of experience in the field. Mr. Lam has provided valuation services for various assets, including businesses and tangible and intangible assets. The Directors have carefully assessed Mr. Lam’s capabilities and found him to be fully competent in performing the Valuation. The Board has also reviewed the Valuer’s terms of engagement and determined that the scope of work is appropriate for the Valuation.

The Board’s view on the basis of the Consideration

The Directors have discussed with the Valuer the different aspects upon which the Valuation was prepared (including the principal assumptions and commercial assumptions) and have reviewed the Valuation for which the Valuer is responsible. The Directors have confirmed that the Valuation has been done after a due and careful inquiry by them. Based on this, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

This announcement is supplemental to and should be read in conjunction with the Announcement. Save as disclosed above, the Board confirms that the above supplemental information does not affect other information contained in the Announcement and the content of the Announcement remains correct and unchanged.

By Order of the Board
CHYY Development Group Limited
Xu Shengheng
Chairman

Hong Kong, 18 March 2024

* *For identification purposes only*

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine and Mr. Dai Qi as executive Directors, Mr. Liao Yuan, Mr. Zhang Yiying and Ms. Liu Ening as non-executive Directors, Mr. Wu Qiang, Mr. Guan Chenghua and Mr. Zhang Honghai as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website with the domain name of www.hkexnews.hk on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company at www.chyy.com.hk.

APPENDIX I – LETTER FROM CL PARTNERS

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF HYDROGEN ENERGY TECHNOLOGY LIMITED

To the Directors of CHYY Development Group Limited

We have examined the calculations of the discounted future estimated cash flows on which the business valuation prepared by GCA Professional Services Group dated 15 March 2024, in respect of the appraisal of the fair value of the 80% equity interest in Hydrogen Energy Technology Limited (the “**Valuation**”) is based. Hydrogen Energy Technology Limited (the “**Target Company**”) is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. The Target Company is the immediate holding company of Hydrogen Energy Technology (HK) Limited, which in turn is the immediate holding company of 中氫新能(深圳)新技術有限公司. 中氫新能(深圳)新技術有限公司 is a limited liability company established in the PRC which is engaged in hydrogen fuel cell powertrain systems for the automobile industry and has independent core technologies and intellectual property in the design, simulation, control, integration, and manufacture of these systems. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 19.60A of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and will be included in the announcement dated 18 March 2024 to be issued by CHYY Development Group Limited (the “**Company**”) in connection with the acquisition of 80% equity interest in the Target Company (the “**Announcement**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

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

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 19.60A of the GEM Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Group.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

CL Partners CPA Limited
Certified Public Accountants
Hong Kong

APPENDIX II – LETTER FROM THE BOARD

18 March 2024

The Listing Division
Hong Kong Exchanges and Clearing Limited
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sir or Madam,

We refer to the announcements (the “**Announcements**”) of CHYY Development Group Limited (the “**Company**”) dated 27 October 2023 and 18 March 2024 in relation to the acquisition of 80% equity interest in Hydrogen Energy Technology Limited under the agreement and the side letter entered into among the Company (as purchaser), GBT Green Energy Holding Group Limited (as vendor) and Mr. Wang Chenglin* (王成林) (as guarantor) dated 27 October 2023 and 16 March 2024, respectively. Unless the context otherwise requires, terms defined in the Announcements shall have the same meanings when used herein.

We have reviewed and discussed the Valuation, which forms one of the basis for determining the Consideration. We note that the methodology applied in deriving the Valuation is regarded as a profit forecast under Rule 19.60A of the GEM Listing Rules. Pursuant to Rule 19.60A of the GEM Listing Rules, we have engaged CL Partners, acting as the Company’s auditors, to examine the arithmetical accuracy of the calculation of the Valuation in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants.

On the basis of the above, we confirm that the Valuation has been made after due and careful enquiry.

* *For identification purposes only*

For and on behalf of the Board
CHYY Development Group Limited

Xu Shengheng
Executive Director, Chairman