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China Risun Group Limited

中國旭陽集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1907)

CONNECTED TRANSACTION

ACQUISITION OF 100% EQUITY INTEREST IN RISUN RESEARCH

ACQUISITION

The Board would like to announce that on December 6, 2024, Risun Group (a wholly-owned subsidiary of the Company, as the purchaser) and Xuyang Holding (as the vendor) entered into the Equity Transfer Agreement, pursuant to which Risun Group acquired 100% equity interest in Risun Research from Xuyang Holding for a consideration of RMB181 million. Upon completion of the Acquisition, Risun Research will become an indirect wholly-owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xuyang Holding is a company beneficially owned by Mr. Yang Xuegang, the chairman and chief executive officer of the Company, and his spouse, Ms. Lu Xiaomei (also an executive Director of the Company). As such, Xuyang Holding is an associate of Mr. Yang Xuegang and a connected person of the Company, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5.0%, the Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board would like to announce that on December 6, 2024, Risun Group (a wholly-owned subsidiary of the Company, as the purchaser) and Xuyang Holding (as the vendor) entered into the Equity Transfer Agreement, pursuant to which Risun Group acquired 100% equity interest in Risun Research from Xuyang Holding for a consideration of RMB181 million. Upon completion of the Acquisition, Risun Research will become an indirect wholly-owned subsidiary of the Company.

I. THE EQUITY TRANSFER AGREEMENT

Major terms of the Equity Transfer Agreement are set out below:

Date

December 6, 2024

Parties

- (i) Xuyang Holding (as the vendor)
- (ii) Risun Group (as the purchaser)

Target Equity Interest

As agreed in the Equity Transfer Agreement, Xuyang Holding has agreed to transfer 100% equity interest in Risun Research held by it to Risun Group. Upon completion of the Acquisition, Risun Research will become an indirect wholly-owned subsidiary of the Company.

Conditions Precedent for the Closing

The closing of the Acquisition shall be subject to the satisfaction of the conditions precedent agreed by both parties, including, among others, the valid consideration and approval by both parties in respect of the Acquisition following their internal decision-making procedure, the satisfaction of Risun Group in respect of the legal and financial due diligence results of Risun Research and no breach of this Equity Transfer Agreement committed by Risun Research and Xuyang Holding. Such conditions precedent shall not be waived if they are the conditions compulsorily required under the PRC and overseas laws and regulations or by regulatory authorities in connection with the Acquisition.

Consideration

The consideration for the Acquisition is RMB181 million, which was determined after arm's length negotiations with reference to the value of all the shareholders' equity of Risun Research as at August 31, 2024 of approximately RMB181.17 million.

Risun Group shall pay the consideration for the Acquisition to Xuyang Holding in full within 6 months after the satisfaction of the aforesaid conditions precedent for the closing.

The Group will pay the consideration for the Acquisition with its internal resources.

Closing

Within 30 working days after the date of satisfaction of the aforesaid conditions precedent for closing and the payment of the transfer consideration, Xuyang Holding shall transfer the Target Equity Interest to Risun Group, complete the corresponding procedures for the change of industrial and commercial registration and amend the register of members of Risun Research, and Risun Group will be provided with a certificate of capital contribution. The date of completion of the change of industrial and commercial registration of the Target Equity Interest will be the closing date.

II. INFORMATION ON RISUN RESEARCH

Risun Research is a company incorporated on May 31, 2010 and validly existing under the PRC laws with limited liability. The principal scope of its business operations is engineering and technological research and trial development; technological promotion service; commercial premises leasing; property management; public parking services for motor vehicles; and mechanical equipment and electrical equipment.

Key items in the audited financial information on Risun Research for the eight months ended August 31, 2024 and for the two years ended December 31, 2023 and 2022, as prepared under the PRC generally accepted accounting principles, are extracted below:

	Eight months ended August 31, 2024 RMB'000	Year ended December 31, 2023 2022 RMB'000 RMB'000	
Net (loss) before taxation	(2,392.3)	(42,212.4)	(45,067.2)
Net (loss) after taxation	<u>(3,414.8)</u>	<u>(43,739.9)</u>	<u>(130,341.4)</u>
	As at August 31, 2024 RMB'000	As at December 31, 2023 2022 RMB'000 RMB'000	
Total assets	2,654,004.2	2,647,221.2	2,717,266.6
Net asset value	<u>180,304.4</u>	<u>183,719.3</u>	<u>227,459.1</u>

III. APPRAISAL OF TARGET EQUITY INTEREST

The parties agreed to engage KYSIN, an independent asset appraisal agency, to evaluate the Target Equity Interest in connection with the Acquisition. Based on the asset-based approach, as of the Appraisal Reference Date, the total assets of Risun Research were valued at approximately RMB2,654.02 million, and the total liabilities were approximately RMB2,472.85 million. The total equity of shareholders was valued at approximately RMB181.17 million, representing an appraisal appreciation of approximately RMB0.87

million and an appreciation rate of 0.48%. The appraisal appreciation was mainly due to the appraisal appreciation of property, plant and equipment and the appraisal impairment of current liabilities. Among them, the major asset of Risun Research is the investment property being Risun Plaza, with a value of approximately RMB2,498.54 million as at August 31, 2024 based on the income approach. Please refer to Appendix I to this announcement for the major assumptions and basis used in the appraisal report as well as the appraisal details of Risun Plaza.

IV. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has set up its headquarters in Beijing, the capital of the PRC, since 2002. The major asset of Risun Research is Risun Plaza, while the Group's headquarters is also located at Building 1 of Risun Plaza. The Acquisition enables the Group, as a listed company, to maintain the sustained and stable operation of headquarters office as required. Besides, apart from comprising 13 different functional management departments (such as the Administration Management Department, Financial Management Department, Investment and Financing Management Department, Strategic Planning Department, Capital Market Department, and Market Management Department), the headquarters also performs the functions of the Group's relevant research, development and innovation, talent introduction, data centre, algorithm centre, operations command centre and other management work. The Acquisition will enhance the management of the Group's Beijing headquarters, further strengthening these functions at the Hong Kong headquarters, thereby establishing a world-class benchmark and supporting the Group's long-term strategic objectives.

In addition, the acquisition of Risun Research, which holds Risun Plaza, represents a rare opportunity for the Group to make strategic deployment. Going forward, part of Risun Plaza will be used by the Group as its headquarters, and the remaining part will be held as the investment property of the Group. In the PRC, land is a scarce resource for a listed enterprise. Based on the prospect that the PRC economy may maintain prosperity and stability in the long term, and taking into account the geographical location (approximately 30-45 minutes drive from Beijing Daxing International Airport) and site area of Risun Plaza, the Company believes that Risun Plaza has ample potential for capital appreciation, which will in turn be conducive to strengthening the Group's profitability as well as increasing the returns for the Company and its shareholders as a whole.

Furthermore, the Acquisition reduces the connected transaction between the Company and Xuyang Holding in respect of the lease of Building 1 of Risun Plaza upon completion.

Based on the above reasons, the Directors (including all independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the transaction contemplated thereunder are on normal commercial terms or better, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

V. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xuyang Holding is a company beneficially owned by Mr. Yang Xuegang, the controlling shareholder, chairman and chief executive officer of the Company, and his spouse, Ms. Lu Xiaomei (also an executive Director of the Company). As such, Xuyang Holding is an associate of Mr. Yang Xuegang and a connected person of the Company, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5.0%, the Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yang Xuegang and Ms. Lu Xiaomei have abstained from voting on the Board resolutions regarding the consideration and approval of the Acquisition in accordance with the Articles of Association of the Company.

Deloitte has been engaged to report on the arithmetic accuracy of the discounted cash flow calculations used in the appraisal of investment properties held by Risun Research (i.e. Risun Plaza) prepared by KYSIN. Deloitte has issued a report confirming that the discounted cash flow was properly compiled based on the assumptions set out in the appraisal with regard to its arithmetic accuracy. The full text of the report issued by Deloitte on the arithmetic accuracy of the discounted cash flow calculations is included in Appendix II to this announcement.

The Board confirms that the profit forecast in the appraisal was prepared by the Board after due and careful enquiry, as set out in the letter included in Appendix III to this announcement.

VI. EXPERTS

The followings are the qualifications of experts who have provided opinions and/or advice contained in this announcement:

KYSIN An independent asset appraisal institution with asset appraisal qualifications in the PRC

Deloitte A certified public accountant

Each of the experts mentioned above has given and none of the experts has withdrawn its written consent to the issue of this announcement with the inclusion of its letters, reports and/or opinions and the references to its names (including its qualifications) included herein in the form and context in which it is included.

As at the date of this announcement, none of the experts nor their respective subsidiaries mentioned above held any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best knowledge, information, and belief of the Directors after making all reasonable inquiries, each of the above experts is an independent third party to the Group and is not a connected person of the Group.

As at the date of this announcement, as far as the Directors are aware, none of the experts nor their respective subsidiaries mentioned above have any direct or indirect interest in any material assets which have been, since December 31, 2023 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

VII. GENERAL INFORMATION

The Company and Risun Group

The Company is a leading integrated coke, coking chemicals and refined chemicals (including hydrogen-energy products) producer and supplier as well as relevant operation management services provider in the PRC with customers located in both the PRC and abroad. The Group initially operated four production bases in Hebei Province, the PRC and has since then expanded its operations to other provinces of the PRC, such as Inner Mongolia Autonomous Region and Shandong Province. It has gradually extended its overseas presence to Sulawesi Province, the Republic of Indonesia. Risun Group, an indirect wholly-owned subsidiary of the Company, is engaged in investment holding and other businesses in the PRC.

Xuyang Holding

Xuyang Holding is a company incorporated in the PRC with limited liability and beneficially owned by Mr. Yang Xuegang, the chairman and chief executive officer of the Company, and his spouse. 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.

VIII. DEFINITIONS

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

“Acquisition”	the transaction involving the acquisition of the Target Equity Interest from Xuyang Holding by Risun Group pursuant to the Equity Transfer Agreement
“Appraisal Reference Date”	August 31, 2024
“Board”	the board of Directors of the Company
“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 on November 8, 2007 and listed on the Stock Exchange (stock code: 1907)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Deloitte”	Deloitte Touche Tohmatsu
“Equity Transfer Agreement”	the Equity Transfer Agreement entered into between Risun Group and Xuyang Holding on December 6, 2024

“Group”	the Company and its subsidiaries
“KYSIN”	Beijing KYSIN Assets Appraisal Co., Ltd.* (北京坤元至誠資產評估有限公司), an independent third party asset appraiser
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and the Taiwan region
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Risun Group”	Risun Group Limited* (旭陽集團有限公司), a company incorporated in the PRC with limited liability on January 8, 2010 and an indirect wholly-owned subsidiary of the Company
“Risun Plaza”	Risun Plaza, a group of properties located at Buildings 1-3, Yard 6, Sihezhuang Road, Fengtai District, Beijing and 1-4 floors underground
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Risun Research”	Risun Chemicals Technology Research Co., Ltd.* (旭陽化學技術研究院有限公司), a company incorporated in the PRC with limited liability on May 31, 2010 and wholly owned by Xuyang Holding as of the date of this announcement
“Target Equity Interest”	100% equity interest of Risun Research
“Xuyang Holding”	Xuyang Holding Limited* (旭陽控股有限公司), a company incorporated in the PRC with limited liability on August 4, 2004 and a connected person of the Company

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

Hong Kong, December 6, 2024

As at the date of this announcement, the executive Directors of the Company 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.

* For identification purposes only

APPENDIX I: DETAILS OF THE APPRAISAL OF RISUN PLAZA

Major Assumptions for the Appraisal

The appraisal of the Target Equity Interest has been made by KYSIN based on the assumptions of an arm's length transaction, open market and going concern. It is also assumed that there are no significant changes in national and local policies, interest rates, exchange rates, etc., nor there are any factors that may affect the going concern status of Risun Research. On the basis of such general assumptions, it is further assumed that:

1. On the basis of its existing management practices and standards, the business scope and operational model of Risun Research will remain basically consistent with the current conditions, and its future development trend of its business will remain basically consistent with the development trend of the industry in which it operates as of the Appraisal Reference Date.
2. The operators of Risun Research are diligent and responsible, and its management team is capable of performing their responsibilities and fulfilling their duties.
3. The information provided by Risun Group and Risun Research (basic information, financial information, operational information, forecast information, etc.) is true, accurate and complete, with all significant matters fully disclosed.
4. Risun Research is in full compliance with all applicable laws and regulations currently in force.
5. The construction in progress and other sporadic projects of Risun Research are completed on schedule and will be put into service on December 31, 2024.
6. Risun Research will terminate the existing property service agreements with third parties from December 31, 2024 and manage its properties by itself in the future.

Appraisal Calculation and Analysis Process

1. Selection of Income Models

The income approach is a discounted cash flows method, applicable to the appraisal of real estate with income generation. If the subject of appraisal or its similar real estate usually has rental and other income, the income approach shall be adopted.

As of the date of the appraisal report (i.e. November 11, 2024), part of the appraised Risun Plaza was leased for office or commercial use. The lease market in the area where it is located is relatively active and mature, and the lease prices can be easily obtained. Therefore, on the basis of collective appraisal of buildings and lands, the income approach is suitable for the appraised investment properties.

The income approach is a method that utilizes the principle of expected income to determine the future normal net income of the appraised real estate, and discounts this income to the Appraisal Reference Date by selecting an appropriate discount rate (reduction rate) and then accumulates it to obtain the sum of the present value of net income for each year, based on which the objective and reasonable price or value of the appraised real estate is estimated. The estimation formula is as follows:

$$V = \sum_{i=1}^n \frac{A_i}{(1+R)^i}$$

Where:

V: Value of the appraised real estate;

A_i : Net income for the future year i ;

R: Discount rate;

i : Number of years in which future income will be available.

2. Income Approach Valuation Process

(a) *Physical status of the appraised asset*

Risun Plaza is located at Yard 6, Sihezhuang Road, Fengtai District, Beijing. It consists of Building 1, Building 2, Building 3 and Underground Garage No. 4, all of which are in a reinforced concrete structure, with a complete range of facilities such as supplies of water, electricity and heating and fire-fighting equipment. It has a total of 10 floors above ground, with stone facing and metal line. The buildings adopt aluminum alloy glass windows. The entrance hall has copper alloy eaves and the doors are of alloy. The indoor common areas are tiled and use the plasterboard ceiling, with each building equipped with passenger and freight elevators. There are four storeys underground in total, with interior-wall coatings. The type of rights is state-owned construction land use rights/building ownership rights. Its use period is from September 26, 2016 to September 25, 2066.

(b) *Total annual income (value-added tax (VAT) exclusive)*

Total income mainly includes rental income and property management fee income.

Rental income: As at the Appraisal Reference Date, the majority of the buildings have been leased out, with a comprehensive occupancy rate of 90.52% for the office area of Buildings 1, 2 and 3. The rental income within the scope of the lease for this appraisal is determined in accordance with the lease agreement. The rental income beyond the scope of the lease is determined on the basis of the appraisers' enquiry of the surrounding market rentals of the same type, and the rate of rental growth is determined based on the historical rental growth of the appraised real estate, with reference to the level of rental growth of similar properties in the locality and in conjunction with the prevailing economic conditions, as set out below:

Properties held by Risun Research	Leasable area (m ²)	Unit rental (RMB/day/m ²)	Rental growth rate
Jing (2023) Feng Property Right No. 0016030	16,255	RMB1.67~RMB6.35	In accordance with the lease agreement and market conditions, the rental growth rate ranges from 0%~3%
Jing (2022) Feng Property Right No. 0029637	19,968		
Jing (2022) Feng Property Right No. 0029636	19,959		
Jing (2022) Feng Property Right No. 0029635	20,310.08 square meters and 640 parking spaces		

Property management fee income: According to the office building lease agreement entered into between Risun Research and the lessee, the property management fee is RMB1 per square meter per day. The property management fee increases in tandem with the rental income.

VAT: The VAT on rental income of the building is calculated at 9% and the VAT on property management fee income of the building is calculated at 6%.

(c) Total annual expenses

Taxes and surcharges: Urban maintenance and construction tax is calculated at 7% of the VAT; education surcharge is calculated at 3% of the VAT; and local education surcharge is calculated at 2% of the VAT.

Real estate tax: Real estate tax is calculated at 12% of the non-taxable rental income.

Land use tax: Land use tax in the region is RMB3 per square meter.

Maintenance fee: Maintenance fee is calculated at 1% of the cost of building construction.

Management fee: Management fee is calculated at 5% of the annual effective rental income.

Insurance premium: Insurance premium is calculated at 0.1% of the total cost of building construction.

Deposit income refers to the deposit charged by the property owner to avoid default of the lessee. The annual deposit income is calculated by multiplying the rental income for 3 months by the interest rate of a 1-year demand deposit.

Rate of return: The risk-free rate plus risk adjustment method is adopted. This approach regards the rate of return as consisting of two components: the risk-free rate and the risk premium rate. The rate of return for each component is determined separately and then summed to calculate the overall rate of return, which is 5.5% (being the discount rate in respect of the property appraisal in this appraisal of equity interest).

Income duration: The income duration is determined based on the remaining land use term, which ends on September 25, 2066.

(d) Annual net income

Annual net income = total annual income (VAT exclusive) - total annual expenses + deposit income

3. Conclusion

Based on the above calculation method, the appraisal values of the properties held by Risun Research under Jing (2023) Feng Property Right No. 0016030, Jing (2022) Feng Property Right No. 0029637, Jing (2022) Feng Property Right No. 0029636 and Jing (2022) Feng Property Right No. 0029635 are RMB801.92 million, RMB684.80 million, RMB688.97 million and RMB322.85 million, respectively. Therefore, the aggregated appraisal value of the investment properties held by Risun Research (i.e. Risun Plaza) is approximately RMB2,498.54 million.

APPENDIX II: LETTER FROM DELOITTE

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF INVESTMENT PROPERTIES HELD BY RISUN CHEMICALS TECHNOLOGY RESEARCH CO., LTD.

TO THE DIRECTORS OF CHINA RISUN GROUP LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation of investment properties as at August 31, 2024 held by Risun Chemicals Technology Research Co., Ltd. (“**Target Company**”) (the “**Properties Valuation**”) as included in the valuation of the equity interest of the Target Company prepared by Beijing KYSIN Assets Appraisal Co., Ltd. dated November 11, 2024 is based. The Properties 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**”) and will be included in an announcement dated December 6, 2024 to be issued by China Risun Group Limited (the “**Company**”) in connection with the acquisition of 100% equity interest in Target Company (the “**Announcement**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

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

Our Independence and Quality Management

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

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

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Properties Valuation is based and to report solely to you, as a body, as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 6, 2024

APPENDIX III: LETTER FROM THE BOARD

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN RISUN RESEARCH

Reference is made to the appraisal report dated November 11, 2024 (the “**Appraisal Report**”) prepared by Beijing KYSIN Assets Appraisal Co., Ltd.* (北京坤元至誠資產評估有限公司) (“**KYSIN**”) in respect of the appraisal of the 100% equity interest in Risun Chemicals Technology Research Co., Ltd.* (旭陽化學技術研究院有限公司), a company incorporated in the PRC and is held as to 100% by Xuyang Holding Limited* (旭陽控股有限公司), as at August 31, 2024 (the “**Appraisal**”). The Appraisal has been prepared on the basis of the enterprise free cash flow model under the income approach, which involves the calculation of discounted cash flows and therefore constitutes a profit forecast as required under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Board of Directors of the Company (the “**Board**”) has reviewed and discussed with KYSIN the basis and assumptions of the Appraisal. The Board has also considered the report of Deloitte Touche Tohmatsu dated December 6, 2024 on the arithmetic accuracy of the calculation of the profit forecast of investment properties held by Risun Research in the Appraisal Report.

Pursuant to Rule 14.60A(3) of the Listing Rules, the Board confirms that the profit forecast applied in the above Appraisal Report has been made after due and careful enquiries.

Yours faithfully,
For and on behalf of the Board
China Risun Group Limited
Yang Xuegang
Chairman

December 6, 2024