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China Risun Group Limited

中國旭陽集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1907)

**CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION
CAPITAL INJECTION INTO XIANGFU NEW ENERGY**

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



The Board hereby announces that on September 23, 2026, Risun Group entered into the Capital Injection Agreement with Binhai Energy, Xuyang Holding and Xiangfu New Energy, pursuant to which Risun Group agreed to make a capital injection of RMB506,940,000 in cash into Xiangfu New Energy, of which RMB217,190,000 will be credited to the registered capital of Xiangfu New Energy and the excess amount of RMB289,750,000 will be credited to its capital reserve.

Immediately prior to the Capital Injection, Xiangfu New Energy was owned as to approximately 63.3% and 36.7% by Binhai Energy and Xuyang Holding, respectively. Upon completion of the Capital Injection, the registered capital of Xiangfu New Energy will increase from RMB947,860,000 to RMB1,165,050,000, and the aggregate equity interest in Xiangfu New Energy held by the Group (through Risun Group and Binhai Energy) will increase to approximately 70.14%.

LISTING RULES IMPLICATIONS

Xuyang Holding is wholly owned by Mr. Yang Xuegang, the controlling shareholder, executive Director, chief executive officer and chairman of the Board of the Company, together with his spouse, Ms. Lu Xiaomei, who is also an executive Director. As such, Xuyang Holding is an associate of Mr. Yang Xuegang and Ms. Lu Xiaomei, and thus a connected person of the Company. Xiangfu New Energy is a non-wholly-owned subsidiary indirectly held by the Company through Binhai Energy and is held as to approximately 36.7% by Xuyang Holding. Therefore, Xiangfu New Energy is a connected subsidiary of the Company. The Capital Injection constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The World's Leading Energy Chemical Company
—— Innovation Leads to the Future

As the applicable percentage ratios in respect of the Capital Injection exceed 5%, the Capital Injection is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios in respect of the Capital Injection exceed 5% but are below 25%, the Capital Injection also constitutes a discloseable transaction under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements.

The Company will convene the EGM to seek approval from the Independent Shareholders for the Capital Injection. The Company has established the Independent Board Committee to advise the Independent Shareholders on the Capital Injection. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, details of the Capital Injection, a letter from the Independent Board Committee, a letter from Gram Capital and a notice of the EGM, will be despatched to the Shareholders. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, the Company will despatch the circular to the Shareholders on or before October 23, 2026.

BACKGROUND

The Board hereby announces that on September 23, 2026, Risun Group entered into the Capital Injection Agreement with Binhai Energy, Xuyang Holding and Xiangfu New Energy, pursuant to which Risun Group agreed to make a capital injection of RMB506,940,000 in cash into Xiangfu New Energy, of which RMB217,190,000 will be credited to the registered capital of Xiangfu New Energy and the excess amount of RMB289,750,000 will be credited to its capital reserve.

THE CAPITAL INJECTION AGREEMENT

The major terms of the Capital Injection Agreement are as follows:

Date

September 23, 2026

Parties

- (i) Risun Group (a wholly-owned subsidiary of the Company)
- (ii) Binhai Energy (an indirect non-wholly-owned subsidiary of the Company and an existing shareholder of Xiangfu New Energy)
- (iii) Xuyang Holding (an existing shareholder of Xiangfu New Energy); and
- (iv) Xiangfu New Energy (as the target company)

Amount of and Payment for the Capital Injection

Pursuant to the Capital Injection Agreement, Risun Group agreed to make a capital injection of RMB506,940,000 in cash into Xiangfu New Energy, of which RMB217,190,000 will be credited to the registered capital of Xiangfu New Energy and the excess amount of RMB289,750,000 will be credited to its capital reserve. Risun Group shall pay the amount of the Capital Injection in a lump sum to Xiangfu New Energy within 30 days after all conditions precedent have been satisfied. Upon completion of the Capital Injection, Risun Group will hold approximately 18.64% equity interest in Xiangfu New Energy.

The amount of the Capital Injection was determined based on the appraised value of the total shareholders' equity of Xiangfu New Energy of RMB2,212,388,900 as at the Valuation Benchmark Date (i.e. June 30, 2026), as assessed by the Valuer using the income approach.

Conditions Precedent

Payment of the amount of the Capital Injection is subject to the satisfaction of all of the following conditions:

- (a) Binhai Energy and Xuyang Holding having waived their preemptive rights in relation to the Capital Injection;
- (b) all representations, statements, and warranties made by all parties under the Capital Injection Agreement being true, accurate, and not misleading by reason of any omissions;
- (c) no event or circumstance having occurred which has had or may have a material adverse effect on the Capital Injection or the legal existence, production and management, business operation, financial position, business reputation or other material aspects of Xiangfu New Energy; and
- (d) the Capital Injection having been approved by the Independent Shareholders of the Company and the shareholders' meeting of Binhai Energy.

Completion

Within 10 working days from the date of completion of payment for the Capital Injection, all parties shall cooperate with Xiangfu New Energy in submitting the application documents for the change of industrial and commercial registration with the market supervision and administration department. The Capital Injection will be completed on the date when the relevant procedures for the change of industrial and commercial registration have been completed.

INFORMATION ON XIANGFU NEW ENERGY

Xiangfu New Energy is an indirect non-wholly-owned subsidiary of the Company. Immediately prior to the Capital Injection, Xiangfu New Energy was owned as to approximately 63.3% and 36.7% by Binhai Energy and Xuyang Holding, respectively. Upon completion of the Capital Injection, the registered capital of Xiangfu New Energy will increase from RMB947,860,000 to RMB1,165,050,000, with Binhai Energy, Xuyang Holding, and Risun Group holding approximately 51.5%, 29.86% and 18.64% of its equity interests, respectively.

Xiangfu New Energy is the core operational platform of Binhai Energy for lithium battery anode materials, focusing on the whole industrial chain production and R&D of lithium battery anode materials, along with supporting source-grid-load-storage green power projects. Xiangfu New Energy primarily produces artificial graphite anode materials, covering the entire process from front-end raw material processing to high-temperature graphitization and back-end finished product coating. Its products are used in power batteries, energy storage batteries, and consumer batteries.

Xiangfu New Energy is implementing an overall plan to construct a 100,000-tonne anode materials project, a 200,000-tonne integrated anode materials project, and an integrated source-grid-load-storage project. As at the Valuation Benchmark Date, an integrated production capacity of 80,000 tonnes has been built, of which graphitization has a production capacity of approximately 100,000 tonnes. The 200,000-tonne integrated project and the remaining capacity of the supporting 580MW source-grid-load-storage green power project are currently under construction (of which 150MW Phase I has been connected to the grid).

Based on the financial statements of Xiangfu New Energy prepared in accordance with China Accounting Standards for Business Enterprises, the unaudited net asset value of Xiangfu New Energy as at June 30, 2026 was approximately RMB1,261.9 million, and the audited losses of Xiangfu New Energy for the two years ended December 31, 2024 and 2025 were as follows:

	For the year ended December 31, 2024 <i>(approximately RMB million)</i>	For the year ended December 31, 2025 <i>(approximately RMB million)</i>
Losses before taxation	6.5	34.6
Losses after taxation	6.4	29.7

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Group has long been optimistic about the new energy industry. Xiangfu New Energy is currently constructing a 200,000-tonne integrated anode materials project and a supporting source-grid-load-storage green power project. In the future, once the 200,000-tonne integrated anode materials project and the 100,000-tonne anode materials project are completed and put into operation, the comprehensive production capacity of finished products will reach 280,000 tonnes/year. In addition, Xiangfu New Energy plans to have an integrated production capacity of no less than 500,000 tonnes in Shangdu County in the medium to long term, and will apply for a 600MW direct green power supply project. Meanwhile, it also plans to establish relevant production capacity in other areas close to customers.

The Capital Injection can supplement the capital of Xiangfu New Energy, facilitate its rapid expansion of production capacity, increase market share as soon as possible, reduce unit production costs, achieve economies of scale, and enhance its overall competitiveness.

The Directors (excluding the independent non-executive Directors, whose views will be set out in the letter from the Independent Board Committee to be included in the circular) consider that the Capital Injection is conducted in the ordinary and usual course of business of the Group on normal commercial terms, is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Mr. Yang Xuegang, Ms. Lu Xiaomei and Mr. Yang Lu (the son of Mr. Yang Xuegang and Ms. Lu Xiaomei) have abstained from voting on the Board resolution to consider and approve the Capital Injection.

FURTHER INFORMATION ON THE VALUATION

Given that the Valuation was prepared based on the income approach, which involves the use of discounted cash flow method, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14.60A and 14A.68(7) of the Listing Rules apply. For details on the Valuation, please refer to Appendix I to this announcement.

The reporting accountant of the Company, BDO Limited (the “**Reporting Accountant**”), has issued a report on the calculations of the discounted cash flows used in the Valuation. The Board has reviewed and considered the Valuation (including the key assumptions on which the preparation of the Valuation is based), and has also taken into account the report issued by the Reporting Accountant. The Board is of the view that the profit forecast in the Valuation has been made after due and careful enquiry. The report issued by the Reporting Accountant and the letter issued by the Board are set out in Appendix II and Appendix III to this announcement, respectively.

The following are the qualifications of the experts who have given opinions or advice contained in this announcement:

Name	Qualification
China Enterprise Appraisals Consultation Co., Ltd.	PRC asset valuer
BDO Limited	Certified public accountants and registered public interest entity auditor

As at the date of this announcement, to the knowledge of the Directors, neither of the above experts has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for securities in any member of the Group. As at the date of this announcement, each of the above experts has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its report and all references to its name in the form and context in which it appears.

LISTING RULES IMPLICATIONS

Xuyang Holding is wholly owned by Mr. Yang Xuegang, the controlling shareholder, executive Director, chief executive officer and chairman of the Board of the Company, together with his spouse, Ms. Lu Xiaomei, who is also an executive Director. As such, Xuyang Holding is an associate of Mr. Yang Xuegang and Ms. Lu Xiaomei, and thus a connected person of the Company. Xiangfu New Energy is a non-wholly-owned subsidiary indirectly held by the Company through Binhai Energy and is held as to approximately 36.7% by Xuyang Holding. Therefore, Xiangfu New Energy is a connected subsidiary of the Company. The Capital Injection constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Capital Injection exceed 5%, the Capital Injection is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios in respect of the Capital Injection exceed 5% but are below 25%, the Capital Injection also constitutes a discloseable transaction under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements.

The Company will convene the EGM to seek approval from the Independent Shareholders for the Capital Injection. The Company has established the Independent Board Committee to advise the Independent Shareholders on the Capital Injection. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, details of the Capital Injection, a letter from the Independent Board Committee, a letter from Gram Capital and a notice of the EGM, will be despatched to the Shareholders. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, the Company will despatch the circular to the Shareholders on or before October 23, 2026.

GENERAL INFORMATION

The Company is a leading integration producer and supplier of coke, coking products, refined chemical products (including hydrogen energy products) and new energy products in the PRC, as well as a provider of related operation and management services, with customers in the PRC and overseas. The Group initially operated four production parks in Hebei Province, the PRC, and subsequently expanded its operations to other provinces in the PRC, including the Inner Mongolia Autonomous Region, Shandong Province and Jiangxi Province, and has gradually expanded its overseas business to Sulawesi Province, the Republic of Indonesia.

Risun Group is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Binhai Energy is a company listed on the SZSE (stock code: 000695). As at the date of this announcement, Risun Group is the single largest shareholder of Binhai Energy, holding approximately 20.00% of the issued shares of Binhai Energy, and in aggregate controls the exercise of approximately 29.32% of the voting rights of the issued shares of Binhai Energy. Binhai Energy is an indirect non-wholly-owned subsidiary of the Company, and its financial statements have been consolidated into the financial statements of the Group. Binhai Energy focuses on the lithium battery anode materials business, engaging in the research and development, production and sales of artificial graphite anode materials, and simultaneously developing a range of new lithium battery materials industries including porous carbon and silicon-carbon anodes, with a commitment to becoming an outstanding service provider and material manufacturer in the lithium battery industry chain.

Xuyang Holding is wholly owned by Mr. Yang Xuegang, the controlling shareholder, executive Director, chief executive officer and chairman of the Board of the Company, together with his spouse, Ms. Lu Xiaomei, who is also an executive Director. It is principally engaged in the development and sale of and investment in real estate, investment holding, provision of project design, construction management and general contracting services, research and development and manufacturing of water purification chemicals for sewage treatment and information technology, etc.

DEFINITIONS

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

“Binhai Energy”	Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the SZSE (stock code: 000695), and an indirect non-wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Capital Injection”	the capital injection of RMB506,940,000 in cash into Xiangfu New Energy by Risun Group pursuant to the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement entered into by and among Risun Group, Binhai Energy, Xuyang Holding and Xiangfu New Energy on September 23, 2026 in respect of the Capital Injection
“Company”	China Risun Group Limited (中國旭陽集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1907)
“connected person(s)”	has the meaning given to it under the Listing Rules
“connected subsidiary(ies)”	has the meaning given to it under the Listing Rules
“controlling shareholder”	has the meaning given to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and approving, among others, the Capital Injection
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established for the purpose of considering the Capital Injection
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Capital Injection
“Independent Shareholder(s)”	the Shareholder(s) who are not required to abstain from voting on the approval of the Capital Injection at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Risun Group”	Risun Group Limited (旭陽集團有限公司) (formerly known as Risun Chemicals Limited (旭陽化工有限公司)), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it under the Listing Rules
“SZSE”	the Shenzhen Stock Exchange
“Valuation”	the valuation of the market value of the total shareholders’ equity of Xiangfu New Energy by the Valuer as at the Valuation Benchmark Date

“Valuation Benchmark Date”	June 30, 2026
“Valuer”	China Enterprise Appraisals Consultation Co., Ltd., an independent asset valuer
“Xiangfu New Energy”	Inner Mongolia Xiangfu New Energy Co., Ltd. (內蒙古翔福新能源有限責任公司), a limited liability company incorporated in the PRC and an indirect non-wholly-owned subsidiary of the Company
“Xuyang Holding”	Xuyang Holding Limited (旭陽控股有限公司), a limited liability company incorporated in the PRC, which is wholly owned by Mr. Yang Xuegang, the controlling shareholder, executive Director, chief executive officer and chairman of the Board of the Company, together with his spouse, Ms. Lu Xiaomei, who is also an executive Director

By order of the Board
China Risun Group Limited
Yang Xuegang
Chairman

Hong Kong, September 23, 2026

As at the date of this announcement, the executive directors are Mr. Yang Xuegang, Ms. Lu Xiaomei, Mr. Li Qinghua, Mr. Han Qinliang, Mr. Wang Nianping and Mr. Yang Lu; and the independent non-executive directors are Dr. Yu Kwok Kuen Harry, Mr. Wang Yinping and Dr. Liu Xiaofeng.

APPENDIX I SUMMARY OF ASSET VALUATION REPORT

China Enterprise Appraisals Consultation Co., Ltd. has conducted a valuation of the market value of the total shareholders' equity of Xiangfu New Energy as at June 30, 2026. The main points of the asset valuation report are as follows:

I. VALUATION METHODS

The basic valuation methods include asset-based approach, market approach and income approach. Due to the following reasons, the Valuer adopted the income approach to value the market value of the total shareholders' equity of Xiangfu New Energy, and adopted the valuation results under the income approach as the final valuation conclusion:

- The asset-based approach refers to a valuation method that determines the value of the valuation object based on the balance sheet of the entity or operating body to which the valuation object belongs as at the valuation benchmark date, by assessing the value of identifiable on-and off-balance-sheet assets and liabilities. Considering the assets and liabilities of the appraised entity are identifiable as at the Valuation Benchmark Date, and can be separately valued using appropriate methods, the asset-based approach could be selected for the Valuation.
- The income approach refers to a valuation method that determines the value of the valuation object by capitalizing or discounting its expected income. As the appraised entity has a clear business model and a well-defined principal business, and by leveraging the industrial chain synergies of its controlling shareholders, has complete integrated lithium battery anode materials and source-grid-load-storage projects, with the procedures for project initiation, environmental impact assessment, construction and power consumption quota of relevant projects having been completed, and some production lines having already entered the manufacturing phase, the future pace of capacity release, operating income and costs and expenses can be reasonably forecast based on project planning and industry standards. Given that the new energy anode industry in which the appraised entity operates has stable growth prospects and the appraised entity can be reasonably compared and analysed against comparable market data, and its future operating risks can be effectively quantified, the income approach is appropriate for use in the Valuation.
- The market approach refers to a valuation method that determines the value of the valuation object by comparing it with comparable listed companies or comparable transaction cases as reference objects and by reference to the market prices of such comparable reference objects. As the appraised entity is currently in the stage of project construction and expansion, its production capacity, income, and profit are subject to significant fluctuation. Moreover, it is not possible to find listed companies in the capital market that are identical or similar to the appraised entity in terms of business structure, enterprise scale, operating stage and financial risk, and there is also a lack of sufficient comparable transaction cases similar to the appraised entity at its current stage in the equity exchange market. Therefore, the market approach was not adopted in the Valuation.

The asset-based approach reflects the fair market value of each identifiable asset as at the Valuation Benchmark Date from the perspective of asset replacement. Its valuation results can only reflect the replacement costs of individual assets and construction in process, but cannot reflect the overall profitability to be generated from the synergistic operation of various assets and the projects under construction once they are completed and reach full production capacity. The appraised entity is a manufacturer of artificial graphite anode materials for lithium batteries. In addition to technological accumulation in graphitization and finished product production processes and procedures, customer resources formed through certification by downstream battery manufacturers, contracts being performed and long-term supply agreements, industry access qualifications and a core technical team, its value drivers also include a 200,000-tonne integrated anode materials project and an integrated source-grid-load-storage project with a capacity of 580MW, both under construction. Under the asset-based approach, such projects under construction are presented only at their replacement costs, which cannot reflect the cost synergies formed through capacity release after reaching full production capacity, full integration of key processes and the self-generation and self-consumption of green power.

Under the income approach, the appraised entity's overall value is assessed by discounting its expected income. Net cash flow not only covers the contribution of various assets and projects under construction measured under accounting principles, but also reflects the contribution of above-mentioned resources to enterprise value that cannot be reflected in the balance sheet. As a result, the valuation conclusion derived from the income approach can more fully capture the appraised entity's overall profitability and growth potential generated from the synergistic operation of its existing assets and projects under construction, and the valuation results are more reasonable and reliable. Therefore, the valuation results under the income approach have been adopted as the final valuation conclusion for the Valuation.

II. VALUATION ASSUMPTIONS

The assumptions on which the Valuation is based are as follows:

1. It is assumed that the appraised targets are already in the process of being transacted and the Valuer carries out the Valuation in a simulated market with reference to the transaction conditions of the appraised assets.
2. It is assumed that the parties to an asset traded in the market, or proposed to be traded in the market, are on an equal footing with each other, have access to, and time to obtain, sufficient market information to, and are able to take voluntary and rational action in respect of the transaction and make reasonable judgments as to the function and use of the asset, and the price at which it will be traded.
3. It is assumed that the asset to be appraised will continue to be used for its current purpose and in its current manner.
4. It is assumed that there will be no material changes in the relevant prevailing laws, regulations and policies of the State and in the macroeconomic situation of the State, and that there will be no material changes in the political, economic and social environment of the regions where the parties to this transaction are located.
5. It is assumed that the appraised entity will continue to operate based on the actual condition of the asset on the Valuation Benchmark Date.

6. It is assumed that there are no material changes in such indicators as interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the appraised entity after the Valuation Benchmark Date.
7. It is assumed that the management of the appraised entity after the Valuation Benchmark Date is responsible, stable and capable of performing their duties.
8. Unless otherwise specified, it is assumed that the appraised entity is fully in compliance with all relevant laws and regulations.
9. It is assumed that there will be no force majeure or unpredictable factors that are expected to have a material adverse impact on the appraised entity after the Valuation Benchmark Date.
10. It is assumed that the accounting policies to be adopted by the appraised entity after the Valuation Benchmark Date and the accounting policies adopted at the time of preparing the asset valuation reports are consistent in material aspects.
11. It is assumed that the appraised entity's scope and mode of operation after the Valuation Benchmark Date are consistent with current orientation on the basis of the existing management method and management standard.
12. It is assumed that the appraised entity will have even cash inflow and cash outflow after the Valuation Benchmark Date.
13. It is assumed that the national and local policies supporting new energy vehicles, lithium-ion batteries, energy storage industries and renewable energy will remain stable or evolve in the predetermined direction during the forecast period, and there will be no policy shifts that cause significant adverse impacts on the anode materials industry.
14. It is assumed that the latest estimated investment budgets of the 100,000-tonne anode materials project, the 200,000-tonne integrated anode materials project and the integrated source-grid-load-storage project provided by the appraised entity are commensurate with the expected production capacity after completion; and following the successful completion of construction, commissioning, and grid connection of the above three projects, all acceptance and filing procedures required by the relevant government authorities, including those for environmental protection, fire safety, production safety, energy conservation, and power, can be duly completed in compliance with applicable laws and regulations. There is no situation where such projects cannot operate normally or where additional significant expenditures are required due to approval obstacles.
15. It is assumed that the 200,000-tonne integrated anode materials project of the appraised entity can be transferred to fixed assets and reach a usable state as scheduled. The production capacity can ramp up at a reasonable pace after transferring to fixed assets and it will gradually be released to the normal utilization level of the designed capacity. The product yield and unit manufacturing cost during the trial production and ramp-up period will basically be in line with or reach the levels specified in the feasibility study report or the historical experience values of the appraised entity and the industry average level.

16. It is assumed that the wind turbine equipment and photovoltaic equipment of the integrated source-grid-load-storage project of the appraised entity will be connected to the grid in stages commencing from August 2026 and will be substantially completed by the end of the year, with grid connection taking place in accordance with the forecasted timing applied in the income approach; upon grid connection, the project is assumed to operate stably in accordance with its designed installed capacity and the reasonable utilization hours applicable to the local area, and the electricity generated will be consumed by the appraised entity in its production operations; the charging and discharging efficiency, capacity decay and operation and maintenance costs of the energy storage system are in line with the industry average level.
17. Upon completion and commissioning of the 200,000-tonne integrated anode materials project and the 100,000-tonne anode materials project of the appraised entity, a total of 280,000 tonnes of integrated production capacity will be achieved, of which 50,000 tonnes/year graphitization capacity gap will continuously and preferentially be filled through entrusted processing by Inner Mongolia Hengsheng New Energy Technology Co., Ltd. (內蒙古恒勝新能源科技有限公司). Both parties have entered into an entrusted processing contract with a term of 3 years (approximately until mid 2029), and it is assumed that the contract will be renewed successfully upon expiry. The cooperation model is not expected to undergo significant adverse changes, and the price and pricing mechanism are likewise not expected to undergo major changes during the forecast period.
18. The 100,000-tonne anode materials project, the 200,000-tonne integrated anode materials project and the integrated source-grid-load-storage project of the appraised entity have not been fully completed as at the Valuation Benchmark Date. In the Valuation, it is assumed that after these projects are transferred to fixed assets in phases, the appraised entity can simultaneously implement personnel allocation, with the number of personnel matching the staffing quota in the current feasibility study report. During the forecast period, the on-duty personnel can meet the production and operation needs after the project's commissioning and capacity release. The personnel deployment can support the realization of predicted production capacity, output and business targets.
19. According to the Notice on Improving Price Mechanisms to Promote Local Consumption of New Energy Power Generation (NDRC Price [2025] No. 1192) (《關於完善價格機制促進新能源發電就近消納的通知》(發改價格[2025]1192號)), the integrated source-grid-load-storage project of the appraised entity is a project for local consumption. According to the "beneficiary pays" principle, it should bear the costs such as transmission and distribution fees for stable supply guarantee, and pay them on a capacity (demand) basis. As at the Valuation Benchmark Date, the capacity of the appraised entity to be connected to the public power grid has not been fully completed. Based on the "transmission and distribution fee prediction model" provided by the appraised entity, the amount of transmission and distribution fees payable in the future operating period in the Valuation is calculated by applying the formulas in the aforementioned notice. It is assumed that the subsequently verified grid-connection capacity, billing parameters and calculation logic do not have significant differences from the core data provided by the appraised entity, and the supporting regulations remain valid throughout the forecast period without significant changes.

20. Pursuant to the Announcement of the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission on the Continuation of the Corporate Income Tax Policies for the Western Region Development (MOF Announcement 2020 No. 23) (《財政部稅務總局國家發展改革委關於延續西部大開發企業所得稅政策的公告》(財政部公告2020年第23號)), for enterprises located in the western region whose main business falls within the category of encouraged industries listed in the Encouraged Industries Catalogue for Western Regions (《西部地區鼓勵類產業目錄》), and whose main business income accounts for more than 60% of the total enterprise income in the current year, the corporate income tax will be levied at a reduced rate of 15% from January 1, 2021 to December 31, 2030. Assuming that the appraised entity continues to meet the above preferential conditions, the tax rate will be 15% during the period from July 1, 2026 to December 31, 2030. Assuming that the preferential income tax policy for the western development will not be further extended upon expiry, the income tax of the appraised entity will be levied at the statutory rate of 25% from January 1, 2031.
21. It is assumed that the power system reform, on-grid electricity prices and time-of-use electricity pricing (peak and off-peak pricing) policies in Inner Mongolia remain stable during the forecast period and do not undergo any significant adverse adjustments.
22. It is assumed that the appraised entity continues to maintain necessary research and development investment, and that the production process and product performance of artificial graphite anode materials will not lag behind the mainstream technological level of the industry; the technical route of anode materials will not undergo disruptive substitution during the forecast period, and there will be no significant impairment risk for the existing production capacity.
23. It is assumed that the main raw materials (such as petroleum coke, coal tar pitch, graphite crucibles, etc.) and energy supplies required for the appraised entity's production remain stable during the forecast period, the supplier channels are unobstructed, the prices of raw materials fluctuate within a reasonable range, and there is no significant shortage or supply disruption risk.
24. It is assumed that the sales volume, sales price and market share of products in each business segment of the appraised entity in the future years are achieved as predicted, the demand from downstream customers is stable, and there is no situation where the revenue falls short of expectations due to significant order loss or customer concentration risk.
25. The historical annual electricity purchase prices of the appraised entity have experienced slight fluctuations due to factors such as power bidding for grid connection. Considering that the competition for new energy projects has been intense in recent years and the market trading structure is prone to change, the prediction for the future years will be based on the assumption that the purchase price of electricity from the market-based transactions in future years remains at the same level as that on the Valuation Benchmark Date.

III. SELECTION OF SPECIFIC METHODS AND MODELS UNDER THE INCOME APPROACH

The Valuation adopts the discounted cash flow method under the income approach to evaluate the overall enterprise value to indirectly obtain the total shareholders' equity value. The overall enterprise value comprises the value of operating assets generated in normal business activities and the value of non-operating assets unrelated to normal business activities. For determining the value of operating assets, the discounted free cash flow to firm model is applied, whereby the free cash flow to firm over a certain number of future years are discounted at an appropriate discount rate and aggregated to arrive at the value.

Xiangfu New Energy has one wholly-owned subsidiary, Inner Mongolia Xinjinma New Materials Co., Ltd. (內蒙古鑫金馬新材料有限公司). As at the Valuation Benchmark Date, Inner Mongolia Xinjinma New Materials Co., Ltd. holds only certain assets and has not yet commenced actual operations. In this income approach valuation, the subsidiary was valued using the asset-based approach and the resulting value was added back as a long-term equity investment. Xiangfu New Energy is principally engaged in the integrated production of anode materials and graphitization toll processing services. Taking into account the integrity of business earnings and the matching of revenues with costs and expenses, the Valuer has conducted a comprehensive analysis and adopted the discounted free cash flow model on a parent-company basis for Xiangfu New Energy in the Valuation.

The calculation model is as follows:

Total shareholders' equity value = overall enterprise value – value of interest-bearing debt

1. Overall Enterprise Value

The overall enterprise value refers to the sum of the total shareholders' equity value and the value of interest-bearing debt. Based on the asset allocation and use of the appraised entity, the formula for calculating the overall enterprise value is as follows:

Overall enterprise value = value of operating assets + value of surplus assets + value of non-operating assets – value of non-operating liabilities + long-term equity investments separately valued

(1) Value of operating assets

Operating assets refer to the assets and liabilities related to the production and operation of the appraised entity and covered in the forecast of free cash flow to firm after the Valuation Benchmark Date. The formula for calculating the value of operating assets is as follows:

$$p = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n \times (1+g)}{(r-g) \times (1+r)^n}$$

Where:

P: value of the enterprise's operating assets as at the Valuation Benchmark Date;

F_i: expected free cash flow of the enterprise in the i-th year in the future;

F_n : expected free cash flow of the enterprise in the final year of the detailed forecast period;

r : discount rate (herein the weighted average cost of capital, WACC);

i : the calculation year in the income period;

n : the detailed forecast period;

g : $g = 0$ in the Valuation.

In which, the formula for calculating free cash flow to firm is as follows:

Free cash flow to firm = net profit before interest and after tax + depreciation and amortization – capital expenditure – increase in working capital

(2) *Value of surplus assets*

Surplus assets refer to the assets that exceed the requirements for the production and operation of the enterprise as at the Valuation Benchmark Date and are not covered in the forecast of free cash flow to firm after the Valuation Benchmark Date. The surplus assets of the appraised entity mainly include surplus monetary funds, which were valued using the cost approach in the Valuation.

(3) *Value of non-operating assets and liabilities*

Non-operating assets and liabilities refer to the assets and liabilities that are unrelated to the production and operation of the appraised entity and are not covered in the forecast of free cash flow to firm after the Valuation Benchmark Date. The non-operating assets and liabilities of the appraised entity mainly include other current assets, payables for construction work, amounts due to/from counterparties, etc., which were valued using the cost approach in the Valuation.

(4) *Long-term equity investments separately valued*

External long-term equity investments refer to the external equity investments made by the enterprise as at the Valuation Benchmark Date. As at the Valuation Benchmark Date, the appraised entity had one wholly-owned long-term equity investment, which was valued using the asset-based approach in the Valuation.

2. Value of Interest-bearing Debt

Interest-bearing debt refers to the liabilities on which the appraised entity is required to pay interest as at the Valuation Benchmark Date. The interest-bearing debt of the appraised entity includes short-term borrowings, non-current liabilities due within one year, and long-term borrowings, which were valued at their verified book value.

IV. DETERMINATION OF THE INCOME PERIOD AND THE FORECAST PERIOD

1. Determination of the Income Period

As the appraised entity was operating normally as at the Valuation Benchmark Date, and there was no limitation on the useful life of the core assets affecting its continued operation, no limitation on the duration of its production and operation, and no limitation on the term of investors' ownership, or such limitations could be lifted and the assets could be used in perpetuity by way of renewal, it is assumed in the asset valuation report that the appraised entity will continue to operate as a going concern after the Valuation Benchmark Date, and the corresponding income period is indefinite.

2. Determination of the Forecast Period

Given that the enterprise's near-term earnings can be reasonably forecasted while the reliability of long-term forecasts is relatively low, the Valuer divided the income period into two phases: the forecast period and the post-forecast period. After a comprehensive analysis, the Valuer forecasts that the appraised entity will reach a steady state of operation in 2031, and therefore the forecast period ends at the end of 2031.

V. REVENUE FORECAST AND ANALYSIS FOR THE FORECAST PERIOD

1. Revenue from Main Business

The business volume for the forecast period is characterized by "total volume stabilizing amid structural shift":

- First, the total business volume is expected to rise before stabilizing. The combined business volume of self-produced anode materials and external graphitization toll processing is expected to increase year by year in the early forecast period as production capacity ramps up. From the mid-point of the forecast period onward, it is expected to stabilize as the total output capacity of graphitization and other key processes approaches saturation. Thereafter, further improvements in capacity utilization will not manifest as further expansion of total output, but will be mainly reflected in an orderly structural shift between "self-produced anode materials" and "external toll processing": the output of self-produced anode materials will continue to rise, while the volume of toll processing is expected to reduce correspondingly, with the graphitization capacity freed up being reallocated to self-produced products with higher added value.
- Second, the product portfolio is expected to undergo continued optimization. During the early forecast period, energy storage products with short certification cycles and rapid market adoption will be used to fill the production capacity and support operating rates. Subsequently, with power battery customer certifications being progressively obtained, the share of mid-range power products characterized by large order volumes and strong continuity will rise year by year, reaching a balance between the two product categories by the end of the forecast period.

- Third, growth is expected to follow a pattern of high initial rates that gradually moderate and ultimately flatten to zero by the end of the forecast period. The high growth at the beginning of the forecast period stems from a low base and the first-year contribution of newly added capacity. Mid-period growth is expected to be driven by yield improvements, the gradual shift away from toll processing, and the volume ramp-up of power products. In the final stage, with production capacity and the capabilities of key processes approaching saturation, the growth rate of business volume is expected to decline to zero and remain stable throughout the perpetuity period. No stage-specific growth has been extrapolated as a long-term trend.

The unit selling prices in the Valuation follow the overall approach of “moderate increase, narrowing growth, and gradual stabilization”, that is, a certain degree of increase is applied on the basis of historical price levels. Specifically, the unit selling price of anode materials is expected to rise moderately, with the year-over-year increase narrowing in subsequent years and leveling off by the end of the forecast period, without extrapolating the phased price recovery as a long-term trend. Graphitization processing fees are expected to rise moderately at a slower pace than the prices of anode materials and stabilize earlier.

2. Cost of Main Business

The operating costs of the appraised entity primarily consist of costs from anode materials business, toll processing business, by-product business, and other businesses. Among these, the costs of anode materials business, toll processing business, by-product business, and other businesses consist of material costs, direct labor, electricity costs, depreciation and amortization, manufacturing overhead, freight, outsourced processing costs, etc. The specific composition of the cost of main business is as follows:

- For the forecast of material costs, projections for future years are made on the basis of the sales volume of each product, the material consumption per tonne of output, and the unit prices of materials.
- For the forecast of direct labor, direct labor is correlated with the number of production personnel and the growth rate of future compensation. Specifically, the projected number of production personnel in future years is primarily determined through interviews and in conjunction with the enterprise’s production capacity, thereby assessing the workforce requirements for future years. The average wage level in future years is projected to increase annually at a certain rate. The direct labor cost for each product is determined based on the sales volume proportion of each product.
- For the forecast of electricity costs, the projection is based mainly on the electricity purchased from the grid company and the operating and maintenance costs of the wind and photovoltaic power generation from the enterprise’s self-built source-grid-load-storage project. First, the total electricity demand for the forecast period is calculated based on the sales volume of each product and the electricity consumption per tonne of each product. The self-generated electricity from the source-grid-load-storage project is estimated based on the annual installed wind and photovoltaic power capacity, annual utilization hours, degradation rate, and comprehensive line loss rate as projected in the feasibility study report.

- For purchased electricity costs, the forecast is based on the unit price of purchased electricity and the purchased electricity volume, where the purchased electricity volume = total electricity demand – self-generated electricity from the source-grid-load-storage project. The unit price of purchased electricity during the forecast period is projected with reference to historical electricity price levels.
- For the operation and maintenance costs for wind and photovoltaic power generation, the costs mainly include repair expenses, employee compensation, insurance fees, material costs, depreciation and amortization, electricity transmission, distribution, and delivery charges, as well as government fund surcharges collected on behalf of others. In particular, repair expenses are forecasted based on the installed capacities of the power stations and unit repair costs; employee compensation are forecasted according to the number of the power stations' staff, average salaries, and welfare benefits; insurance fees are forecasted based on the asset value of the power stations and insurance rates; depreciation and amortization are forecasted according to the asset category of the source-grid-load-storage project and depreciation and amortization policies; electricity transmission, distribution, and delivery charges are forecasted in accordance with the Notice of the National Development and Reform Commission on Provincial Power Grid Transmission and Distribution Prices, Regional Power Grid Transmission Prices and Related Matters in the Fourth Regulatory Cycle (NDRC Price [2026] No. 1077) (《國家發展改革委關於第四監管週期省級電網輸配電價、區域電網輸電價格及有關事項的通知》(發改價格[2026]1077號)); and government fund surcharges collected on behalf of others are forecasted based on the unit price of the government fund surcharges and the grid-connected electricity volume.
- For the forecast of depreciation and amortization, the depreciation and amortization for the coming years are related to the scale and the acquisition time of the enterprise's existing fixed assets and intangible assets, future investments, the future decline in value of existing assets, and the enterprise's depreciation and amortization policies. In the context where the depreciation and amortization policies of the enterprise remain unchanged, the depreciation and amortization of existing assets can be calculated exactly. For the forecast of incremental assets, it is made primarily with reference to the fixed assets and intangible assets arising from the capital expenditure driven by newly added assets, and in light of the enterprise's future development plans.
- Manufacturing overhead primarily includes machinery and material consumption, labor costs, safety production fees, natural gas charges, water expenses, packaging costs, vehicle expenses, and others. Labor costs are forecasted primarily through interviews and in light of the enterprise's production capacity, to determine the demand for labor personnel in the coming years. The average salary level for the coming years is expected to increase annually by a certain percentage. Safety production fees are forecasted according to the enterprise's policies at a percentage of the total operating revenue. Machinery and material consumption, natural gas charges, water expenses, and packaging costs related to production output are estimated based on annual output and unit cost. The daily vehicle expenses and other manufacturing overhead are forecasted based on reasonable amounts determined by the enterprise's accounting methods and expense levels in previous years, applying a certain annual growth rate. Finally, manufacturing overhead for each type of product is determined based on the proportion of its sales volume.

- For freight, the forecast is based on the sales volume of each product and the unit freight rate.
- For outsourced processing costs, the forecast is based on the sales volume of each product and the unit outsourced processing cost.

3. Taxes and Surcharges

As at the Valuation Benchmark Date, the taxes principally applicable to the appraised entity include value-added tax, urban maintenance and construction tax, education surcharge, local education surcharge, stamp duty, property tax, land use tax, vehicle and vessel use tax, and environmental protection tax:

- Value-added tax is calculated by product and technical service categories based on the enterprise's future purchases and sales, applying tax rates of 13% and 6%, respectively.
- The urban maintenance and construction tax, education surcharge, and local education surcharge of the appraised entity are calculated at tax rates of 5%, 3%, and 2%, respectively, with the value-added tax actually paid during the current period as the tax base.
- The stamp duty of the appraised entity mainly relates to its purchases and sales contracts. In the Valuation, stamp duty is calculated based on the historical proportion of stamp duty to revenue.
- Property tax, land use tax, and vehicle and vessel use tax are all related to the fixed assets and intangible assets held and used by the appraised entity, and are calculated and paid in accordance with the tax amount standards set by the local tax authorities.
- Environmental protection tax is calculated and paid in accordance with the tax amount standards set by the local tax bureau.

4. Selling Expenses, Administrative Expenses, and Research and Development Expenses

The forecasting methods for selling expenses, administrative expenses, and research and development expenses are similar, mainly comprising the following:

- Employee compensation is related to the number of personnel in each department and the future salary growth rate. The personnel demand for future years is determined primarily based on interviews as well as the enterprise's production capacity, and the average wage level in future years is expected to increase at a certain rate annually.

- The depreciation and amortization for the coming years are related to the scale and the acquisition time of the enterprise's existing fixed assets and intangible assets, future investments, the future decline in value of existing assets, and the enterprise's depreciation and amortization policies. In the context where the depreciation and amortization policies of the enterprise remain unchanged, the depreciation and amortization of existing assets can be calculated exactly. For the forecast of incremental assets, it is made primarily with reference to the fixed assets and intangible assets arising from the capital expenditure driven by newly added assets, and in light of the enterprise's future development plans.
- Other routine expenses are forecasted based on reasonable amounts determined by the enterprise's accounting methods and expense levels in previous years, applying a certain annual growth rate or with reference to expected future revenues.
- In addition, warehousing expenses within selling expenses are forecasted based on their reasonable proportion of operating revenue, while material costs within research and development expenses are forecasted primarily with reference to their historical proportion of revenue.

5. Financial Expenses

The financial expenses of the appraised entity mainly consist of discount interest, interest expenses, deposit interest, and handling fees. Interest expenses refer to borrowing interest, which is estimated based on the enterprise's financing and repayment plans and loan interest rates, while discount interest, deposit interest, and handling fees are estimated based on their proportion of revenue.

6. Non-operating Income and Expenses

Historical non-operating income mainly comprises fines and forfeiture income and other items not directly related to daily production and operations, all of which are incidental income and are not forecasted in the Valuation. The non-operating expenses of the appraised entity mainly comprise fine expenditures and other items, all of which are incidental expenses and are not forecasted in the Valuation.

7. Income Tax

Assuming that the appraised entity continues to qualify for the preferential conditions under the Announcement of the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission on the Continuation of the Corporate Income Tax Policies for the Western Region Development (MOF Announcement 2020 No. 23) (《財政部稅務總局國家發展改革委關於延續西部大開發企業所得稅政策的公告》(財政部公告2020年第23號)), a preferential tax rate of 15% will apply during the period from July 1, 2026 to December 31, 2030, and the statutory tax rate of 25% will apply from January 1, 2031 onwards.

8. Depreciation and Amortization

For the future depreciation and amortization of the enterprise, the Valuation is based on the assets required for the enterprise's production and operational management as at the Valuation Benchmark Date. Depreciation rates and annual amortization amounts are determined according to the categories, original values, and depreciation and amortization methods of the assets, while also taking into account the impact of capital expenditures on the original values of the assets.

The Valuer calculates the depreciation and amortization for the forecast period based on the original book values of the enterprise's assets as at the Valuation Benchmark Date, taking into consideration the renewal investment expenditures necessary to maintain the enterprise's projected operating capacity and new asset expenditures.

9. Capital Expenditure

The enterprise has plans for significant capital expenditures in the future, mainly comprising the subsequent capital expenditures for projects under construction and the renewal investments for existing assets.

10. Working Capital

Working capital refers to the funds required to ensure the normal operation of the enterprise. It is the difference between current assets excluding cash and cash equivalents and non-operating assets (including accounts receivable, notes receivable, prepayments, other receivables, inventories, etc.) and current liabilities excluding interest-bearing liabilities and non-operating liabilities (including accounts payable, notes payable, advance receipts, other payables, employee compensation payable, taxes payable, etc.).

For forecasting purposes, items related to operating revenue are projected based on the turnover rate of operating revenue; items related to operating costs are projected based on the turnover rate of operating costs; taxes payable are generally determined based on the accrued but unpaid surcharges, value-added tax, and income tax at the end of each year; and the monetary fund holdings are mainly determined by considering the minimum monetary funds required to cover the cost of main operations, administrative expenses, selling expenses, and other period expenses as well as related tax payments during the enterprise's operating cycle.

VI. DETERMINATION OF THE DISCOUNT RATE

The formula for calculating the discount rate (weighted average cost of capital, WACC) is as follows:

$$WACC = K_e \times \left[\frac{E}{E+D} \right] + K_d \times (1-T) \times \left[\frac{D}{E+D} \right]$$

Where, E: market value of equity.

D: market value of debt.

K_e : cost of equity capital.

K_d : cost of debt capital.

T: income tax rate of the appraised entity.

Of which, the cost of equity capital is calculated using the Capital Asset Pricing Model (CAPM). The calculation formula is as follows:

$$K_e = r_f + MRP \times \beta + r_c$$

Where: r_f : risk-free interest rate;

MRP: market risk premium;

β : systematic risk coefficient of equity;

r_c : enterprise-specific risk adjustment coefficient.

1. Determination of the Risk-free Rate of Return

Treasury bond yields are generally regarded as risk-free, as the risk that such debt instruments will not be repaid at maturity is minimal and may be disregarded. Based on information disclosed by the Wind Information System, the annual yield to maturity on 10-year treasury bonds as at the Valuation Benchmark Date was 1.73%, and the Valuation adopts 1.73% as the risk-free rate of return.

2. Determination of the Systematic Risk Coefficient of Equity

The formula for calculating the systematic risk coefficient of equity of the appraised entity is as follows:

$$\beta_L = [1 + (1-t) \times D/E] \times \beta_U$$

Where:

β_L : systematic risk coefficient of equity with financial leverage;

β_U : systematic risk coefficient of equity without financial leverage;

t: income tax rate of the appraised entity;

D/E: target capital structure of the appraised entity.

Based on the business characteristics of the appraised entity, the Valuer retrieved the raw β of comparable listed companies in the battery industry that are principally engaged in the artificial graphite anode business as at the Valuation Benchmark Date through the Wind Information System, then converted the raw β into unlevered β_U based on such data as the capital structure and applicable income tax rate of these listed companies, and adopted the average of the resulting values as the β_U of the appraised entity, as detailed in the table below:

No.	Stock code	Company abbreviation	β_U value
1	001301.SZ	Shangtai Tech	0.8408
2	300035.SZ	Zhongke Electric	0.8734
3	300890.SZ	XFH Technology	0.7691
4	920185.BJ	BTR	1.5333
5	600884.SH	Shanshan	1.1195
6	603659.SH	PTL	1.5703
β_U average		1.1177	

Based on an analysis of the operating characteristics of the entity, the target capital structure adopted in the Valuation is the average D/E ratio of the comparable listed companies, which is 41.85%. The corporate income tax rate is calculated by reference to the income tax rates applicable to the appraised entity in each year of the forecast period. As calculated, $\beta_L = 1.5153$.

3. Determination of Market Risk Premium

Market risk premium is the difference between the market rate of return on investment and the risk-free rate of return. In particular, the market rate of return on investment on the Valuation Benchmark Date is determined by comprehensively analysing the weighted average of the annualised weekly returns from 1992 to the Valuation Benchmark Date selected on the basis of the stock trading price indices of the Shanghai Stock Exchange and Shenzhen Stock Exchange. As calculated, the market rate of return on investment is 8.87% as at the Valuation Benchmark Date. The yield to maturity on 10-year treasury bonds of 1.73% on the Valuation Benchmark Date has been taken as the risk-free rate of return. The market risk premium is 7.14%.

4. Determination of Enterprise-specific Risk Adjustment Coefficient

The enterprise-specific risk adjustment coefficient refers to an adjustment coefficient based on the differences between the enterprise to be appraised and the selected comparable enterprises in terms of the enterprise's special operating environment, date of establishment of the enterprise, enterprise scale, operation and management, risks-resistance capability, and strengths and weaknesses arising from special factors, etc. The risk adjustment coefficient specific to Xiangfu New Energy has been determined as 3.00% after taking into account the existing governance structure, management standards and resistance to industry risks.

5. Determination of the Discount Rate during the Forecast Period

(1) Calculation of the cost of equity capital

The cost of equity capital of the appraised entity is calculated by substituting the parameters determined above into the formula for calculating the cost of equity capital.

K_e :

$$K_e = r_f + MRP \times \beta + r_c$$

When the income tax rate is 15%, the cost of equity capital is 15.55%; when the income tax rate is 25%, the cost of equity capital is 15.22%.

(2) Calculation of the weighted average cost of capital

Based on the operating characteristics and development plan of the entity, K_D in the Valuation is taken as the actual blended loan interest rate of the appraised entity as at the Valuation Benchmark Date, being 3.77%. The weighted average cost of capital of the appraised entity is calculated by substituting the parameters determined above into the formula for calculating the weighted average cost of capital.

WACC:

$$WACC = K_e \times \left[\frac{E}{E+D} \right] + K_D \times (1-T) \times \left[\frac{D}{E+D} \right]$$

When the income tax rate is 15%, the WACC is 11.91%; when the income tax rate is 25%, the WACC is 11.56%.

VII. VALUATION RESULTS

The total shareholders' equity value of Xiangfu New Energy is equal to the overall enterprise value less the value of interest-bearing debt. The overall enterprise value comprises four components, namely the value of operating assets, the net value of non-operating assets, the value of surplus assets and the value of long-term equity investments separately valued, amounting to RMB3,668,208,800. The value of interest-bearing debt is determined at RMB1,455,449,400 based on its carrying amount. On this basis, the total shareholders' equity value of Xiangfu New Energy is calculated to be RMB2,212,388,900.

APPENDIX II REPORTING ACCOUNTANT’S REPORT

The following is the text of a report received from the Company’s Reporting Accountant, BDO Limited, for the purpose of incorporation in this announcement

INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 100% EQUITY INTEREST IN INNER MONGOLIA XIANGFU NEW ENERGY CO., LTD.

To the Board of Directors of China Risun Group Limited

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated September 22, 2026 prepared by China Enterprise Appraisals Consultation Co., Ltd. in respect of the appraisal of the fair value of 100% equity interest in Inner Mongolia Xiangfu New Energy Co., Ltd. (the “**Target Company**”) is based. The Valuation is set out in the announcement of China Risun Group Limited (the “**Company**”) dated September 23, 2026 (the “**Announcement**”) in connection with the connected transaction in relation to the capital injection of RMB506,940,000 in cash by Risun Group Limited, a wholly-owned subsidiary of the Company, into the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company (the “**Directors**”) are solely responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions adopted by the Directors as set out in Appendix I to the Announcement. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows 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 (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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 or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility, pursuant to Rule 14.60A(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows on which the Valuation is based, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with the terms of our engagement and 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 plan and perform our work to form the opinion.

This reasonable assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to 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 bases and assumptions adopted by the Directors as set out in Appendix I to the Announcement. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, performed procedures on the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any business valuation of the 100% equity interest in the Target Company or an expression of an audit or review opinion on the Valuation.

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

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the Directors as set out in Appendix I to the Announcement.

Yours faithfully,
BDO Limited

APPENDIX III LETTER FROM THE BOARD

The following is the text of a letter received from the Board for the purpose of incorporation in this announcement

Dear Sirs or Madams,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION — CAPITAL INJECTION INTO XIANGFU NEW ENERGY

We refer to the announcement of China Risun Group Limited (the “**Company**”) dated September 23, 2026 in relation to the captioned matter (the “**Announcement**”). Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Announcement.

We refer to the valuation report issued by China Enterprise Appraisals Consultation Co., Ltd. (the “**Valuer**”) in respect of the valuation of the market value of the total shareholders’ equity of Xiangfu New Energy as at the Valuation Benchmark Date, using the income approach based on discounted cash flows, which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We hereby confirm that we have discussed with the Valuer the various aspects of the bases and assumptions underlying the discounted cash flows used in preparing the Valuation, and have reviewed the relevant information and documents, as well as the Valuation prepared and undertaken by the Valuer. We have also considered the report from the Company’s Reporting Accountant, BDO Limited, set out in Appendix II to the Announcement, in respect of the calculations of the discounted cash flows on which the Valuation is based.

Based on the foregoing and pursuant to Rule 14.60A(3) of the Listing Rules, we confirm that the profit forecast used in the Valuation has been made by us after due and careful enquiry.

China Risun Group Limited
Board of Directors

September 23, 2026