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Sinopec Shanghai Petrochemical Company Limited

中國石化上海石油化工股份有限公司

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00338)

Connected Transaction

Deemed Disposal in Relation to Capital Increase of a Wholly-owned Subsidiary

THE CAPITAL INCREASE

The Board is pleased to announce that Carbon Fiber Company has completed Public Tender. On 28 February 2026, the Company entered into a Capital Increase Agreement with Sinopec Corp., Carbon Fiber Company and other strategic investors, respectively. Parties agreed to subscribe for the newly increased registered capital of Carbon Fiber Company in accordance with the terms and conditions stipulated in the Capital Increase Agreement. Among them, Sinopec Corp. subscribed for the newly increased registered capital of RMB300 million, and its shareholding percentage upon completion of the Capital Increase was 25%; the increase in the remaining registered capital of RMB300 million was subscribed by other strategic investors.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Sinopec Corp. holds approximately 51.81% of the issued share capital of the Company and is the controlling Shareholder of the Company. According to the Shanghai Listing Rules and Chapter 14A of the Hong Kong Listing Rules, Sinopec Corp. is a connected (related) person of the Company. Therefore, the Capital Increase by Sinopec Corp. will constitute connected transaction of the Company.

Upon completion of the Capital Increase, the Company's interest in Carbon Fiber Company will be diluted from 100% to 50%. Pursuant to Rule 14.29 of the Hong Kong Listing Rules, the Capital Increase will constitute a deemed disposal of the interest in a subsidiary. As the applicable percentage ratio in respect of the Capital Increase by Sinopec Corp. exceeds 0.1% but is less than 5%, the Capital Increase by Sinopec Corp. is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In accordance with Rule 6.3.7 of the Shanghai Listing Rules, the Capital Increase is not subject to approval at general meeting of the Company.

As the applicable percentage ratio in respect of the Capital Increase is less than 5%, the Capital Increase does not constitute a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

I. INTRODUCTION

Reference is made to the announcement (the “**Announcement**”) of the Company dated 29 December 2025 in relation to Carbon Fiber Company, a wholly-owned subsidiary of the Company, proposing to simultaneously increase its registered capital by RMB600 million by way of capital increase via non-public agreement and Public Tender. Unless otherwise stated, capitalized terms used in this announcement shall have the same meaning as in the Announcement.

The Board is pleased to announce that Carbon Fiber Company has completed Public Tender. On 28 February 2026, the Company entered into a Capital Increase Agreement with Sinopec Corp., Carbon Fiber Company and other strategic investors, respectively. Parties agreed to subscribe for the newly increased registered capital of Carbon Fiber Company in accordance with the terms and conditions stipulated in the Capital Increase Agreement. Among them, Sinopec Corp. subscribed for the newly increased registered capital of RMB300 million, and its shareholding percentage upon completion of the Capital Increase was 25%; the increase in the remaining registered capital of RMB300 million was subscribed by other strategic investors.

II. PRINCIPAL TERMS OF CAPITAL INCREASE AGREEMENT BY SINOPEC CORP.

The principal terms of the Capital Increase Agreement of Inner Mongolia New Jinshan Carbon Fiber Co., Ltd. entered by the Company and other strategic investors regarding the public capital increase in the Capital Increase are substantially consistent with those of the Capital Increase Agreement by Sinopec Corp. The principal terms of Capital Increase Agreement by Sinopec Corp. are set forth below:

| | |
|---------------------------|--|
| Date | 28 February 2026 |
| Parties | 1) the Company; and 2) Sinopec Corp. |
| Contents of Transactions: | The registered capital of Carbon Fiber Company increased from RMB600 million to RMB1.2 billion, of which RMB300 million was subscribed by Sinopec Corp. in accordance with the subscription price and conditions stipulated in the Capital Increase Agreement. |

Consideration and Payment: The price for the Capital Increase is RMB600,005,622.10. Sinopec Corp. will subscribe for the corresponding registered capital with a total of RMB300,002,811.05, accounting for 25% of the registered capital of Carbon Fiber Company upon completion of the Capital Increase, of which RMB300 million will be included in the registered capital of Carbon Fiber Company, and the remaining RMB2,811.5 will be included in the capital reserve of Carbon Fiber Company.

After all closing conditions stipulated in the Capital Increase Agreement by Sinopec Corp. are satisfied or appropriately waived, Sinopec Corp. shall pay the invested proceeds to Carbon Fiber Company's bank account via bank remittance within 10 working days from the effective date of the Capital Increase Agreement.

Board Composition: The board of Carbon Fiber Company consists of 7 directors, of which 3 directors are nominated by the Company, 2 directors are nominated by Sinopec Corp., 1 director is nominated by Wushenqi State-owned Investment Group, and 1 director is nominated by Dongfang Wind Power. The board shall have one chairman, nominated by the Company, and one vice chairman, nominated by Sinopec Corp., the chairman and the vice chairman shall be elected by the board.

CCB Investment shall appoint one observer. The observer shall be entitled to attend board meetings and express opinions at the meetings, but shall not enjoy the voting rights, decision-making rights or other decision-making rights related to the company's decisions at board meetings.

Operation and Management: Carbon Fiber Company shall have five senior management, including one general manager, three deputy general managers, and one financial officer. The general manager, two deputy general managers, and the financial officer shall be nominated by the Company. One deputy general manager, responsible for joint development of local enterprises, shall be nominated by Wushenqi State-owned Investment Group.

The legal representative of Carbon Fiber Company shall be served by the general manager. The senior management of Carbon Fiber Company shall be responsible for implementing the resolutions of the board and the daily operation and management of Carbon Fiber Company. The operation and management of Carbon Fiber Company shall comply with the Company Law of the People's Republic of China, as well as the internal relevant policies and management systems of Sinopec Corp., and shall be subject to the guidance of Sinopec Corp. and its relevant functional departments in terms of business.

Effectiveness:

The Capital Increase Agreement shall take effect on the date which all of the following conditions are satisfied:

- (1) the Capital Increase Agreement has been signed by the legal representatives or authorized representatives of the parties and affixed with the official seals of the entities.
- (2) the Capital Increase by Sinopec Corp. has obtained the approval issued by the state-funded enterprise in relation to consent of the Capital Increase by Sinopec Corp. via a non-public agreement.
- (3) the Capital Increase by Sinopec Corp. has been approved by the Company through its internal appropriate procedures.

Closing Conditions and
Closing Arrangements

Each party under the Capital Increase Agreement shall have the obligation to facilitate the completion of the Capital Increase and shall make its best efforts to satisfy the relevant closing conditions on or before 28 February 2026.

The closing conditions primarily include: (1) completion of the execution and approval of the Capital Increase Agreement and other transaction documents, and completion of all other Public Tender procedures on the CBEX except for obtaining the capital increase certificate; (2) the representations and warranties made by the parties remain true and accurate as at the closing date; and (3) no material breach or material adverse change occurs at Carbon Fiber Company between the execution date and the closing date.

III. SHAREHOLDING STRUCTURE AFTER THE CAPITAL INCREASE

Prior to the completion of the Capital Increase, the registered capital of Carbon Fiber Company was RMB600 million, and it was a wholly-owned subsidiary of the Company. Upon completion of the Capital Increase, the registered capital of Carbon Fiber Company was RMB1.2 billion, and its shareholding structure is as follows:

| No. | Name of Shareholder | Subscribed Registered Capital (RMB'0000) | Capital Increase Amount (RMB'0000) | Shareholding Percentage |
|--------------|---------------------------------------|---|---|----------------------------|
| 1 | The Company | 60,000 | – | 50% |
| 2 | Sinopec Corp. | 30,000 | 30,000.281105 | 25% |
| 3 | Wushenqi State-owned Investment Group | 15,000 | 15,000.140553 | 12.5% |
| 4 | Dongfang Wind Power | 7,500 | 7,500.070276 | 6.25% |
| 5 | CCB Investment | 7,500 | 7,500.070276 | 6.25% |
| Total | | 120,000 | 60,000.562210 | 100% |

The portion of the total funds raised from the Capital Increase that exceeds the newly registered capital of the Carbon Fiber Company shall be included in its capital reserve and shared by new and existing Shareholders.

IV. BASIS FOR THE CONSIDERATION

The subscription price for the Capital Increase (including the Capital Increase by Sinopec Corp.) refers to the asset valuation of Carbon Fiber Company determined by the asset-based approach in the Valuation Report prepared by Beijing Zhongtonghua Asset Appraisal Co., Ltd.* (北京中同華資產評估有限公司) with the Valuation Benchmark Date set as 30 September 2025 (subject to the amount stated in the filed Valuation Report), and is subject to the results of Public Tender. According to the Valuation Report, the net book value of the 100% equity interest in Carbon Fiber Company is RMB600 million, with a valuation of RMB600.00562210 million and an appreciation rate of 0.001%. For further details of the Valuation Report, please refer to the appendix to the announcement.

As the aforementioned valuation results have completed the corresponding filing procedures in accordance with relevant regulations on state-owned asset supervision and management. Subject to the results of the Public Tender solicitation by other strategic investors through the CBEX, the price for the Capital Increase has been determined at RMB600.00562210 million.

V. INFORMATION ON THE CARBON FIBER COMPANY

Carbon Fiber Company was established on 19 February 2025 with its registered capital of RMB600 million as of the date of the announcement, which is mainly engaged in the production and sale of carbon fiber, with primarily targeting markets of the pultruded panels for wind turbine blades, transportation materials and new materials for energy storage.

As of 30 September 2025, Carbon Fiber Company had total assets of RMB600.1262 million, total liabilities of RMB0.1262 million and owners' equity of RMB600 million. As of 30 September 2025, Carbon Fiber Company had not generate any revenue or profit.

VI. FINANCIAL EFFECTS OF THE CAPITAL INCREASE AND THE USE OF PROCEEDS

As Sinopec Corp. and other strategic investors invest in Carbon Fiber Company as a result of the capital increase in cash, it is estimated that, save and except for the relevant transaction costs and expenses, the Capital Increase will not result in any profit or loss to the Company. Upon completion of the Capital Increase, Carbon Fiber Company will remain a subsidiary of the Company and include in the consolidated financial statements of the Company.

The total funds raised from the Capital Increase will be used for the research and development as well as the production launch of the Carbon Fiber Company's projects, thereby enhancing its production capacity and industrial competitiveness. The proportion exceeding the newly increased registered capital of the Carbon Fiber Company shall be included in the capital reserves of the Carbon Fiber Company and shared by its new and existing Shareholders.

VII. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The carbon fiber industry of the Company is in line with its corporate resource endowment, exhibits clear development trend, and builds upon a solid foundation of prior exploration, thereby possessing the conditions to foster new quality productive forces. By integrating industrial collaboration with capital operations, the Capital Increase aims to advance the restructuring, capital introduction, and high-quality development of the carbon fiber business, which will facilitate breakthroughs in the high-end segment of the new materials industry and establish a win-win cooperation system centered on industrial synergy. Sinopec Corp.'s participation in this Capital Increase will enable it to rapidly advance the Carbon Fiber Company's projects toward scaled production, and accelerate the integration of the industrial chain. By virtue of its own strong scientific research capabilities as well as engineering expertise, Sinopec Corp. can effectively enhance the efficiency of carbon fiber technology R&D and achieve breakthroughs in high-end product development. From a market positioning perspective, this action will help to expand the application of high-performance carbon fiber in high-growth sectors such as new energy and aerospace, seizing the initiative in green development. Simultaneously, by optimizing the shareholding structure of the Carbon Fiber Company through the introduction of capital and strategic investors, the enterprise's market

competitiveness will be further strengthened, assisting the Company in establishing a strategic foothold in the new materials sector, which will contribute to the nation's long-term carbon neutrality goals.

VIII. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Sinopec Corp. holds approximately 51.81% of the issued share capital of the Company and is the controlling Shareholder of the Company. According to the Shanghai Listing Rules and Chapter 14A of the Hong Kong Listing Rules, Sinopec Corp. is a connected (related) person of the Company. Therefore, the Capital Increase by Sinopec Corp. will constitute connected transaction of the Company.

Upon completion of the Capital Increase, the Company's interest in Carbon Fiber Company will be diluted from 100% to 50%. Pursuant to Rule 14.29 of the Hong Kong Listing Rules, the Capital Increase will constitute a deemed disposal of the interest in a subsidiary. As the applicable percentage ratio in respect of the Capital Increase by Sinopec Corp. exceeds 0.1% but is less than 5%, the Capital Increase by Sinopec Corp. is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In accordance with Rule 6.3.7 of the Shanghai Listing Rules, the Capital Increase is not subject to approval at general meeting of the Company.

As the applicable percentage ratio in respect of the Capital Increase is less than 5%, the Capital Increase does not constitute a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

IX. REVIEW PROCEDURES OF THE CAPITAL INCREASE

The Board has considered and approved the relevant resolution regarding the Capital Increase (including the Capital Increase by Sinopec Corp.) on 29 December 2025. The Directors, Mr. Guo Xiaojun, Mr. Du Jun and Mr. Xie Zhenglin, due to their positions held in the connected persons, abstained from voting at the meeting of the Board.

The Board (including independent non-executive Directors) is of the view that Sinopec Corp. is in sound financial positions and has the ability to pay. The Capital Increase will have no material effect on the Company's future operation and will not result in new connected transactions, horizontal competition, or occupation of non-operating capital of the Company by controlling Shareholders of the Company and their connected persons. Although the Capital Increase by Sinopec Corp. does not fall within the ordinary course of business of the Company, the Capital Increase by Sinopec Corp. is conducted on normal commercial terms, which is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

According to the Shanghai Listing Rules, relevant information on the Capital Increase has been submitted to a special meeting of independent non-executive Directors prior to the approval of the Board, for convenience in terms of its review and approval. At the 16th special meeting of independent Directors of the 11th session of the Board, all independent non-executive Directors including Mr. Tang Song, Mr. Chen Haifeng, Mr. Yang Jun, Ms. Zhou Ying and Mr. Huang Jiangdong unanimously agreed on the Capital Increase and approved to submit the relevant resolution to the Board for consideration.

The Capital Increase has obtained the relevant approval from the competent state-owned assets administration authority, China Petrochemical Corporation, and does not require approvals from any other relevant authorities.

X. GENERAL INFORMATION

The Company

Located at Jinshanwei in the southwest of Shanghai, the Company is a highly integrated petrochemical enterprise which mainly processes crude oil into a broad range of refinery products and chemical products.

Sinopec Corp.

Sinopec Corp. is a joint stock company established in China, which is mainly engaged in the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre, and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other chemical commodities and technologies; and research, development and application of technologies and information; hydrogen energy business and related services such as hydrogen production, storage, transportation and sales; battery charging and swapping of the new energy vehicles, solar energy, wind energy and other new energy business and related services.

Wushenqi State-owned Investment Group

Wushenqi State-owned Investment Group is a limited liability company established in China, primarily engaged in investment activities with own funds. It is 100% owned by the State-owned Assets Supervision and Administration Commission of Wushenqi.

Dongfang Wind Power

Dongfang Wind Power is a joint stock company established in China, primarily engaged in the manufacturing and sales of new energy primary equipment, as well as wind power technical services. It is controlled by Dongfang Electric Corporation Limited.

CCB Investment

CCB Investment is a limited liability company established in China, primarily engaged in non-banking financial businesses. It is 100% owned by China Construction Bank Corporation.

DEFINITIONS

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

| | |
|---|--|
| “Board” | the board of directors of the Company |
| “CBEX” | China Beijing Equity Exchange |
| “Capital Increase” | Carbon Fiber Company simultaneously increases its registered capital by RMB600 million by way of capital increase via non-public agreement and Public Tender |
| “Capital Increase Agreement by Sinopec Corp.” | the Capital Increase Agreement of Inner Mongolia New Jinshan Carbon Fiber Co., Ltd.* (關於內蒙古新金山碳纖維有限公司之增資協議) entered into by the Company with Sinopec Corp. and Carbon Fiber Company on 28 February 2026 |
| “Capital Increase Agreement” | the Capital Increase Agreement by Sinopec Corp. and the Capital Increase Agreement of Inner Mongolia New Jinshan Carbon Fiber Co., Ltd.* (關於內蒙古新金山碳纖維有限公司之增資協議) entered into between the Company and other strategic investors regarding the public capital increase in the Capital Increase |
| “Capital Increase by Sinopec Corp.” | Sinopec Corp. subscribes for the newly increased registered capital of Carbon Fiber Company of RMB300 million by way of capital contribution to Carbon Fiber Company in accordance with the terms and conditions stipulated in the Capital Increase Agreement |
| “Carbon Fiber Company” | Inner Mongolia New Jinshan Carbon Fiber Co., Ltd.* (內蒙古新金山碳纖維有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement |
| “CCB Investment” | CCB Financial Asset Investment Co., Ltd.* (建信金融資產投資有限公司) |

| | |
|-----------------------------|---|
| “Company” | Sinopec Shanghai Petrochemical Company Limited, a joint stock company incorporated in the PRC and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00338) as well as in the Shanghai Stock Exchange (stock code: 600688), with the ultimate beneficial owner being the State-owned Assets Supervision and Administration Commission of the State Council |
| “Director(s)” | director(s) of the Company |
| “Dongfang Wind Power” | Dongfang Electric Wind Power Co., Ltd.* (東方電氣風電股份有限公司) |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong Listing Rules” | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “other strategic investors” | Wushenqi State-owned Investment Group, Dongfang Wind Power and CCB Investment |
| “PRC” or “China” | the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Public Tender” | the public tender at CBEX |
| “RMB” | Renminbi, the lawful currency of the People’s Republic of China |
| “Shanghai Listing Rules” | Rules Governing the Listing of Stocks on Shanghai Stock Exchange |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “Sinopec Corp.” | China Petroleum & Chemical Corporation, a joint stock company incorporated in the PRC and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00386) as well as in the Shanghai Stock Exchange (stock code: 600028), with the ultimate beneficial owner being the State-owned Assets Supervision and Administration Commission of the State Council |

| | |
|---|--|
| “Valuation Report” | the Asset Valuation Report of the Value of Entire Equity Interests Attributable to the Shareholders Involved in the Proposed Introduction of Strategic Investors by Inner Mongolia New Jinshan Carbon Fiber Co., Ltd.*(內蒙古新金山碳纖維有限公司擬引進戰略投資者涉及的內蒙古新金山碳纖維有限公司股東全部權益價值項目資產評估報告) (ZTHPBZ (2025) No. 042228) issued by Beijing Zhongtonghua Asset Appraisal Co., Ltd. *(北京中同華資產評估有限公司) on 15 December 2025 |
| “Wushenqi State-owned Investment Group” | Wushenqi State-owned Capital Investment Group Co., Ltd.* (烏審旗國有資本投資集團有限公司) |
| “%” | percentage |

By Order of the Board
Sinopec Shanghai Petrochemical Company Limited
Liu Gang
Joint Company Secretary

Shanghai, the PRC, 1 March 2026

As at the date of this announcement, the executive Directors of the Company are Guo Xiaojun, Lu Zhiyong, Du Jun and Huang Xiangyu; the non-executive Directors of the Company are Xie Zhenglin and Qin Zhaohui; and the independent non-executive Directors of the Company are Tang Song, Chen Haifeng, Yang Jun, Zhou Ying and Huang Jiangdong.

APPENDIX: FURTHER DETAILS OF THE VALUATION REPORT

Valuation Benchmark Date: 30 September 2025

Subject and Scope of Valuation

The subject of valuation is entire equity interests attributable to the Shareholders of Carbon Fiber Company. The asset scope involved in the subject of valuation covers all assets and liabilities of Carbon Fiber Company.

The physical assets declared by Carbon Fiber Company and included in the scope of valuation include construction in progress and intangible assets – land use rights. The types and characteristics of the major assets are as follows:

1. *Construction in progress*

The construction in progress pertains to Carbon Fiber Company's annual production of 30,000 tons of carbon fiber project which commenced in July 2025 and is expected to be completed in December 2027. The project construction consists of the main production workshop, storage facilities, public auxiliary facilities, factory front area, public utility corridor in the factory, and overall factory area. As of the Valuation Benchmark Date, the book value of the construction in progress primarily comprises main project construction fees, project exploration and design costs, site formation fee and temporal facilities expenses, etc., with a total book value of RMB121,971,809.19.

2. *Intangible assets – land use rights*

The land use rights included in the scope of valuation for intangible assets are those owned by Carbon Fiber Company (primarily comprising three parcels of industrial land, with a total area of 170,381.80m²) and are not mortgaged.

Valuation Methods and Selection Reasons

The valuation has adopted the valuation results derived from asset-based approach as the valuation conclusion.

The asset-based approach for valuation of enterprise value is a method to determine the value of the valuation subject based on the balance sheet of the valuated entity as of the Valuation Benchmark Date by appraising the value of the assets and liabilities on-balance sheet and that can be identified off-balance sheet. The valuation has adopted the valuation results derived from asset-based approach as the valuation conclusion, primarily because Carbon Fiber Company is primarily engaged in carbon fiber production. As of the Valuation Benchmark Date, its production lines are under construction and have not yet achieved stable operations, with uncertainties existing in future product sales, selling prices, and other factors. Furthermore, the valuers analyzed that various assets and liabilities of

Carbon Fiber Company can be effectively identified, which can, to a certain extent, objectively and reasonably reflect the overall value of the enterprise. In summary, the valuation results derived from the asset-based approach can more objectively and reasonably reflect the value of entire equity interests attributable to the Shareholders of Carbon Fiber Company.

Specific valuation methods for various assets and liabilities are as follows:

1. Valuation of current assets

Current assets of the valuated entity include monetary funds, other receivables and other current assets.

- (1) Monetary funds are bank deposits, and the valuation is determined based on the verified value through verifying bank statements, bank letters, etc.
- (2) Based on the correct verification, for other receivables that have been recovered after the period and for which there is sufficient reason to believe that they can be fully recovered, the valuation is recognised at the book balance.
- (3) Valuation of other current assets

Other current assets are VAT to be deducted. The valuers determined the valuation based on the verified value after understanding the book value's implications, letter of confirmation, verification of documents evidencing payment of taxes and application of relevant policy basis.

2. Valuation of non-current assets

The non-current assets of the valuated entity include construction in progress, intangible assets and other non-current assets.

(1) Construction in progress

Based on the characteristics of construction in progress, the cost method is adopted for the valuation. For project where the commencement date is within half a year before the Valuation Benchmark Date, the verified book value is adopted as the valuation.

(2) Intangible assets – land use rights

The valuation method adopted in the valuation is determined pursuant to the Regulations on Valuation of Urban Land (《城鎮土地估價規程》) and based on the development status of local real estate market, the specific characteristics of the valuation subject and the valuation purpose. Based on the on-site survey and analysis by the valuers, due to local

similar land use rights with active trading in the markets, the market comparison method shall be applied in the valuation, so the market comparison approach is adopted to appraise the value of land use rights.

Market comparison approach refers to the land to be appraised by comparing against similar land properties in recent market transactions as at the Valuation Benchmark Date which can replace the land to be appraised based on the market substitution principle, with appropriate revisions made to the transaction price of similar land, in order to estimate the objective and reasonable price of the land to be appraised.

Formula: $V = V_B \times A \times B \times C \times D \times E$

Where:

V – Price of the land to be appraised;

V_B – Price of comparable land;

A – Land to be appraised transaction indicator/Comparable land transaction indicator;

B – Land to be appraised price indicator as at the Valuation Benchmark Date/Comparable land price indicator as at transaction date;

C – Land to be appraised region factor condition indicator/Comparable land region factor condition indicator;

D – Land to be appraised individual factor condition indicator/Comparable land individual factor condition indicator;

E – Land to be appraised period correction indicator/Comparable land period correction indicator.

(3) *Other non-current assets*

Other non-current assets are prepayments for projects and large equipment. Based on an understanding of the composition of the book value and verification of relevant contracts and invoices, the valuation is determined based on the verified value.

3. *Valuation of current liabilities*

Liabilities include tax payable and other payables. Based on the review and verification of various liabilities, the valuation is determined according to the liabilities items and the amount actually borne by the valuated entity after realization of the valuation purpose.

Valuation Assumptions

1. *General assumptions*

- (1) Transaction assumption: all assets to be appraised are assumed to be in the transaction process already, the asset valuers conduct the valuation according to the simulated market such as transaction conditions of the assets to be appraised.
- (2) Open market assumption: both parties of the asset transaction are assumed to be in equal position for the assets traded or proposed to be traded in the market, where opportunities and time are available for both to access adequate market information, in order to make rational judgements for the functions, uses and transaction prices of the assets.
- (3) Going concern assumption: the valuated entity is assumed to fully comply with all relevant laws and regulations, and will operate continually in the foreseeable future.

2. *Special assumptions*

- (1) This valuation regards the specific valuation purpose listed in the asset Valuation Report as its premises of basic assumptions;
- (2) There is no significant change in the relevant existing laws and regulations of the PRC or in the macroeconomic conditions of the PRC, and there is no unforeseeable significant change in external economic environment such as interest rate, tax basis and tax rate, and policy-related levies;
- (3) This valuation assumes the full accountability of valuated entity's management team in the future, and the existing business management mode, business scope and approach remain consistent with the present direction;
- (4) This valuation assumes the appraised assets are in continuous use according to the present use and its mode, size, frequency and environment of use, without taking into account the respective optimal use of each asset;
- (5) On the basis of the existing management mode and management level of the company, it is assumed that there will be no material adverse impacts on the enterprise arising from other force majeure and unforeseeable factors;
- (6) The relevant basic information and financial information provided by the valuated entity are true, accurate and complete;
- (7) The financial report and transaction data of the comparable companies relied on by the valuers are true and reliable;

- (8) The valuation scope is only based on the declaration form for valuation provided by the principal and the valuated entity, without taking into account the possible contingent assets and contingent liabilities outside of the list provided by the principal and the valuated entity;
- (9) This valuation assumes the enterprise would obtain a net cash flow in the year evenly.

3. Valuation limitations

- (1) This valuation conclusion estimates the market value of the valuation subject on the basis for the purpose of this valuation and under the assumption of open market, without considering the impact on the valuation caused by the potentially increased or decreased price resulted from the special transaction method, or the impact on the asset value caused by changes of the macroeconomic environment and the natural force and other force majeure.
- (2) The Valuation Benchmark Date adopted by the Valuation Report has been stated herein, and our estimate of the value is based on the purchasing power of the currency of the place where the enterprise is located as at the Valuation Benchmark Date.
- (3) The valuation conclusions in this report are based on the above assumptions and limitations. If there are events that do not align with the above assumptions and limitations, the valuation results are generally considered to be invalid.

Valuation Conclusion

As at the Valuation Benchmark Date, the book value of the total assets of Carbon Fiber Company amounted to RMB600,126,200 and the valuation amounted to RMB600,131,800, representing an appreciation rate of 0.001%; the book value of liabilities amounted to RMB126,200 and the valuation amounted to RMB126,200, representing no changes in appreciation/depreciation; the book value of net assets amounted to RMB600,000,000, the valuation amounted to RMB600,005,600, representing an appreciation rate of 0.001%. The results of the valuation under asset-based approach are detailed in the following summary table of valuation results:

Summary of Asset Valuation Results

Unit: RMB0'000

| Items | | Net book value A | Valuation B | Appreciation/ depreciation C=B-A | Appreciation rate (%) D=C/A×100 |
|-------------------------------|-----------|------------------------|------------------|--|---------------------------------------|
| Current assets | 1 | 31,117.05 | 31,117.05 | 0.00 | 0.00 |
| Non-current assets | 2 | 28,895.57 | 28,896.13 | 0.56 | 0.00 |
| Construction in progress | 3 | 12,197.18 | 12,197.18 | 0.00 | 0.00 |
| Intangible assets | 4 | 2,034.48 | 2,035.04 | 0.56 | 0.03 |
| Including: Land use rights | 5 | 2,034.48 | 2,035.04 | 0.56 | 0.03 |
| Other non-current assets | 6 | 14,663.92 | 14,663.92 | 0.00 | 0.00 |
| Total assets | 7 | 60,012.62 | 60,013.18 | 0.56 | 0.001 |
| Current liabilities | 8 | 12.62 | 12.62 | 0.00 | 0.00 |
| Non-current liabilities | 9 | 0.00 | 0.00 | | |
| Total liabilities | 10 | 12.62 | 12.62 | 0.00 | 0.00 |
| Net assets | 11 | 60,000.00 | 60,000.56 | 0.56 | 0.001 |