THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Risun Group Limited, you should at once hand this circular and the accompanying form of proxy for the Extraordinary General Meeting to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION – CAPITAL INJECTION INTO XIANGFU NEW ENERGY
(2) REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE PROJECT SERVICES FRAMEWORK AGREEMENT
(3) REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE INTEGRATED PROCUREMENT FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

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

Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 5 to 25 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 56 of this circular.

A notice convening the EGM to be held at Room 2001, 20/F., Sino Plaza, 255 Gloucester Road, Causeway Bay, Hong Kong, on Thursday, November 19, 2026 at 10:00 a.m. is set out on pages 87 to 89 of this circular. A form of proxy for use at the EGM is also enclosed and published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.risun.com).

Whether or not you are able to attend the EGM, you are advised to read the notice of EGM and to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. on Tuesday, November 17, 2026) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

October 30, 2026

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

"Articles"	the fifth amended and restated articles of association of the Company adopted pursuant to a special resolution passed on May 30, 2023
"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" or "Board of Directors"	the board of Directors of the Company
"close associate(s)"	has the meaning given to it under the Listing Rules
"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(s)"	has the meaning given to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held on Thursday, November 19, 2026 at 10:00 a.m. at Room 2001, 20/F., Sino Plaza, 255 Gloucester Road, Causeway Bay, Hong Kong

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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, the revised annual cap under the Project Services Supplemental Agreement, and revised annual cap under the Integrated Procurement Supplemental Agreement
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Capital Injection, the revised annual cap under the Project Services Supplemental Agreement, and revised annual cap under the Integrated Procurement Supplemental Agreement
"Independent Non-executive Director(s)"	independent non-executive Director(s) of the Company
"Independent Shareholder(s)"	Shareholders who are not required to abstain from voting at the EGM in respect of the approval of the Capital Injection, the revised annual cap under the Project Services Supplemental Agreement, and revised annual cap under the Integrated Procurement Supplemental Agreement
"Integrated Procurement Framework Agreement"	the 2025-2027 Integrated Procurement Framework Agreement dated December 31, 2024 entered into by and between the Company and Xuyang Holding
"Integrated Procurement Supplemental Agreement"	the supplemental agreement to the Integrated Procurement Framework Agreement dated September 28, 2026 entered into by and between the Company and Xuyang Holding
"Latest Practicable Date"	October 28, 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan region
"Project Services Framework Agreement"	the 2025-2027 Project Services Framework Agreement dated December 31, 2024 entered into by and between the Company and Xuyang Holding
"Project Services Supplemental Agreement"	the supplemental agreement to the Project Services Framework Agreement dated September 28, 2026 entered into by and between the Company and Xuyang Holding
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Award Plan"	the share award plan adopted by the Company on May 30, 2025
"Shareholder(s)"	the holder(s) of the Shares
"Share(s)"	the ordinary shares of HK$0.1 each in the share capital of the Company
"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
"Texson Limited"	Texson Limited (泰克森有限公司), a company incorporated in the BVI on February 19, 2004 and wholly owned by Mr. Yang Xuegang and a Controlling Shareholder of the Company
"Treasury Share(s)"	has the meaning given to it under the Listing Rules
"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
"Xuyang Holding Group"	Xuyang Holding and its subsidiaries
"%"	per cent



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)

Board of Directors:

Executive Directors:
Mr. Yang Xuegang
(Chairman and Chief Executive Officer)
Ms. Lu Xiaomei
Mr. Li Qinghua
Mr. Han Qinliang
Mr. Wang Nianping
Mr. Yang Lu

Independent Non-executive Directors:
Dr. Yu Kwok Kuen Harry
Mr. Wang Yinping
Dr. Liu Xiaofeng

Registered Office:
Cricket Square
Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Corporate Headquarters:
Building 1, Risun Plaza
Sihezhuang No. 2 Road, Huaxiang Town
Fengtai District
Beijing, PRC
100070

Place of Business in Hong Kong:
Room 2001, 20/F., Sino Plaza
255 Gloucester Road
Causeway Bay
Hong Kong

October 30, 2026

To the Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION – CAPITAL INJECTION INTO XIANGFU NEW ENERGY
(2) REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE PROJECT SERVICES FRAMEWORK AGREEMENT
(3) REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE INTEGRATED PROCUREMENT FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated September 23, 2026 in relation to the capital injection of RMB506,940,000 in cash into Xiangfu New Energy by Risun Group pursuant to the Capital Injection Agreement. The Capital Injection constitutes a connected transaction of the Company, and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is also made to the announcement of the Company dated September 28, 2026 in relation to the revision of annual caps under the Project Services Framework Agreement and the Integrated Procurement Framework Agreement. The transactions under the Project Services Framework Agreement (as revised by the Project Services Supplemental Agreement) and the Integrated Procurement Framework Agreement (as revised by the Integrated Procurement Supplemental Agreement) constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the Capital Injection, the revised annual cap under the Project Services Supplemental Agreement, and revised annual cap under the Integrated Procurement Supplemental Agreement; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

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

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.

Capital Injection Agreement

The principal terms of the Capital Injection Agreement are set out below:

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 revenue and profit/loss of Xiangfu New Energy for the two years ended December 31, 2024 and 2025 and the six months ended June 30, 2026 were as follows:

	For the year ended December 31, 2024 *(approximately RMB million)*	**For the year ended December 31, 2025** *(approximately RMB million)*	**For the six months ended June 30, 2026** *(approximately RMB million)*
Revenue	413.0	573.6	432.6
Profit (loss) before taxation	(6.5)	(34.6)	13.5
Profit (loss) after taxation	(6.4)	(29.7)	13.6

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.

Given the substantial capital required for the construction of the above projects, the Capital Injection can supplement the capital of Xiangfu New Energy and further strengthen its funding, capital and asset base, thereby facilitating its rapid expansion of production capacity and effectively reducing its unit production costs. The Capital Injection will also accelerate the full implementation by Xiangfu New Energy of the Group's integrated "sales-logistics-production-procurement-research and development" operation and management model, so as to achieve economies of scale, and enhance its overall competitiveness.

In addition, funding the above projects by way of equity capital, rather than solely through additional borrowings, will help optimize the capital structure of Xiangfu New Energy, reduce its gearing level and finance costs, and enhance its financial stability and its capability to obtain external financing in the future. Furthermore, upon completion of the Capital Injection, the aggregate equity interest in Xiangfu New Energy held by the Group (through Binhai Energy and Risun Group) will increase from approximately 63.3% to approximately 70.14%, which will further consolidate the Group's control over Xiangfu New Energy and enable the Group to share a greater portion of the returns from its future development.

The Directors (including the Independent Non-executive Directors) 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 circular.

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 circular, respectively.

The Board's Assessment of the Valuation

In assessing the fairness and reasonableness of the Valuation, the Directors have reviewed the valuation report and the valuation explanatory notes, including the valuation methodologies adopted, the reasons for selecting the income approach, and the key assumptions and major parameters on which the profit forecast is based. In particular, the Board has considered the reasonableness of the forecast that Xiangfu New Energy will turn profitable notwithstanding the losses recorded for the two years ended December 31, 2024 and 2025, having regard to the following:

(i) The historical losses were mainly attributable to the industry downturn and the capacity ramp-up stage. The losses for 2024 and 2025 were incurred when prices in the anode materials industry fell to the bottom of the cycle, with some products priced below cost and enterprises in the industry generally achieving only marginal profits or incurring losses. During the same period, Xiangfu New Energy was in its capacity construction and ramp-up stage and its economies of scale had not yet materialized.

(ii) The forecast growth is also supported by capacity release and cost advantages. Upon the completion of the 200,000-tonne integrated anode materials project, the finished product capacity of Xiangfu New Energy will reach 280,000 tonnes. The forecast increase in revenue and profit is also attributable to the increase in sales volume upon the release of such capacity, together with the reduction in unit costs from the increased proportion of self-supplied graphitization and the self-consumption of green power from the source-grid-load-storage project, in addition to its existing cost advantage from its location in a low electricity price region.

(iii) The selling price assumptions are moderate and have taken into account price volatility. The Valuation does not extrapolate the recent price recovery as a long-term trend. The unit selling price of anode materials is forecast to increase moderately, with the increase narrowing year by year and leveling off by the end of the forecast period, and graphitization processing fees are forecast to increase at a slower pace than anode materials and stabilize earlier. In forming the price assumptions, the Valuation took into account not only the factors supporting prices, such as the bottoming-out of the price cycle, the improvement in industry capacity utilization and the rising raw material costs, but also the constraining factors, including that the industry price recovery has entered its later stage and that downstream battery manufacturers continue to pass on cost-reduction pressure. In addition, part of the increase in the overall unit price is also attributable to the expected shift in product mix towards mid-range power battery products. Historically, Xiangfu New Energy mainly sold energy storage products, with its product and customer structure highly concentrated in a single market segment, and its operating results were relatively sensitive to the price cycle of energy storage products. As Xiangfu New Energy progressively obtains certification from power battery customers, the share of mid-range power battery products, whose prices and gross margins are relatively more stable and better than those of energy storage products, is forecast to increase year by year.

Having considered the above, the Board is of the view that the Valuation, including the profit forecast on which it is based, is fair and reasonable. Nonetheless, Shareholders should note that the forecast involves assumptions about future events, and actual results may differ from the forecast due to, among other things, fluctuations in product prices and raw material costs, and the pace of capacity release.

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.

CONTINUING CONNECTED TRANSACTIONS – REVISION OF THE EXISTING ANNUAL CAP UNDER THE PROJECT SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated December 31, 2024 in relation to, among others, the Project Services Framework Agreement entered into between the Company and Xuyang Holding, pursuant to which Xuyang Holding Group shall provide the Group with project design, construction management and general contracting services during the period from January 1, 2025 to December 31, 2027.

The Company expects that, for the two years ending December 31, 2026 and 2027, the transaction amounts of the continuing connected transactions under the Project Services Framework Agreement will exceed the existing annual cap. Accordingly, on September 28, 2026, the Company and Xuyang Holding entered into the Project Services Supplemental Agreement to revise the existing annual cap.

Project Services Framework Agreement

The principal terms of the Project Services Framework Agreement are set out below:

Date

December 31, 2024

Parties

(i) the Company; and

(ii) Xuyang Holding

Scope of services

Pursuant to the Project Services Framework Agreement, Xuyang Holding Group shall provide the Group with project design, construction management and general contracting services. Such services are required to comply with the stringent energy-saving and environmental protection requirements implemented by the relevant PRC government authorities, and will help enhance the Group's energy-saving and environmental protection capabilities, and improve the efficiency and quality of the existing large-scale production facilities.

Pricing policies

The Group conducts a public tender for each project requiring design, construction management and general contracting services. The Group will select the bidder that offers the best overall terms after taking into account, among others, the proposed prices, the achievable technical specifications, the business models and backgrounds of the bidders, the proposed payment terms, and the estimated delivery dates. If Xuyang Holding Group wins the bid for any particular project, the fees to be charged by Xuyang Holding Group shall be in line with the prices quoted in its bid, and the overall terms offered by it shall be no less favorable than those offered by independent third parties.

Term

The Project Services Framework Agreement shall be valid from January 1, 2025 to December 31, 2027.

Project Services Supplemental Agreement and the Revised Annual Cap Thereunder

The principal terms of the Project Services Supplemental Agreement are set out below:

Date

September 28, 2026

Parties

(i) the Company; and

(ii) Xuyang Holding

Revision of annual cap

Subject to the approval of the Independent Shareholders, the annual cap for the continuing connected transactions under the Project Services Framework Agreement for each of the two years ending December 31, 2026 and 2027 will be revised from RMB500 million to RMB1,100 million (exclusive of tax).

Save for the revised annual cap as described above, all other terms of the Project Services Framework Agreement shall remain unchanged and in full force and effect.

The existing annual cap, the historical actual transaction amount and the revised annual cap (all exclusive of tax) are set out below:

Period	Year ended December 31, 2025	Year ending December 31, 2026	Year ending December 31, 2027
Existing annual cap *(RMB million)*	500	500	500
Actual transaction amount *(RMB million)*	410.5	468.8 (for the eight months ended August 31, 2026)	–
Revised annual cap *(RMB million)*	–	1,100	1,100

As at the Latest Practicable Date, the actual fees charged by Xuyang Holding Group to the Group for the continuing connected transactions under the Project Services Framework Agreement have not exceeded the existing annual cap under the Project Services Framework Agreement.

In determining the revised annual cap under the Project Services Supplemental Agreement, the Company has taken into account the following factors:

(i) The utilization rate of the existing annual cap under the Project Services Framework Agreement has remained at a high level, with the utilization rate for the year ended December 31, 2025 being approximately 82.1%, and the utilization rate for only the eight months ended August 31, 2026 already reaching approximately 93.8%. The existing annual cap is therefore insufficient to cover the Group's actual demand for the continuing connected transactions under the Project Services Framework Agreement;

(ii) As disclosed in the announcements of the Company dated April 29, 2026 and June 25, 2026, the Group has strategically entered the new energy battery materials industry through the acquisition of shares in Binhai Energy. Given the rapid growth of the battery materials industry, the Group needs to accelerate its construction progress to capture the development opportunities in the industry. Binhai Energy is constructing new production facilities in Shangdu County, Ulanqab and Baotou City, Inner Mongolia Autonomous Region and Xingtai City, Hebei Province through its subsidiaries, including an integrated lithium battery anode materials project with an annual production capacity of 200,000 tonnes, a silicon-carbon anode materials project with an annual production capacity of 2,000 tonnes and a porous carbon project with an annual production capacity of 1,000 tonnes. Based on the construction progress and budget of the Group's major projects

under construction (including the projects being developed through Binhai Energy and its subsidiaries), the Company estimates that these projects will give rise to project service expenditures of approximately RMB547 million for the remaining period of 2026, which comprises approximately RMB174 million for constructing integrated lithium battery anode materials facilities, approximately RMB149 million for advancement of production facilities, approximately RMB112 million for upgrades to environmental protection facilities, approximately RMB81 million for constructing silicon-carbon anode materials facilities, and approximately RMB31 million for constructing porous carbon facilities;

(iii) The project service expenditures for 2027 are expected to arise from (a) the continued construction of certain of the projects described in paragraph (ii) above which are not expected to be completed by the end of 2026; and (b) new project services expected to commence in 2027, including environmental improvement works relating to air and water at the Group's existing production facilities, and the construction of new hydrogen refuelling stations and new production facilities for additional production capacity of chemicals such as hexamethylenediamine and hydrogen-energy products. While the composition of the projects for 2027 will differ from that for 2026, the amount of project service expenditures for 2027 is expected to be at a similar level to that for 2026;

(iv) The above estimates have been made on the assumption that Xuyang Holding Group will be awarded all of the relevant project services contracts through the tender process, and are therefore calculated based on the maximum possible transaction amounts; and

(v) A reasonable buffer of approximately 8% per annum has been included to cater for possible changes in construction works or cost fluctuations in the process of project construction.

Reasons for and Benefits of the Continuing Connected Transactions under the Project Services Framework Agreement (as revised by the Project Services Supplemental Agreement)

In view of Xuyang Holding Group's extensive experience in project services and its long-term cooperative relationship with the Group, the Company considers that the provision of the relevant services by Xuyang Holding Group is beneficial to the Group, mainly for the following reasons:

(i) The project design and construction management for various chemical production facilities require specialized technical knowledge and experience in the design and construction management of coal, coking and refined chemical product systems and facilities which Xuyang Holding Group possesses. In particular, Xuyang Engineering Technology Co., Ltd. (旭陽工程科技有限公司, "**Xuyang Engineering**"), a subsidiary

of Xuyang Holding, possesses excellent metallurgical and chemical engineering design qualifications and relevant pressure equipment certificates. It is a national-level high-tech enterprise in China and a "specialised, refined, distinctive and innovative" enterprise in Hebei Province. Xuyang Engineering has a research and development team comprising more than 200 technical personnel and undertakes EPC engineering projects both domestically and overseas. It provides integrated "design and construction" services to ensure the efficient and economical implementation of chemical and coking engineering projects;

(ii) Xuyang Holding Group has been providing project services for the Group since 2004, and has successively participated in the design and construction management of a number of the Group's projects (including the upgrading and renovation project for coke oven flue gas desulfurization and denitrification, the expansion project for coke dry quenching equipment, the 2-amino-2-methyl-1-propanol project with an annual production capacity of 5,000 tonnes, and the industrial park sewage treatment project, among others). As a result, it has gained an in-depth understanding of the technical parameters and operational requirements of the Group's existing production facilities, and is capable of effectively enhancing project implementation efficiency; and

(iii) The Group has no obligation to engage Xuyang Holding Group for any particular project. As the successful bidder for each particular project shall be determined through a public tender, if Xuyang Holding Group is awarded any such project, the overall terms offered by it shall be no less favorable than those offered by independent third parties.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions under the Project Services Framework Agreement (as revised by the Project Services Supplemental Agreement) are conducted in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the revised annual cap under the Project Services Supplemental Agreement is also fair and reasonable.

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 Project Services Supplemental Agreement (including the revised annual cap thereunder).

Listing Rules Implications

Xuyang Holding is wholly owned by Mr. Yang Xuegang and his spouse, Ms. Lu Xiaomei, and is therefore a connected person of the Company. The transactions under the Project Services Framework Agreement (as revised by the Project Services Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the revised annual cap under the Project Services Supplemental Agreement exceed 5%, the Project Services Supplemental Agreement (including the revised annual cap thereunder) is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS – REVISION OF THE EXISTING ANNUAL CAP UNDER THE INTEGRATED PROCUREMENT FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated December 31, 2024 in relation to, among others, the Integrated Procurement Framework Agreement entered into between the Company and Xuyang Holding, pursuant to which Xuyang Holding Group shall provide the Group with water purification chemicals, thermal coal, steel products, building materials, catalysts and other products, together with related technical services during the period from January 1, 2025 to December 31, 2027.

The Company expects that, for the two years ending December 31, 2026 and 2027, the transaction amounts of the continuing connected transactions under the Integrated Procurement Framework Agreement will exceed the existing annual cap. Accordingly, on September 28, 2026, the Company and Xuyang Holding entered into the Integrated Procurement Supplemental Agreement to revise the existing annual cap.

Integrated Procurement Framework Agreement

The principal terms of the Integrated Procurement Framework Agreement are set out below:

Date

December 31, 2024

Parties

(i) the Company; and

(ii) Xuyang Holding

Scope of products to be procured

Pursuant to the Integrated Procurement Framework Agreement, Xuyang Holding Group shall provide the Group with water purification chemicals, thermal coal, steel products, building materials, catalysts and other products required in its daily production and operations, together with related technical services.

Pricing policies

The prices of water purification chemicals, thermal coal, steel products, building materials, catalysts and other products as well as related technical services provided by Xuyang Holding Group shall be determined with reference to the market prices of the relevant products and services (including the market prices provided by independent third-party industry consultants from time to time), and shall be no less favorable than those offered by independent third-party suppliers under comparable circumstances.

Term

The Integrated Procurement Framework Agreement shall be valid from January 1, 2025 to December 31, 2027.

Integrated Procurement Supplemental Agreement and the Revised Annual Cap Thereunder

The principal terms of the Integrated Procurement Supplemental Agreement are set out below:

Date

September 28, 2026

Parties

(i) the Company; and

(ii) Xuyang Holding

Revision of annual cap

Subject to the approval of the Independent Shareholders, the annual cap for the continuing connected transactions under the Integrated Procurement Framework Agreement for each of the two years ending December 31, 2026 and 2027 will be revised from RMB400 million to RMB600 million (exclusive of tax).

Save for the revised annual cap as described above, all other terms of the Integrated Procurement Framework Agreement shall remain unchanged and in full force and effect.

The existing annual cap, the historical actual transaction amount and the revised annual cap (all exclusive of tax) are set out below:

Period	**Year ended December 31, 2025**	**Year ending December 31, 2026**	**Year ending December 31, 2027**
Existing annual cap *(RMB million)*	400	400	400
Actual transaction amount *(RMB million)*	159.4	141.8 (for the eight months ended August 31, 2026)	–
Revised annual cap *(RMB million)*	–	600	600

As at the Latest Practicable Date, the actual fees charged by Xuyang Holding Group to the Group for the continuing connected transactions under the Integrated Procurement Framework Agreement have not exceeded the existing annual cap under the Integrated Procurement Framework Agreement.

In determining the revised annual cap under the Integrated Procurement Supplemental Agreement, the Company has taken into account the following factors:

(i) As disclosed in the section headed "Project Services Supplemental Agreement and the Revised Annual Cap Thereunder" in letter from the Board in this circular, the Group has strategically entered the new energy battery materials industry through the acquisition of shares in Binhai Energy, and needs to accelerate its construction progress to capture

the development opportunities in the industry. Based on the procurement needs and budget of the Group's major projects under construction (including the projects being developed through Binhai Energy and its subsidiaries), the Company estimates that these projects will give rise to procurement expenditures of approximately RMB412 million for the relevant products and technical services for the remaining period of 2026, which comprises approximately RMB338 million for procuring steels, production materials and catalysts for production facilities, and approximately RMB74 million for procuring technical services for production facilities;

(ii) The amount of procurement expenditures for 2027 is expected to be similar to the total amount expected for the full year of 2026 (taking into account the historical transaction amount for 2026 and the estimated amount for the remaining period of 2026 as set out above), based on the assumption that the procurement volume and unit prices of the relevant products and technical services in 2027 will remain largely consistent with those in 2026;

(iii) The above estimates have been made on the assumption that, after comparing the quotations offered by Xuyang Holding Group with those offered by independent third-party suppliers in accordance with the pricing policies and internal control procedures of the Group, all of the relevant products and technical services required for such projects will be procured from Xuyang Holding Group, and are therefore calculated based on the maximum possible transaction amounts; and

(iv) A reasonable buffer of approximately 8% per annum has been included to cater for possible price fluctuations or changes in product demands in the process of procurement.

Reasons for and Benefits of the Continuing Connected Transactions under the Integrated Procurement Framework Agreement (as revised by the Integrated Procurement Supplemental Agreement)

In view of Xuyang Holding Group's stable supply capabilities in providing water purification chemicals, thermal coal, steel products, building materials, catalysts and other products, and its long-term cooperative relationship with the Group, the Company considers that the provision of relevant products and technical services by Xuyang Holding Group is beneficial to the Group, mainly for the following reasons:

(i) Xuyang Holding Group is capable of stably providing water purification chemicals, thermal coal, steel products, building materials, catalysts and other products, as well as related technical services;

(ii) Xuyang Holding Group has been supplying relevant products and technical services to the Group since 2004, and has gained in-depth understanding of the Group's product specifications, quality standards, and delivery requirements, and is capable of providing relevant products and technical services that meet the Group's operational and quality requirements; and

(iii) The pricing mechanism under the Integrated Procurement Framework Agreement (including making reference to market prices provided by independent third-party industry consultants and obtaining quotations from independent third-party suppliers) can ensure that the prices of the Group's purchase from Xuyang Holding Group are not higher than the prevailing market price, and may be even more favorable than those obtainable from independent third-party suppliers, thereby helping the Group control its procurement costs.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions under the Integrated Procurement Framework Agreement (as revised by the Integrated Procurement Supplemental Agreement) are conducted in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the revised annual cap under the Integrated Procurement Supplemental Agreement is also fair and reasonable.

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 Integrated Procurement Supplemental Agreement (including the revised annual cap thereunder).

Listing Rules Implications

Xuyang Holding is wholly owned by Mr. Yang Xuegang and his spouse, Ms. Lu Xiaomei, and is therefore a connected person of the Company. The transactions under the Integrated Procurement Framework Agreement (as revised by the Integrated Procurement Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the revised annual cap under the Integrated Procurement Supplemental Agreement exceed 5%, the Integrated Procurement Supplemental Agreement (including the revised annual cap thereunder) is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES FOR THE CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the terms for the continuing connected transactions under the Project Services Framework Agreement and the Integrated Procurement Framework Agreement are fair and reasonable, and no less favorable to the Group than and comparable with terms available from independent third parties, and that the continuing connected transactions are carried out on normal commercial terms, the Group has adopted the following internal control procedures:

- For selecting the service provider under the Project Services Framework Agreement for a particular project, which will be conducted by public tender, the Group will invite no less than three independent third-party service providers to participate in the tender. The general manager and the financial controller of the relevant subsidiary of the Company will evaluate the bids and submit the results of bid evaluation to the general manager of the procurement department, the general manager of the finance department and the general manager of the capital markets department, as well as the company secretary of the Company, for final approval;

- For determining the market prices of the relevant products and technical services under the Integrated Procurement Framework Agreement, the Company has engaged an independent third-party industry consultant to provide the Company with information on the market prices of the relevant products and services from time to time, so that the Group can keep abreast of the latest market prices and determine whether the quotations offered by Xuyang Holding Group are fair and reasonable. Before placing an order with Xuyang Holding Group, the general manager and the financial controller of the relevant subsidiary of the Company shall obtain quotations from not less than three independent third-party suppliers and submit such quotations, together with the quotations from Xuyang Holding Group, to the general manager of the procurement department, the general manager of the finance department and the general manager of the capital markets department, as well as the company secretary of the Company, for final approval;

- The Company will conduct sample checks on the specific agreements entered into between the Group and Xuyang Holding Group on a quarterly basis, so as to review and assess whether the specific transactions are conducted on normal commercial terms and in compliance with the terms set out in the Project Services Framework Agreement and the Integrated Procurement Framework Agreement; and

- The independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the Project Services Framework Agreement and the Integrated Procurement Framework Agreement and provide annual confirmation to ensure that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the applicable pricing policies.

The Company considers that the above procedures and measures can ensure the relevant transactions are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its Shareholders as a whole.

GENERAL INFORMATION

The Company is a leading integrated 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 Latest Practicable Date, 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.

EXTRAORDINARY GENERAL MEETING AND FORM OF PROXY

Ordinary resolutions approving (i) the Capital Injection, (ii) the revised annual cap under the Project Services Supplemental Agreement, and (iii) the revised annual cap under the Integrated Procurement Supplemental Agreement shall be proposed at the EGM.

In view of their interests in the transactions, the following Shareholders are required to abstain and shall abstain from voting on the ordinary resolutions to be proposed at the EGM to approve (i) the Capital Injection, (ii) the revised annual cap under the Project Services Supplemental Agreement, and (iii) the revised annual cap under the Integrated Procurement Supplemental Agreement:

(a) Texson Limited, a company wholly owned by Mr. Yang Xuegang, directly holding 3,182,910,928 Shares, representing approximately 74.99% of the total number of issued Shares (excluding Treasury Shares) as at the Latest Practicable Date; and

(b) Mr. Yang Lu, the son of Mr. Yang Xuegang, directly holding 7,030,000 Shares, representing approximately 0.17% of the total number of issued Shares (excluding Treasury Shares) as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, none of the Shareholders is required to abstain from voting on the resolutions to be proposed at the EGM.

The notice of the EGM is set out on pages 87 to 89 in this circular.

A form of proxy for use at the EGM (or any adjournment thereof) is enclosed with this circular. Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event, not later than 48 hours before the time fixed for holding the EGM (i.e. no later than 10:00 a.m. on Tuesday, November 17, 2026) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so desire.

CLOSURE OF REGISTER OF MEMBERS

The EGM is scheduled to be held on Thursday, November 19, 2026 at 10:00 a.m.. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, November 16, 2026 to Thursday, November 19, 2026, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, November 13, 2026.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting of the Company must be taken by poll. Accordingly, the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Board believes that the resolutions proposed in the notice of the EGM are in the best interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favor of the resolutions to be proposed at the EGM (or any adjournment thereof).

FURTHER INFORMATION

The Independent Board Committee comprising all three Independent Non-executive Directors has been appointed to advise the Independent Shareholders in respect of (i) the Capital Injection, (ii) the revised annual cap under the Project Services Supplemental Agreement, and (iii) the revised annual cap under the Integrated Procurement Supplemental Agreement. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 26 to 27 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from Gram Capital set out on pages 28 to 56 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
China Risun Group Limited
Mr. Yang Xuegang
Chairman

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)

October 30, 2026

To: the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION – CAPITAL INJECTION INTO XIANGFU NEW ENERGY (2) REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE PROJECT SERVICES FRAMEWORK AGREEMENT (3) REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE INTEGRATED PROCUREMENT FRAMEWORK AGREEMENT

We refer to the circular of the Company dated October 30, 2026 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders in respect of (i) the Capital Injection, (ii) the revised annual cap under the Project Services Supplemental Agreement, and (iii) the revised annual cap under the Integrated Procurement Supplemental Agreement. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 5 to 25 of the Circular, and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 56 of the Circular which contains details of its advice and the principal factors and reasons it has taken into consideration in giving such advice.

Having considered the terms of the Capital Injection Agreement, the Project Services Supplemental Agreement and the Integrated Procurement Supplemental Agreement, as well as the advice of Gram Capital and the principal factors and reasons taken into consideration by Gram Capital, we are of the view that (i) the Capital Injection, (ii) the Project Services Supplemental Agreement (including the revised annual cap thereunder), and (iii) the Integrated Procurement Supplemental Agreement (including the revised annual cap thereunder) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions set out in the notice of the EGM.

Yours faithfully,
the Independent Board Committee of
China Risun Group Limited
Dr. Yu Kwok Kuen Harry
Mr. Wang Yinping
Dr. Liu Xiaofeng
Independent Non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capital Injection and the Revision of Annual Caps for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

30 October 2026

To: The independent board committee and the independent shareholders of China Risun Group Limited

Dear Sir/Madam,

(I) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO CAPITAL INJECTION INTO XIANGFU NEW ENERGY AND (II) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (a) the Capital Injection; and (b) the revision of annual caps pursuant to the Project Services Supplemental Agreement (the "**Revision of Annual Caps for Project Services**") and the Integrated Procurement Supplemental Agreement (the "**Revision of Annual Caps for Integrated Procurement**", together with the Revision of Annual Caps for Project Services, the "**Revision of Annual Caps**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 30 October 2026 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Capital Injection

On 23 September 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. 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, Risun Group will hold approximately 18.64% equity interest in Xiangfu New Energy, 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%.

With reference to the Board Letter, the Capital Injection constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Revision of Annual Caps

With reference to the Company's announcement dated 31 December 2024 (the "**Original Announcement**") in relation to, among others, the Project Services Framework Agreement and the Integrated Procurement Framework Agreement entered into between the Company and Xuyang Holding, pursuant to which Xuyang Holding Group shall, from 1 January 2025 to 31 December 2027, provide the Group with (i) project design, construction management and general contracting services (the "**Project Services**"), and (ii) water purification chemicals, thermal coal, steel products, building materials, catalysts and other products, together with respective technical services (the "**Integrated Procurement**").

The Company expects that, for the two years ending 31 December 2027, the transaction amounts of the continuing connected transactions under the Project Services Framework Agreement and the Integrated Procurement Framework Agreement will exceed their respective existing annual caps. Accordingly, on 28 September 2026, the Company and Xuyang Holding entered into the Project Services Supplemental Agreement and the Integrated Procurement Supplemental Agreement to revise the relevant existing annual caps.

With reference to the Board Letter, the Revision of Annual Caps is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Dr. Yu Kwok Kuen Harry, Mr. Wang Yinping and Dr. Liu Xiaofeng (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Capital Injection and the Revision of Annual Caps are on normal commercial terms and are fair and reasonable; (ii) whether the Capital Injection and the Revision of Annual Caps are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Capital Injection and the Revision of Annual Caps at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the Company's continuing connected transactions regarding provision of financial assistance, details of which are set out in the Company's circular dated 30 September 2026 (the "**IFA Engagement**"). Save for the IFA Engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the IFA Engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above, in particular (i) the IFA Engagement was only independent financial advisory engagement; and (ii) none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Capital Injection and the Revision of Annual Caps. We consider that we have taken sufficient and necessary steps (including review of the Group's financial information for the two years ended 31 December 2025 and the six months ended 30 June 2026 (with comparative figures), Capital Injection Agreement, the Project Services Supplemental Agreement, the Integrated Procurement Supplemental Agreement and the Valuation Report (as defined below)) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have not made an independent evaluation or appraisal of the assets and liabilities of Xiangfu New Energy and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report in respect of Xiangfu New Energy (the "**Valuation Report**") prepared by China Enterprise Appraisals Consultation Co., Ltd. (the "**Valuer**"), the summary of which is set out in Appendix I to the Circular. Since we are not experts in the appraisal of assets or business, we have relied solely upon the Valuation Report for the total shareholders' equity of Xiangfu New Energy (the "**Appraised Value**") as at 30 June 2026 (i.e. the Valuation Benchmark Date).

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Xuyang Holding, Xiangfu New Energy or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Capital Injection and the Revision of Annual Caps. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Capital Injection and the Revision of Annual Caps, we have taken into consideration of the following principal factors and reasons:

A. BACKGROUND

Information on the Group

With reference to the Board Letter, the Company is a leading integrated producer and supplier of coke, coking products, fined 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.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2025 and the six months ended 30 June 2026 (with comparative figures for the corresponding period in 2025) as extracted from the Company's annual report for the year ended 31 December 2025 (the "**2025 Annual Report**") and the Company's interim report for the six months ended 30 June 2026 (the "**2026 Interim Report**"):

	For the six months ended 30 June 2026 ("1H2026")	**For the six months ended 30 June 2025 ("1H2025")**	**Year-on-year change**	**For the year ended 31 December 2025 ("FY2025")**	**For the year ended 31 December 2024 ("FY2024")**	**Year-on-year change**
	(unaudited)	*(unaudited)*		*(audited)*	*(audited)*	
	RMB' 000	*RMB' 000*	*%*	*RMB' 000*	*RMB' 000*	*%*
Revenue	21,855,864	20,783,377	5.2	39,286,483	47,542,739	(17.4)
– Coke and coking chemicals manufacturing	*6,965,556*	*6,357,591*	*9.6*	*13,515,076*	*17,642,275*	*(23.4)*
– Refined chemicals manufacturing	*9,475,342*	*9,096,043*	*4.2*	*17,796,457*	*20,729,404*	*(14.1)*
– Operation management	*1,862,657*	*1,274,539*	*46.1*	*1,804,127*	*4,225,134*	*(57.3)*
– Trading	*2,976,912*	*3,730,359*	*(20.2)*	*5,956,004*	*4,740,319*	*25.6*
– New energy products manufacturing (Note)	*523,300*	*234,767*	*122.9*	*–*	*–*	*–*
– Others	*52,097*	*90,078*	*(42.2)*	*214,819*	*205,607*	*4.5*
Gross profit	2,311,324	1,677,970	37.7	3,064,280	3,489,562	(12.2)
Profit attributable to owners of the Company	203,971	24,877	719.9	58,008	20,133	188.1

Note: According to the 2026 Interim Report, upon completion of the acquisition of shares in Binhai Energy, the Group has a new reportable segment of new energy product manufacturing, which includes lithium battery anode materials manufacturing conducted by Binhai Energy and hydrogen energy manufacturing previously measured in the segment of refined chemicals manufacturing.

FY2025 vs FY2024

As illustrated in the above table, the Group's revenue was approximately RMB39.3 billion for FY2025, representing a decrease of approximately 17.4% as compared to that for FY2024. With reference to the 2025 Annual Report, such decrease was mainly due to the combined effect of (i) the decrease of approximately 23.4% (or approximately RMB4.1 billion) in the Group's revenue from the coke and coking chemicals manufacturing business, which was mainly due to the decrease in coke price, steel price and price of ferrous industry chain; (ii) the decrease of approximately 14.1% (or approximately RMB2.9 billion) in the Group's revenue from the refined chemicals manufacturing business, which was mainly due to "strong supply and weak demand" and price of chemicals product dropped across the board; (iii) the decrease of approximately 57.3% (or approximately RMB2.4 billion) in the Group's revenue from operations management services, which was mainly due to (a) the completion of the management agreements for three operation management projects; and (b) price declines in aniline; (iv) the increase of approximately 25.6% (or approximately RMB1.2 billion) in the Group's revenue from trading business, which was mainly due to an increase of 1.55 million tons in the Group's trading volume for FY2025; and (v) the increase of approximately 4.5% (or approximately RMB9.2 million) in the Group's revenue from other business, which was mainly due to the increase in rental income as partially offset by decrease in the sales revenue from residential properties in the real estate business.

In addition, the Group's gross profit also decreased by approximately 12.2% for FY2025 as compared to that for FY2024. With reference to the 2025 Annual Report, such decrease was mainly due to the combined effect of (i) the increase of approximately 10.4% (or approximately RMB157.8 million) in the Group's gross profit from the coke and coking chemicals manufacturing business, which was mainly due to the effectiveness of the Group's cost reduction and efficiency improvement policies, as well as compliance of environmental protection investments with national policies, and changes in accounting estimates for the depreciation period of certain assets; (ii) the decrease of approximately 46.8% (or approximately RMB710.1 million) in the Group's gross profit from the refined chemicals manufacturing business, which was mainly due to tighter price spreads in the caprolactam product line and styrene product line; (iii) the increase of approximately 36.0% (or approximately RMB103.2 million) in the Group's gross profit from trading business, which was mainly due to the increase of trading business volume; (iv) the decrease of approximately 44.7% (or approximately RMB71.9 million) in the Group's gross profit from operations management services, which was mainly due to the completion of the management agreements for three operation management projects and a tightening of price spreads; and (v) the increase of approximately 766.2% (or approximately RMB95.7 million) in the Group's gross profit from other business, which was mainly due to the addition of leasing business in certain properties.

Despite the decreases in the Group's revenue and gross profit as aforementioned, the Group's profit attributable to owners of the Company increased by approximately 188.1% for FY2025 as compared to that for FY2024. With reference to the 2025 Annual Report, such increase was mainly due to (i) the increase of approximately 11.9% (or approximately RMB69.9 million) in the Group's other income, which was mainly due to the increase in government subsidies and decrease in interest income; and (ii) the Group recorded other gains of approximately RMB375.4 million for FY2025 while the Group recorded other losses of approximately RMB91.7 million for FY2024, which was primarily due to the fact that (a) certain construction parties agreed to enter into a debt restructure arrangement to expedite project settlement and receipt of payment, resulting in a debt restructuring gain of RMB231.5 million; (b) to focus on core business development and recover funds to support investment in main business, the Company conducted a centralized review and revitalization of assets. Through the orderly disposal of right of use assets, gains of RMB30.6 million were realized, and through disposal of non-core subsidiary, gains of RMB33.8 million were obtained; (c) gain on insurance claims of RMB45.0 million; and (d) the Group reasonably assessed and accrued asset impairment provisions of RMB15.8 million for fixed assets showing signs of impairment. Simultaneously, affected by macroeconomic market environment and industry cycle fluctuations, the Group incurred a fair value change loss of RMB13.2 million on investment properties.

1H2026 vs 1H2025

As illustrated in the above table, the Group's revenue was approximately RMB21.9 billion for 1H2026, representing an increase of approximately 5.2% as compared to that for 1H2025. With reference to the 2026 Interim Report, such increase was mainly due to the combined effect of (i) the increase of approximately 9.6% (or approximately RMB608.0 million) in the Group's revenue from the coke and coking chemicals manufacturing business, which was mainly due to the increase in coke prices driven by tightened supply of coking coal on the cost side and the resulting rigid cost inflation; (ii) the increase of approximately 4.2% (or approximately RMB379.3 million) in the Group's revenue from the refined chemicals manufacturing business, which was mainly due to year-on-year increases in the average selling prices of caprolactam and styrene driven by the upward price trend of upstream pure benzene and cyclohexanone, which directly lifted the production costs of caprolactam and provided strong cost-side support for product prices; (iii) the increase of approximately 46.1% (or approximately RMB588.1 million) in the Group's revenue from operations management services, which was mainly due to the addition of certain management and operation project during 1H2026; (iv) the decrease of approximately 20.2% (or approximately RMB753.4 million) in the Group's revenue from trading business, which was mainly due to the Group's ongoing efforts to optimize its trading business structure and proactively scale back low-gross-margin projects, which led to a year-on-year decline in revenue during 1H2026; (v) the increase of approximately 122.9% (or approximately RMB288.5 million) in the Group's revenue from the new energy business, which was primarily attributable to expanded graphitization capacity and higher shipment volumes for self-produced anode materials and graphitization processing business; and (vi) the decrease of approximately 42.2% (or approximately RMB38.0 million) in the Group's revenue from other business, which was mainly due to the fact that the completed properties have been mostly sold while properties under construction have not yet been delivered.

In addition, the Group's gross profit also increased by approximately 37.7% for 1H2026 as compared to that for 1H2025. With reference to the 2026 Interim Report, such increase was mainly due to the combined effect of (i) the increase of approximately 10.5% (or approximately RMB90.6 million) in the Group's gross profit from the coke and coking chemicals manufacturing business, which was mainly due to the coal-coke price spread for 1H2026 remaining basically at the same level as that for 1H2025; (ii) the increase of approximately 41.4% (or approximately RMB271.0 million) in the Group's gross profit from the refined chemicals manufacturing business, which was mainly due to changes in external market conditions, the enhanced competitiveness of coal-to-chemicals operations and industry self-discipline, which widened the price spread for caprolactam and other chemical product lines; (iii) the increase of approximately 116.8% (or approximately RMB103.8 million) in the Group's gross profit from trading business, which was mainly due to the Group's continued efforts to optimize the trading business structure and increase high-gross-margin project volumes; (iv) the increase of approximately 144.6% (or approximately RMB88.8 million) in the Group's gross profit from operations management services, which was mainly due to the widening of price spread of the Cornell aniline production line; (v) the Group recorded gross profit of approximately RMB58.3 million in the new energy business for 1H2026 while the Group recorded gross loss of approximately RMB12.9 million in the new energy business for 1H2025, which was primarily attributable to the increase in business volume for anode materials and the decrease in unit costs; and (vi) the increase of approximately 33.3% (or approximately RMB8.0 million) in the Group's gross profit from other business, which was mainly due to leasing business maintained a high gross profit margin.

In line with the aforementioned increases in the Group's revenue and gross profit, the Group's profit attributable to owners of the Company increased by approximately 719.9% for 1H2026 as compared to that for 1H2025.

With reference to the 2026 Interim Report:

(i) Under the operation and management reform, the Group was coordinating the integration, expansion and transformation of the existing businesses including production/processing capacity of coke, refined chemicals and operation management services, with a view to reinforcing the Group's consolidated competitive advantages and enhancing performance. Other than that, the Group was exploring capital market initiatives, such as merger and acquisition of new businesses together with restructuring of existing businesses.

(ii) The Group completed the acquisition of 14.5% of issued shares of Binhai Energy in June 2026. It is a strategic move into the new energy battery materials industry, which is a new and extended business for the Group, moving downstream from the refined chemicals industry to the new energy battery materials industry.

Information on Xuyang Holding

With reference to the Board Letter, 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.

Information on Xiangfu New Energy

With reference to the Board Letter:

(i) 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, Binhai Energy, Xuyang Holding, and Risun Group holding will hold approximately 51.5%, 29.86% and 18.64% of the equity interests in Xiangfu New Energy, respectively.

(ii) 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.

(iii) 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).

Set out below are the financial information of Xiangfu New Energy for FY2024, FY2025 and 1H2026 prepared in accordance with China Accounting Standards for Business Enterprises:

	For the six months ended 30 June 2026	**For the year ended 31 December 2025**	**For the year ended 31 December 2024**
	Approximate RMB' million	*Approximate RMB' million*	*Approximate RMB' million*
Revenue	432.6	573.6	413.0
Profit/(loss) before taxation	13.5	(34.6)	(6.5)
Profit/(loss) after taxation	13.6	(29.7)	(6.4)

As depicted from the above table, Xiangfu New Energy generated revenue for the two years ended 31 December 2025 and 1H2026. Xiangfu New Energy turnaround its loss-making position to profit-making for 1H2026. As advised by the Directors, such turnaround was mainly due to the growing lithium battery anode materials industry demand, contract graphitization prices rose steadily, leading to a year-on-year increase in the average product selling price of Xiangfu New Energy. Meanwhile, leveraging the process and equipment advantages of Xiangfu New Energy's newly established anode production capacity, it achieved a reduction in unit production costs as output ramped up. Consequently, Xiangfu New Energy 's gross profit margin improved.

B. CAPITAL INJECTION

Reasons for and benefit of the Capital Injection

With reference to the Board Letter:

(i) 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.

(ii) The Capital Injection can supplement the capital of Xiangfu New Energy and further strengthen its funding, capital and asset base, thereby facilitating its rapid expansion of production capacity and effectively reducing its unit production costs. The Capital Injection will also accelerate the full implementation by Xiangfu New Energy of the Group's integrated "sales-logistics-production-procurement-research and development" operation and management model, so as to achieve economies of scale, and enhance its overall competitiveness.

(iii) Funding the above projects by way of equity capital, rather than solely through additional borrowings, will help optimize the capital structure of Xiangfu New Energy, reduce its gearing level and finance costs, and enhance its financial stability and its capability to obtain external financing in the future. Furthermore, upon completion of the Capital Injection, the aggregate equity interest in Xiangfu New Energy held by the Group (through Binhai Energy and Risun Group) will increase from approximately 63.3% to approximately 70.14%, which will further consolidate the Group's control over Xiangfu New Energy and enable the Group to share a greater portion of the returns from its future development.

As aforementioned, the Group completed the acquisition of 14.5% of issued shares of Binhai Energy in June 2026. It is a strategic move into the new energy battery materials industry, which is a new and extended business for the Group, moving downstream from the refined chemicals industry to the new energy battery materials industry.

With Xiangfu New Energy being the core operational platform of Binhai Energy for lithium battery anode materials and commenced to generate profit for 1H2026, we consider that it is reasonable for the Group to proceed with the Capital Injection to (i) increase in equity interest held in Xiangfu New Energy; and (ii) supplement the capital of Xiangfu New Energy for its further development.

We also searched for information regarding lithium battery anode materials market in the PRC and noted the followings:

(i) According to the China New Energy Storage Development Report 2026* (中國新型儲能發展報告2026) co-authored by (a) Department of Energy Conservation and Technology Equipment, National Energy Administration; (b) Department of Innovation and High-Tech Development, National Development and Reform Commission; and (c) Electric Power Planning and Engineering Institute, of the PRC: (1) in 2025, the PRC's lithium battery output continued to surge, with approximately 59% year-on-year growth; (2) in 2025, the PRC's anode materials production also increased by approximately 46% as compared to prior year.

(ii) According to an article published on the website of SMM Information & Technology Co., Ltd. ("**SMM**") on 22 October 2026, (1) in the first half of 2026, the PRC's domestic demand for graphite anode materials increased by around 68% year-on-year; and (2) SMM forecasts that the PRC's demand for graphite anode materials will expand at a compound annual growth rate of 15% from 2026 to 2030 (According to SMM's website, SMM is a globally renowned integrated service platform for non-ferrous metals industry, providing benchmark prices, analysis, news, consulting, and event services for the metals and mining sectors. The daily domestic and international metal spot prices published by SMM cover thousands of metal products, including base metals, steel, iron ore, precious metals, minor metals, recycled metals, metal powders, metal compounds, processed materials, alloys, and rare earths. These prices have become authoritative spot benchmarks in the industry).

The above indicated the prospects of lithium battery anode materials market which Xiangfu New Energy is engaged in.

Having considered the above, we are of the view that, the Capital Injection is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Capital Injection

Set out below are the principal terms of the Capital Injection, details of which are set out under the sub-section headed "Capital Injection Agreement" under the section headed "Connected Transaction and Discloseable Transaction – Capital Injection into Xiangfu New Energy" of the Board Letter:

Date: 23 September 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 (the "**Injection Amount**") 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 (i.e. the Appraised Value) as at the Valuation Benchmark Date (i.e. 30 June 2026), as assessed by the Valuer using the income approach.

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.

Assessment on the Injection Amount

As mentioned above:

(i) 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 (i.e. the Appraised Value) as at the Valuation Benchmark Date (i.e. 30 June 2026).

(ii) Upon completion of the Capital Injection, Risun Group will hold approximately 18.64% equity interest in Xiangfu New Energy.

We noted that the sum of (a) the Appraised Value of RMB2,212,388,900 as at the Valuation Benchmark Date; and (b) the Injection Amount of RMB506,940,000, is RMB2,719,328,900, approximately 18.64% of which is approximately RMB506,940,500 (being close to and not less than the Injection Amount).

The Appraised Value

According to the Valuation Report, the Appraised Value is RMB2,212,388,900 as at the Valuation Benchmark Date.

Qualification and independence

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

Methodology

With reference to the Valuation Report:

(i) The basic valuation methods include asset-based approach, market approach and income approach.

(ii) 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 Report.

(iii) 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. Under the asset-based approach, 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.

(iv) 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 Report.

We noted that Xiangfu New Energy made loss for FY2024 and FY2025, and turnaround its loss-making position to profit-making for 1H2026. In respect of the profitability of Xiangfu New Energy under the forecast adopted for the Valuation Report, we discussed with the Company's management and noted from the Board Letter that the Board considered the reasonableness of the forecast (notwithstanding the loss made by Xiangfu New Energy for FY2024 and FY2025) having regard to certain factors, including:

(i) Xiangfu New Energy's loss for FY2024 and FY2025 were incurred when prices in the anode materials industry fell to the bottom of the cycle, with some products priced below cost and enterprises in the industry generally achieving only marginal profits or incurring losses. During the same period, Xiangfu New Energy was in its capacity construction and ramp-up stage and its economies of scale had not yet materialized.

(ii) The forecast growth is also supported by capacity release and cost advantages. Upon completion of the 200,000-tonne integrated anode materials project, the finished product capacity of Xiangfu New Energy will reach 280,000 tonnes. The forecasted increase in revenue and profit is also attributable to the increase in sales volume upon the release of such capacity, together with the reduction in unit costs from the increased proportion of self-supplied graphitization and the self-consumption of green power from the source-grid-load-storage project, in addition to its existing cost advantage from its location in a low electricity price region.

(iii) The selling price assumptions are moderate and have taken into account price volatility. The valuation does not extrapolate the recent price recovery as a long-term trend.

Given the above, we do not doubt the reasonableness for adoption of income approach for conclusion for the Valuation Report.

As the applicability of each of the three commonly adopted valuation approaches were considered before adopting income approach for conclusion for the Valuation Report; and having considered the inapplicability of market approach and asset-approach as detailed above, we concur with the Valuer on the adoption of income approach for the purpose of assessing the Appraised Value and we did not cross-check the Appraised Value using other valuation methodologies.

Bases, assumptions and parameters

With reference to the Valuation Report:

(i) The Appraised Value of RMB2,212,388,900 equals to the overall enterprise value less the value of interest-bearing debt.

(ii) Overall enterprise value = value of operating assets (RMB3,676,105,300) + net value of non-operating assets (-RMB177,025,700) + value of surplus assets (RMB148,840,200) + long-term equity investments (RMB19,918,500) = RMB3,667,838,300

(iii) The value of interest-bearing debt is determined at RMB1,455,449,400 based on its carrying amount.

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. For the calculation of the value of operating assets, the Valuer took into account various parameters such as forecast period, discount rate (by adopting weighted average cost of capital), revenue, cost, taxes and surcharges, selling expenses, administrative expenses, research and development expenses, financial expenses, depreciation and amortization, capital expenditure and change in working capital.

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.

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.

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.

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.

Our conclusion on consideration

Based on our due diligence on the Valuation and during our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report.

Having also considered that:

(i) upon completion of the Capital Injection, Risun Group will hold approximately 18.64% equity interest in Xiangfu New Energy; and

(ii) approximately 18.64% of the sum of the Appraised Value and the Injection Amount is close to and not less than the Injection Amount,

we are of the view that the Injection Amount is fair and reasonable.

Our conclusion on terms of the Capital Injection

Having reviewed and considered the principal terms of the Capital Injection as set out above, we are of the view that the terms of the Capital Injection are on normal commercial terms and are fair and reasonable.

Financial impact of the Capital Injection

With reference to the Board Letter and as confirmed by the Directors, upon completion of the Capital Injection, Risun Group will hold approximately 18.64% equity interest in Xiangfu New Energy, 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%. Xiangfu New Energy will continue to be a non wholly-owned subsidiary of the Company, and the financial results of Xiangfu New Energy will continue be consolidated into the consolidated financial statements of the Group.

With reference to the 2026 Interim Report, the Group's total assets was approximately RMB74.5 billion and the Group's total liabilities was approximately RMB58.5 billion as at 30 June 2026. As advised by the Directors, the Capital Injection would not have material impact on the Group's total assets and total liabilities.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Capital Injection.

Recommendation on the Capital Injection

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Capital Injection are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Capital Injection is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Capital Injection and we recommend the Independent Shareholders to vote in favor of the resolution in this regard.

C. THE REVISION OF ANNUAL CAPS

Reasons for and benefit of the Revision of Annual Caps

Revision of Annual Caps for Project Services

With reference to the Board Letter, in view of Xuyang Holding Group's extensive experience in the Project Services and its long-term cooperative relationship with the Group, the Company considers that the provision of the Project Services by Xuyang Holding Group is beneficial to the Group, mainly for the following reasons:

(i) The project design and construction management for various chemical production facilities require specialized technical knowledge and experience in the design and construction management of coal, coking and fine chemical product systems and facilities, which Xuyang Holding Group possesses. In particular, Xuyang Engineering Technology Co., Ltd. (旭陽工程科技有限公司, "**Xuyang Engineering**"), a subsidiary of Xuyang Holding, possesses excellent metallurgical and chemical engineering design qualifications and relevant pressure equipment certificates. It is a national-level high-tech enterprise in China and a "specialised, refined, distinctive and innovative" enterprise in Hebei Province. Xuyang Engineering has a research and development team comprising more than 200 technical personnel and undertakes EPC engineering projects both domestically and overseas. It provides integrated "design and construction" services to ensure the efficient and economical implementation of chemical and coking engineering projects;

(ii) Xuyang Holding Group has been providing project services for the Group since 2004, and has successively participated in the design and construction management of a number of the Group's projects (including the upgrading and renovation project for coke oven flue gas desulfurization and denitrification, the expansion project for coke dry quenching equipment, the 2-amino-2-methyl-1-propanol project with an annual production capacity of 5,000 tonnes, and the industrial park sewage treatment project, among others). As a result, it has gained an in-depth understanding of the technical parameters and operational requirements of the Group's existing production facilities, and is capable of effectively enhancing project implementation efficiency; and

(iii) The Group has no obligation to engage Xuyang Holding Group for any particular project. As the successful bidder for each particular project shall be determined through a public tender, if Xuyang Holding Group is awarded any such project, the overall terms offered by it shall be no less favorable than those offered by independent third parties.

Based on the above, we are of the view that the provision of the Project Services by Xuyang Holding Group to the Group under the Project Services Framework Agreement is in the interest of the Company and Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

With reference to the Board Letter, the Group has strategically entered the new energy battery materials industry through the acquisition of shares in Binhai Energy. Given the rapid growth of the battery materials industry, the Group needs to accelerate the construction progress to capture the development opportunities in the industry. Binhai Energy is constructing new production facilities in Shangdu County, Ulanqab and Baotou City, Inner Mongolia Autonomous Region and Xingtai City, Hebei Province through its subsidiaries, including an integrated lithium battery anode materials project with an annual production capacity of 200,000 tonnes, a silicon-carbon anode materials project with an annual production capacity of 2,000 tonnes and a porous carbon project with an annual production capacity of 1,000 tonnes.

As advised by the Directors, given the continuous expansion of the Group's business as aforementioned, the existing annual caps for the provision of the Project Services by Xuyang Holding Group to the Group under the Project Services Framework Agreement are no longer sufficient to cover the new and anticipated increase in cooperation needs under the Project Services Framework Agreement. Accordingly, the Company entered into the Project Services Supplemental Agreement with Xuyang Holding to revise the existing annual caps (i.e. RMB500 million per annum) for the provision of the Project Services by Xuyang Holding Group to the Group to RMB1,100 million per annum (the "**Revised Annual Cap(s) for Project Services**") for the two years ending 31 December 2027, in order to accommodate the ongoing and expanding business cooperation between the Group and the Xuyang Holding Group under the Project Services Framework Agreement.

Moreover, as advised by the Directors, the Revised Annual Caps for Project Services will provide reasonable flexibility for the provision of the Project Services by Xuyang Holding Group to the Group, and will help ensure that the Group undertakes and executes the relevant business in compliance with the annual caps for continuing connected transactions.

Revision of Annual Caps for Integrated Procurement

With reference to the Board Letter, in view of Xuyang Holding Group's stable supply capabilities in providing water purification chemicals, thermal coal, steel products, building materials, catalysts and other products, and its long-term cooperative relationship with the Group, the Company considers that the provision of relevant products and technical services (i.e. the Integrated Procurement) by Xuyang Holding Group is beneficial to the Group, mainly for the following reasons:

(i) Xuyang Holding Group is capable of stably providing water purification chemicals, thermal coal, steel products, building materials, catalysts and other products, as well as related technical services;

(ii) Xuyang Holding Group has been supplying relevant products and technical services to the Group since 2004, and has gained in-depth understanding of the Group's product specifications, quality standards, and delivery requirements, and is capable of providing relevant products and technical services that meet the Group's operational and quality requirements; and

(iii) The pricing mechanism under the Integrated Procurement Framework Agreement (including making reference to market prices provided by independent third-party industry consultants and obtaining quotations from independent third-party suppliers) can ensure that the prices of the Group's purchase from Xuyang Holding Group are not higher than the prevailing market price, and may be even more favorable than those obtainable from independent third-party suppliers, thereby helping the Group control its procurement costs.

Based on the above, we are of the view that the provision of the Integrated Procurement by Xuyang Holding Group to the Group under the Integrated Procurement Framework Agreement is in the interest of the Company and Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

With reference to the Board Letter, the Group has strategically entered the new energy battery materials industry through the acquisition of shares in Binhai Energy, and needs to accelerate the construction progress to capture the development opportunities in the industry.

As advised by the Directors, given Xuyang Holding Group's in-depth understanding of the Group's business and its comprehensive strengths, the Group intends to continue to use the relevant products and technical services provided by Xuyang Holding Group to meet the daily production and operation needs of the Group (including Binhai Energy) as well as its engineering construction needs. In addition, given the continuous expansion of the Group's business as aforementioned, the existing annual caps for the provision of the Integrated Procurement by Xuyang Holding Group to the Group under the Integrated Procurement Framework Agreement are no longer sufficient to cover the new and anticipated increase in cooperation needs under the Integrated Procurement Framework Agreement. Accordingly, the Company entered into the Integrated Procurement Supplemental Agreement with Xuyang Holding to revise the existing annual caps (i.e. RMB400 million per annum) for the provision of the Integrated Procurement by Xuyang Holding Group to the Group to RMB600 million per annum (the "**Revised Annual Cap(s) for Integrated Procurement**") for the two years ending 31 December 2027, in order to accommodate the ongoing and expanding business cooperation between the Group and the Xuyang Holding Group under the Integrated Procurement Framework Agreement.

Moreover, as advised by the Directors, the Revised Annual Caps for Integrated Procurement will provide reasonable flexibility for the provision of the Integrated Procurement by Xuyang Holding Group to the Group, and will help ensure that the Group undertakes and executes the relevant business in compliance with the annual caps for continuing connected transactions.

In light of the above, in particular that (i) the provision of the Project Services and Integrated Procurement by Xuyang Holding Group to the Group under the Project Services Framework Agreement and the Integrated Procurement Framework Agreement are in the interest of the Company and Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (ii) the existing annual caps are no longer sufficient to cover the new and anticipated increased cooperation needs under the Project Services Framework Agreement and the Integrated Procurement Framework Agreement, we are of the view that the Revision of Annual Caps is in the interest of the Company and Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

Principal terms of the Revision of Annual Caps for Project Services

Set out below are the principal terms of the Revision of Annual Caps for Project Services, details of which are set out under the sub-section headed "Project Services Framework Agreement" under the section headed "Continuing Connected Transactions – Revision of the Existing Annual Cap under the Project Services Framework Agreement" of the Board Letter and the section headed "(1) 2025-2027 Project Services Framework Agreement and Project Services" of the Original Announcement.

Date:	31 December 2024 (Original) 28 September 2026 (Supplemental)
Parties:	(i) the Company; and (ii) Xuyang Holding
Term:	Three years commencing from 1 January 2025 and ending on 31 December 2027.
Scope of services	Xuyang Holding Group shall provide the Group with project design, construction management and general contracting services (i.e. the Project Services). Such services are required to comply with the stringent energy-saving and environmental protection requirements implemented by the relevant PRC government authorities, and will help enhance the Group's energy-saving and environmental protection capabilities, and improve the efficiency and quality of the existing large-scale production facilities.

Pricing policies

The Group conducts public tender for each project requiring design, construction management and general contracting services. The Group will select the bidder that offers the best overall terms after taking into account, among others, the proposed prices, the achievable technical specifications, the business models and backgrounds of the bidders, the proposed payment terms, and the estimated delivery dates. If Xuyang Holding Group wins the bid for any particular project, the fees to be charged by Xuyang Holding Group shall be in line with the prices quoted in its bid, and the overall terms offered by it shall be no less favorable than those offered by independent third parties.

We noted that, pursuant to the Project Services Supplemental Agreement, the above pricing policies set out under the Project Services Framework Agreement remain unchanged.

Based on our discussion with the Company's management, the above pricing policies would ensure that the fees to be charged by Xuyang Holding Group shall be in line with the prices quoted in its bid, and the overall terms offered by it shall be no less favorable than those offered by independent third parties, which is beneficial for the Group. Accordingly, the Revision of Annual Caps for Project Services will allow the Group to continue its procurement of Project Services from Xuyang Holding Group (without being limited by the existing annual caps), which is beneficial for the Group.

The Revised Annual Caps for Project Services

Set out below are (i) the actual fees (exclusive of tax) charged by the Xuyang Holding Group to the Group for the Project Services under the Project Services Framework Agreement for 8M2026 (the "**Historical Amounts of Project Services for 8M2026**") with the existing annual caps; (ii) the Revised Annual Caps for Project Services for the two years ending 31 December 2027:

	For the year ending 31 December 2026 ("FY2026") *(RMB'000)*	**For the year ending 31 December 2027 ("FY2027")** *(RMB'000)*
Actual fees (exclusive of tax) charged by the Xuyang Holding Group to the Group for the Project Services under the Project Services Framework Agreement	468,800 *(Note)*	N/A
Existing annual caps	500,000	500,000
Utilisation rates	N/A	N/A

	For the year ending 31 December 2026 *(RMB'000)*	**For the year ending 31 December 2027** *(RMB'000)*
Revised Annual Caps for Project Services	1,100,000	1,100,000

Note: The figure was for the 8M2026.

The basis for determining the Revised Annual Caps for Project Services for the two years ending 31 December 2027 are set out under the sub-section headed "Project Services Supplemental Agreement and the Revised Annual Cap Thereunder" under the section headed "Continuing Connected Transactions – Revision of the Existing Annual Cap under the Project Services Framework Agreement" of the Board Letter.

The Revised Annual Cap for Project Services for FY2026

In order to assess the fairness and reasonableness of the Revised Annual Cap for Project Services for FY2026, upon our request, we obtained the calculation of the Revised Annual Cap for Project Services for FY2026 from the Company. According to such calculation, we noted that the Revised Annual Cap for Project Services for FY2026 equals to the sum of (i) the Historical Amounts of Project Services for 8M2026 of approximately RMB468.8 million; (ii) the estimated amounts of the fees to be payable by the Group to the Xuyang Holding Group for the Project Services under the Project Services Framework Agreement for the rest four months ended 31 December 2026 ("**4M2026**") of approximately RMB547.3 million (the "**Estimated Amounts of Project Services for 4M2026**"); and (iii) a buffer of approximately 8%.

As the Historical Amounts of Project Services for 8M2026 represents the actual transaction amounts for the provision of the Project Services by the Xuyang Holding Group to the Group under the Project Services Framework Agreement, we are of the view that the Historical Amounts of Project Services for 8M2026 to be justifiable.

In respect of the Estimated Amounts of Project Services for 4M2026, the Company provided us with a summary list (the "**Summary List for Project Services for 4M2026**") which summarised the individual agreements, which have already been executed or expected to be executed, regarding the provision of the Project Services by the Xuyang Holding Group to the Group under the Project Services Framework Agreement that are expected to be performed by the Group during 4M2026 (together with the corresponding agreement amount and the budgeted amount for 4M2026).

According to the Summary List for Project Services for 4M2026, we noted that the sum of the budgeted amount of the aforementioned individual agreements equals to the Estimated Amounts of Project Services for 4M2026. In addition, upon our request, the Company also provided us with a set of internal documents for certain individual agreements (the budgeted amount of which covered over 60% of the total budgeted amount), including the executed agreements, public tendering and bidding documents, internal tender evaluation documents, invoices, internal assessment and approval documents, internal budgeting documents, project initiation documents and project schedules. After reviewing the aforementioned internal documents, nothing has come to our attention to cause us to doubt the authenticity and accuracy of the Summary List for Project Services for 4M2026. Hence, we are of the view that the Estimated Amounts of Project Services for 4M2026 to be justifiable.

We also noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% or less in the proposed annual caps is not uncommon. Therefore, we consider the buffer of approximately 8% to be reasonable.

In light of the above, we are of the view that the Revised Annual Cap for Project Services for FY2026 is fair and reasonable.

The Revised Annual Cap for Project Services for FY2027

According to the table above, the Revised Annual Cap for Project Services for FY2027 is the same as that for FY2026. The Directors advised us that they do not expect any material circumstance which may stimulate significant change in the provision of the Project Services by the Xuyang Holding Group to the Group for FY2027.

Accordingly, we are of the view that the Revised Annual Caps for Project Services for FY2027 is fair and reasonable.

Shareholders should note that as the Revised Annual Caps for Project Services are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of cost to be incurred from the procurement of the Project Services. Consequently, we express no opinion as to how closely the actual cost to be incurred from the procurement of the Project Services will correspond with the Revised Annual Caps for Project Services.

Having considered the above, including the principal terms of the Project Services Framework Agreement and the Project Services Supplemental Agreement, and the Revised Annual Caps for Project Services, we are of the view that the terms of the Revision of Annual Caps for Project Services are fair and reasonable.

Principal terms of the Revision of Annual Caps for Integrated Procurement

Set out below are the principal terms of the Revision of Annual Caps for Integrated Procurement, details of which are set out under the sub-section headed "Integrated Procurement Framework Agreement" under the section headed "Continuing Connected Transactions – Revision of the Existing Annual Cap under the Integrated Procurement Framework Agreement" of the Board Letter and the section headed "(2) 2025-2027 Integrated Procurement Framework Agreement and Integrated Procurement" of the Original Announcement.

Date:	31 December 2024 (Original) 28 September 2026 (Supplemental)
Parties:	(i) the Company; and (ii) Xuyang Holding
Term:	Three years commencing from 1 January 2025 and ending on 31 December 2027.
Scope of products to be procured	Xuyang Holding Group shall provide the Group with water purification chemicals, thermal coal, steel products, building materials, catalysts and other products required in its daily production and operations, together with related technical services (i.e. the Integrated Procurement).

Pricing policies

The prices of water purification chemicals, thermal coal, steel products, building materials, catalysts and other products as well as related technical services provided by Xuyang Holding Group shall be determined with reference to the market prices of the relevant products and services (including the market prices provided by independent third-party industry consultants from time to time), and shall be no less favorable than those offered by independent third-party suppliers under comparable circumstances.

We noted that, pursuant to the Integrated Procurement Supplemental Agreement, the above pricing policies set out under the Integrated Procurement Framework Agreement remain unchanged.

Based on our discussion with the Company's management, the above pricing policies would ensure that the prices for the Integrated Procurement shall be no less favorable than those offered by independent third-party suppliers under comparable circumstances, which is beneficial for the Group. Accordingly, the Revision of Annual Caps for Integrated Procurement will allow the Group to continue the Integrated Procurement from Xuyang Holding Group (without being limited by the existing annual caps), which is beneficial for the Group.

The Revised Annual Caps for Integrated Procurement

Set out below are (i) the actual fees (exclusive of tax) charged by the Xuyang Holding Group to the Group for the Integrated Procurement under the Integrated Procurement Framework Agreement for 8M2026 (the "**Historical Amounts of Integrated Procurement for 8M2026**") with the existing annual caps; (ii) the Revised Annual Caps for Integrated Procurement for the two years ending 31 December 2027:

	For the year ending 31 December 2026 *(RMB'000)*	**For the year ending 31 December 2027** *(RMB'000)*
Actual fees (exclusive of tax) charged by the Xuyang Holding Group to the Group for the Integrated Procurement under the Integrated Procurement Framework Agreement	141,800 *(Note)*	N/A
Existing annual caps	400,000	400,000
Utilisation rates	N/A	N/A

	For the year ending 31 December 2026 *(RMB'000)*	**For the year ending 31 December 2027** *(RMB'000)*
Revised Annual Caps for Integrated Procurement	600,000	600,000

Note: The figure was for the 8M2026.

The basis for determining the Revised Annual Caps for Integrated Procurement for the two years ending 31 December 2027 are set out under the sub-section headed "Integrated Procurement Supplemental Agreement and the Revised Annual Cap Thereunder" under the section headed "Continuing Connected Transactions – Revision of the Existing Annual Cap under the Integrated Procurement Framework Agreement" of the Board Letter.

The Revised Annual Cap for Integrated Procurement for FY2026

In order to assess the fairness and reasonableness of the Revised Annual Cap for Integrated Procurement for FY2026, upon our request, we obtained the calculation of the Revised Annual Cap for Integrated Procurement for FY2026 from the Company. According to such calculation, we noted that the Revised Annual Cap for Integrated Procurement for FY2026 equals to the sum of (i) the Historical Amounts of Integrated Procurement for 8M2026 of approximately RMB141.8 million; (ii) the estimated amounts of the fees to be payable by the Group to the Xuyang Holding Group for the Integrated Procurement under the Integrated Procurement Framework Agreement for 4M2026 of approximately RMB412.3 million (the "**Estimated Amounts of Integrated Procurement for 4M2026**"); and (iii) a buffer of approximately 8%.

As the Historical Amounts of Integrated Procurement for 8M2026 represents the actual transaction amounts for the provision of the Integrated Procurement by the Xuyang Holding Group to the Group under the Integrated Procurement Framework Agreement, we are of the view that the Historical Amounts of Integrated Procurement for 8M2026 to be justifiable.

In respect of the Estimated Amounts of Integrated Procurement for 4M2026, the Company provided us with a summary list (the "**Summary List for Integrated Procurement for 4M2026**") which summarised the individual agreements, which have already been executed or expected to be executed, regarding the provision of the Integrated Procurement by the Xuyang Holding Group to the Group under the Integrated Procurement Framework Agreement that are expected to be performed by the Group during 4M2026 (together with the corresponding agreement amount and the budgeted amount for 4M2026).

According to the Summary List for Integrated Procurement for 4M2026, we noted that the sum of the budgeted amount of the aforementioned individual agreements equals to the Estimated Amounts of Integrated Procurement for 4M2026. In addition, upon our request, the Company also provided us with a set of internal documents for certain individual agreements (the budgeted amount of which covered more than 60% of the total budgeted amount), including the executed agreements, public tendering and bidding documents, internal tender evaluation documents, invoices, internal assessment and approval documents, internal budgeting documents, project initiation documents and project schedules. After reviewing the aforementioned internal documents, nothing has come to our attention to cause us to doubt the authenticity and accuracy of the Summary List for Integrated Procurement for 4M2026. Hence, we are of the view that the Estimated Amounts of Integrated Procurement for 4M2026 to be justifiable.

We also noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% or less in the proposed annual caps is not uncommon. Therefore, we consider the buffer of approximately 8% to be reasonable.

In light of the above, we are of the view that the Revised Annual Cap for Integrated Procurement for FY2026 is fair and reasonable.

The Revised Annual Cap for Integrated Procurement for FY2027

According to the table above, the Revised Annual Cap for Integrated Procurement for FY2027 is the same as that for FY2026. As advised by the Directors, they do not expect any material circumstance which may stimulate significant change in the provision of the Integrated Procurement by the Xuyang Holding Group to the Group for FY2027.

Accordingly, we are of the view that the Revised Annual Caps for Integrated Procurement for FY2027 is fair and reasonable.

Shareholders should note that as the Revised Annual Caps for Integrated Procurement are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of cost to be incurred from the Integrated Procurement. Consequently, we express no opinion as to how closely the actual cost to be incurred from the Integrated Procurement will correspond with the Revised Annual Caps for Integrated Procurement.

Having considered the above, including the principal terms of the Integrated Procurement Framework Agreement and the Integrated Procurement Supplemental Agreement, and the Revised Annual Caps for Integrated Procurement, we are of the view that the terms of the Revision of Annual Caps for Integrated Procurement are fair and reasonable.

Listing Rules implications

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values or maximum value of the Project Services and the Integrated Procurement (as the case may be) must be restricted by the Revised Annual Caps; (ii) the terms of the Project Services and the Integrated Procurement (including the Revised Annual Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Project Services and the Integrated Procurement must be included in the Company's subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors

of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Project Services and the Integrated Procurement (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Project Services and the Integrated Procurement; and (iii) have exceeded the Revised Annual Caps. In the event that the values or maximum value of the Project Services and the Integrated Procurement (as the case may be) are anticipated to exceed the Revised Annual Caps, or that there is any proposed material amendment to the terms of the Project Services and the Integrated Procurement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Project Services and the Integrated Procurement and thus the interest of the Independent Shareholders would be safeguarded.

Recommendation on the Revision of Annual Caps

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Revision of Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Revision of Annual Caps are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Revision of Annual Caps and we recommend the Independent Shareholders to vote in favor of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.

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.

In forecasting the unit selling prices, the Valuer observed the industry price trends and their driving factors from four perspectives: (i) cycle: after a prolonged and deep correction, prices of mid-range artificial graphite bottomed out and began to stabilize and recover in the first half of 2026, public institutions expect the price midpoint to remain stable with a slow increase over the next two years, and prices are no longer on a one-way downward trend; (ii) supply and demand: industry capacity utilization has continued to recover, inefficient capacity is being phased out at an accelerated pace, leading enterprises are maintaining full production, and the marginal improvement in supply and demand provides a basis for price stabilization; (iii) costs: since 2026, the supply of major raw materials such as petroleum coke has been tight and their prices have risen significantly, shifting the industry cost curve upward as a whole, and against the background that the production profit of mid-range products once turned negative and industry profitability is in urgent need of recovery, costs provide bottom-up support for product prices; and (iv) constraints: the industry price recovery has entered its later stage, the room for further increases has naturally narrowed, and downstream battery manufacturers continue to pass on annual cost-reduction pressure by leveraging their scale purchasing advantages, so the momentum for price increases is limited. As for graphitization processing fees, industry processing fees have recovered from their lows and stabilized at a relatively high level within a relatively reasonable range, with relatively weak momentum for further increases.

In light of the above, 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.

Based on the above analysis, the forecast of the appraised entity's revenue from main business is as follows:

Unit: RMB0'000

Item	July – December 2026	2027	2028	2029	2030	2031
Anode materials business	57,513.32	187,868.96	237,928.28	325,583.27	387,289.36	392,802.76
Toll processing business	37,499.60	60,781.38	73,683.20	61,401.12	41,342.40	41,342.40
By-product business	5,902.53	38,677.75	58,150.80	63,965.88	63,965.88	63,965.88
Total	100,915.45	287,328.09	369,762.28	450,950.27	492,597.64	498,111.04

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.

Based on the above analysis, the forecast of the appraised entity's cost of main business is as follows:

Unit: RMB0'000

Item	July – December 2026	2027	2028	2029	2030	2031
Anode materials business	54,538.62	157,474.48	190,957.16	256,634.54	302,182.28	306,624.11
Toll processing business	27,115.42	43,107.20	50,057.45	41,234.11	28,735.71	28,807.29
By-product business	5,870.20	38,490.04	57,874.61	63,662.13	63,662.08	63,662.13
Total	87,524.24	239,071.72	298,889.22	361,530.78	394,580.07	399,093.53

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 + cash costs – employee compensation – taxes payable".

- 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.

The specific construction projects and the expected capitalization dates are as follows:

Project	Front-end (0'000 tonnes)	Mid-end – Graphitization (0'000 tonnes)	Back-end – Finished Products (0'000 tonnes)	Commissioning Date	Capitalization Date
200,000-tonne integrated anode materials project	6			July 2025	September 2025 – May 2026
	6			July 2026	October 2026
		10.50		July – August 2026	October 2026
			20	December 2026	January 2027
		10.50		Expected November 2026 – January 2027	Expected December 2026 – February 2027
	18			Expected January 2027	Expected February 2027
Total	30	23	28		

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.

Based on the above, the forecast of the appraised entity's net free cash flows is as follows:

Unit: RMB0'000

Item		July – December 2026	2027	2028	2029	2030	2031	Perpetuity
I.	Operating Revenue	**100,915.45**	**287,328.09**	**369,762.28**	**450,950.27**	**492,597.64**	**498,111.04**	**498,111.04**
	Operating Cost	87,524.24	239,071.72	298,889.22	361,530.78	394,580.07	399,093.53	391,725.89
	Taxes and Surcharges	324.31	1,347.82	1,376.19	1,530.90	3,339.03	3,358.88	3,225.05
	Selling Expenses	440.75	2,153.97	2,893.82	3,756.67	4,085.76	4,165.29	4,164.10
	Administrative Expenses	772.03	2,638.18	2,767.60	2,794.24	2,824.26	2,856.87	2,753.60
	R&D Expenses	1,152.10	2,779.97	3,603.27	4,475.52	5,127.17	5,630.95	5,609.43
	Financial Expenses	1,315.10	6,113.23	13,472.52	13,692.55	11,004.38	7,998.13	7,998.13
II.	Operating Profit	**9,386.93**	**33,223.20**	**46,759.66**	**63,169.61**	**71,636.97**	**75,007.39**	**82,634.84**
	Add: Non-operating Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Less: Non-operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III.	Total Profit	**9,386.93**	**33,223.20**	**46,759.66**	**63,169.61**	**71,636.97**	**75,007.39**	**82,634.84**
	Less: Income Tax Expense	150.23	4,566.48	6,473.46	8,804.11	9,976.47	17,344.11	19,256.35
IV.	Net Profit	**9,236.69**	**28,656.71**	**40,286.20**	**54,365.49**	**61,660.50**	**57,663.28**	**63,378.49**
	Interest Expense × (1 – Income Tax Rate)	1,072.99	5,068.57	11,287.33	11,438.27	9,134.82	5,803.29	5,803.29
V.	Net Profit Before Interest After Tax	**10,309.68**	**33,725.28**	**51,573.53**	**65,803.77**	**70,795.33**	**63,466.57**	**69,181.78**
	Add: Depreciation and Amortization	3,773.54	26,107.84	28,128.85	28,044.09	28,022.60	28,029.56	25,938.25
	Less: Capital Expenditure	136,835.06	132,186.89	25,998.25	2.71	164.90	63.75	10,593.20
	Net Increase in Working Capital	15,849.34	47,713.83	16,462.45	13,820.64	14,164.86	763.30	0.00
	Add: Others:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VI.	Net Free Cash Flows	**-138,601.18**	**-120,067.60**	**37,241.68**	**80,024.51**	**84,488.17**	**90,669.08**	**84,526.83**

VI. DETERMINATION OF THE DISCOUNT RATE

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

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

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:

$K_e = r_f + \text{MRP} \times \beta + r_c$

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 financial data and analytics terminal operated by Wind Information Co., Ltd., a provider of financial market data in the PRC, 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:

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

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. For this purpose, a listed company was regarded as principally engaged in the artificial graphite anode business if it satisfied any of the following criteria: (i) revenue from the artificial graphite anode business accounted for not less than 50% of its revenue from principal business; (ii) revenue from the artificial graphite anode business accounted for less than 50% of its revenue from principal business, but such business accounted for not less than 30% of both its revenue and its gross profit; or (iii) revenue from the artificial graphite anode business accounted for less than 50% of its revenue from principal business, but such business accounted for not less than 50% of its gross profit. The comparable listed companies set out in the table below represent an exhaustive list of all listed companies identified by the Valuer through the Wind Information System that satisfied the above criteria. The Valuer 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, β_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, KD 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:

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

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 PROCESS AND RESULTS

The calculation process are set out in the table below:

Unit: RMB0'000

Item	July – December 2026	2027	2028	2029	2030	2031	Perpetuity
Net Free Cash Flows	-138,601.18	-120,067.60	37,241.68	80,024.51	84,488.17	90,669.08	84,526.83
Discounting Period (Years)	0.25	1.00	2.00	3.00	4.00	5.00	
Discount rate (WACC)	11.91%	11.91%	11.91%	11.91%	11.91%	11.56%	11.56%
Discount Factor	0.9723	0.8936	0.7985	0.7135	0.6376	0.5706	4.9360
Present Value of Annual Net Cash Flows	-134,761.93	-107,292.41	29,737.48	57,097.49	53,869.66	51,735.77	417,224.46
Value of Operating Assets during Forecast Period	367,610.53						

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 is determined as follows:

Overall enterprise value = value of operating assets (RMB3,676,105,300) + net value of non-operating assets (-RMB177,025,700) + value of surplus assets (RMB148,840,200) + long-term equity investments (RMB19,918,500) = RMB3,667,838,300

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.

The following is the text of a report received from the Company's Reporting Accountant, BDO Limited

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

The following is the text of a letter received from the Board

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 after due and careful enquiry.

China Risun Group Limited
Board of Directors

September 23, 2026

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

2.1 Directors' interests

Save as disclosed below, to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name of Director	Capacity/nature of interest	Number of Shares held [1]	Number of underlying Shares held [1][2]	Approximate percentage of interest in the Company [5]
Yang Xuegang [3]	Interest in controlled corporation	3,392,795,928 (L)	–	76.17%
Lu Xiaomei [4]	Interest of spouse	3,392,795,928 (L)	–	76.17%
Yang Lu	Beneficial owner	7,030,000 (L)	–	0.16%
Li Qinghua	Beneficial owner	349,000 (L)	300,000 (L)	0.01%
Han Qinliang	Beneficial owner	300,000 (L)	200,000 (L)	0.01%
Wang Nianping	Beneficial owner	–	200,000 (L)	0.00%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) This represents the Shares underlying the share awards granted under the Share Award Plan, subject to the conditions (including vesting conditions) of those share awards.

(3) Texson Limited is wholly owned by Mr. Yang Xuegang. As at the Latest Practicable Date, Texson Limited directly held 3,182,910,928 Shares and was also deemed to be interested in the 209,885,000 Treasury Shares held by the Company under Part XV of the SFO. Accordingly, Mr. Yang Xuegang is deemed to be interested in all 3,392,795,928 Shares (including the 209,885,000 Treasury Shares) in which Texson Limited has an interest.

(4) Ms. Lu Xiaomei is the spouse of Mr. Yang Xuegang.

(5) This represents the percentage of the aggregate long positions in Shares and underlying Shares to the total number of issued Shares as at the Latest Practicable Date.

2.2 Substantial shareholders' interests

Save as disclosed below, to the best knowledge of the Directors, as at the Latest Practicable Date, there was no other person (other than the Directors and chief executive of the Company) who had any interest or short position in the Shares or underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or were required, pursuant to section 336 of the SFO, to be recorded in the register of the Company referred to therein, or had already been notified to the Company and the Stock Exchange:

Name of substantial shareholder	Capacity/nature of interests	No. of Shares Held [(1)]	Approximate percentage of interest in the Company
Texson Limited [(2)]	Beneficial owner	3,182,910,928 (L)	71.46%
	Interest in controlled corporation	209,885,000 (L)	4.71%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Texson Limited is wholly owned by Mr. Yang Xuegang. As at the Latest Practicable Date, Texson Limited directly held 3,182,910,928 Shares and was also deemed to be interested in the 209,885,000 Treasury Shares held by the Company under Part XV of the SFO.

3. DIRECTOR'S EMPLOYMENT WITH CONTROLLING SHAREHOLDER

As at the Latest Practicable Date, Mr. Yang Xuegang is also the sole director of Texson Limited, a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. OTHER ARRANGEMENTS INVOLVING DIRECTORS

(a) None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group; and

(b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since December 31, 2025 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) were proposed to be acquired or disposed of by; or (iv) were proposed to be leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Company since December 31, 2025, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Gram Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

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 Latest Practicable Date, each of the experts:

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

(b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

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

9. GENERAL

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

A copy of each of the following documents is available on the HKExnews website of the Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.risun.com) from the date of this circular up to and including the date of the EGM:

(i) the Capital Injection Agreement;

(ii) the Project Services Framework Agreement and the Project Services Supplemental Agreement; and

(iii) the Integrated Procurement Framework Agreement and the Integrated Procurement Supplemental Agreement.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Extraordinary General Meeting**" or the "**EGM**") of China Risun Group Limited (the "**Company**") will be held on Thursday, November 19, 2026 at 10:00 a.m. at Room 2001, 20/F., Sino Plaza, 255 Gloucester Road, Causeway Bay, Hong Kong, for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "THAT

   (a) the Capital Injection Agreement (as defined and described in the circular of the Company dated October 30, 2026 (the "**Circular**")) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed; and

   (b) any director of the Company be and is hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as he may in his absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Capital Injection Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Capital Injection Agreement which in his opinion is not of a material nature and to effect or implement any other matters referred to in this resolution."

2. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "THAT

   (a) the Project Services Supplemental Agreement (as defined and described in the Circular) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;

(b) the revised annual cap under the Project Services Supplemental Agreement for each of the two years ending December 31, 2027 be and is hereby approved, ratified and confirmed; and

(c) any director of the Company be and is hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as he may in his absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Project Services Supplemental Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Project Services Supplemental Agreement which in his opinion is not of a material nature and to effect or implement any other matters referred to in this resolution."

3. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

(a) the Integrated Procurement Supplemental Agreement (as defined and described in the Circular) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;

(b) the revised annual cap under the Integrated Procurement Supplemental Agreement for each of the two years ending December 31, 2027 be and is hereby approved, ratified and confirmed; and

(c) any director of the Company be and is hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as he may in his absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Integrated Procurement Supplemental Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Integrated Procurement Supplemental Agreement which in his opinion is not of a material nature and to effect or implement any other matters referred to in this resolution."

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

Hong Kong, October 30, 2026

Notes:

1. A form of proxy for use at the EGM (or any adjournment thereof) is enclosed herewith. Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her/it. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member.

2. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for holding the EGM (i.e. not later than 10:00 a.m. on Tuesday, November 17, 2026) (or any adjournment thereof).

4. Completion and return of the form of proxy in respect of the proposed ordinary resolutions for the EGM will not preclude a member of the Company from attending and voting in person at the EGM (or any adjournment thereof) should he/she so wish and in such event, the form of proxy for the EGM (or any adjournment thereof) will be deemed to have been revoked.

5. The resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

6. The register of members of the Company will be closed from Monday, November 16, 2026 to Thursday, November 19, 2026 (both days inclusive) for the purpose of determining the right to attend and vote at the EGM, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming EGM, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, November 13, 2026.

7. A circular giving details of the proposed resolutions has been published together with this notice to shareholders on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.risun.com).

8. The EGM is expected to last for no more than half a working day. Shareholders and their proxies attending the meeting are responsible for their own traveling and accommodation expenses.

As at the date of this notice, 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.