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**中國碳中和發展集團有限公司**  
**China Carbon Neutral Development Group Limited**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1372)

**SUPPLEMENTARY ANNOUNCEMENT**  
**DISCLOSEABLE TRANSACTION ACQUISITION OF**  
**60% EQUITY INTEREST IN ZAILIANG NEW ENERGY**

Reference is made to the voluntary announcement dated October 22, 2023, of China Carbon Neutral Development Group Limited (the “Company”, together with its subsidiaries, the “Group”) in relation to the completion of the acquisition of 60% equity interest in Zailiang New Energy (“Zailiang”) (the “Acquisition”); the discloseable transaction announcement dated November 15, 2024 in relation to the Acquisition; and the supplemental announcement dated December 9, 2024 in relation to the Acquisition (the “Announcements”).

**1. Acquisition Price and Asset Valuation Report**

The Company hereby provides a supplementary explanation regarding the negotiation and the termination the acquisition consideration. During the negotiation process, the Company aimed to reduce the valuation as of December 31, 2022 to a level that the Company considered fair and reasonable. The final agreed consideration under the agreement was HK\$30 million, representing 56.75% of the original valuation (approximately 10% higher than half), reflecting that the expected growth rate did not meet the original assumptions and that there were unforeseen risks in the project, coupled with the adoption of a discount rate of 13.45% in the valuation, calculated using the Capital Asset Pricing Model (CAPM), which already reflected industry risks. When assessing the acquired assets, the Directors have referred to the relevant data and valuation results in the asset valuation report, and the final transaction consideration was determined by finding a balance between the two parties during the negotiation process. The Directors are of the view that the asset valuation report issued by Zhonglin Asset (Beijing) Co., Ltd. on 31 May 2023 was prepared based on the prevailing domestic market conditions of the new energy and waste battery sectors at that time, as well as relevant information on the future development of used batteries. The Directors believe that the relevant information used was based on its professional judgment as a licensed appraisal agency. Furthermore, the asset valuation report was prepared by a qualified third-party appraisal company, and we were also evaluating the rationality of the valuation based on the actual operating income of the company to be acquired and the overall market development trends at the time. Under such circumstances, further

negotiations are required to reach the final consideration, and the entire consideration is subject to further negotiation. Taking into account that as of December 31, 2022, the assets of Zailiang amounted to RMB 80.8315 million, of which 60% of the assets amounted to RMB 48.4989 million. In 2023, we have entered into the price negotiation stage. Both parties recognize the relevant information in the asset valuation report, it still reflects the actual situation at the time, and both parties believe that it can be adopted. The Group consolidated Zailiang's financial performance into the Group's financial statements for the fiscal year from January 1, 2023, to June 30, 2024.

## **2. Purpose of the Acquisition and Strategic Value of the License**

The Company's intention in conducting this acquisition is to expand its sustainable development while obtaining the waste battery recycling and reuse license issued by the Ministry of Industry and Information Technology. Zailiang is one of the licensed enterprises in China, and such licenses represent a scarce resource, which is expected to provide a favorable competitive position in the future development of the lithium battery recycling industry. However, the Directors referred to the relevant data and valuation results of the asset valuation report in our valuation of the acquired assets. During the due diligence process, we found that the asset valuation report was relatively radical in terms of the growth data of the lithium battery waste recycling business. During the negotiation process, we proposed that the transaction consideration cannot be determined solely based on the valuation of the asset valuation report. The transaction consideration must find a balance point between the two parties during the negotiation process. Our original intention for the acquisition was that Zailiang holds a waste battery recycling license issued by the Ministry of Industry and Information Technology would likely not issue any more licenses. Furthermore, the transaction price was negotiated by both parties rather than determined by any one organisation. The transaction price was determined through negotiation between both parties. The final transaction price presentively 56.75% is the result of the negotiation process between the parties, and has taken into account the value of the license and actual sales and profit in the year 2023.

Steps taken by the Company in determining the revised consideration:

1. Assess the development expectations of the new energy industry, the development potential of the recycling market, and the scarcity value of the license.
2. Compare the development needs and prospects of this industry with the Company's overall business strategy.
3. Review the actual sales revenue and profit for 2023.
4. Consider the terms acceptable to the counterparty.

### **3. Strengthening Governance and Improving Compliance Measures**

The Board of Directors has always focused on strengthening the Company's corporate governance work and establishing a corporate compliance mechanism to monitor matters such as equity changes, major investments and financing, and related-party transactions. In the initial agreement and the ETSA, the Company followed its consistent procedures in notification. The company acknowledges that due to insufficient internal communication, it failed to make timely disclosures of the relevant transactions, resulting in a breach of the listing rules, and that there is room for improvement in the relevant notification procedures. The Company is committed to taking measures to ensure a thorough understanding of and full compliance with the relevant requirements of the Listing Rules and to prevent the recurrence of similar incidents in the future.

The Company is now dedicated to implementing improvement management measures to ensure a thorough understanding of and full compliance with the relevant requirements of the Listing Rules, including:

(1) strengthen the internal control of the Group, including imposing the new policies or guidance or requirements for the Board of the Company and management of the Group and to seek for professional advice in respect of the compliance with the relevant requirement of the Listing Rules when necessary;

(2) providing professional guidance and training to the Company's directors, senior management, and financial leaders, specifically regarding general disclosure obligations under the Listing Rules, corporate governance, compliance, and the Listing Rules;

(3) Management team are alerted as to the importance of keeping information on potential acquisition/disposal of assets/investments confidential and any potential transactions, they will inform Senior Management and company secretary immediately so that actions, including making an announcement, can be taken at the earliest opportunity.

(4) Finance Department will keep track of the Group's threshold levels for disclosure pursuant to the size tests under the Listing Rules, and double check by company secretary, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

### **4. Impairment loss of Goodwill**

The Company recognised the impairment loss of goodwill of HK\$5 million only for the financial year 1 January 2023 to 30 June 2024 when the valuation of Zailiang was completed on 30 September 2024 by the independent valuer, Vincorn Consulting and Appraisal Ltd. ie on the day of results announcement rather than shortly after the 2023 acquisition. In July 2024, a once-in-a-century rainstorm occurred in Henan Province, causing operational disruptions at Zailiang. This affected the growth assumptions used in the discounted cash flow method, making it impossible for the valuation conducted on September 30, 2024, to return and resulting in the impairment loss of HK\$5 million. .

By order of the Board  
China Carbon Neutral Development Group Limited  
Chen Yonglan  
Chairman and Non-Executive Director

Hong Kong, 26 April 2026

As of the date of this announcement, the Board comprises the following members: Executive Directors Mr. Di Ling, Mr. Cheung Hiu Tung, and Mr. Lu Xiangyong; Non-Executive Directors Mr. Chen Yonglan, Mr. Zhong Guoxing, and Mr. Geng Zhiyuan (Mr. Chen Lei as his alternate); and Independent Non-Executive Directors Mr. Cao Ming, Mr. Wang Jiasi, and Ms. Qiao Yanlin.