

Stock ticker: 600884

Stock abbreviation: Shanshan



Ningbo Shanshan Co., Ltd.

Plan for 2022 Private Placement of Shares

October 2022

## **Statement of the Company**

1. The Company and all members of the Board of Directors guarantee that the contents of the Plan are true, accurate and complete, and there are no false representations, misleading statements or material omissions.

2. The Plan is formulated according to the requirements of the Administrative Measures for Securities Issuance of Listed Companies, the Implementation Rules for Private Placement of Shares by Listed Companies, and the Standards on the Contents and Format of the Information Disclosure of the Companies that Publicly Issued Securities No.25 -- Plan for Private Placement of Shares of Listed Companies and Issuance Report.

3. Upon the completion of the Private Placement, the Company shall be responsible for any change to its operation and revenue, while the investment risks caused by the Private Placement shall be borne by the investors.

4. The Plan is the statement of the Board of Directors on the Private Placement of A-shares. Any statement to the contrary is a misrepresentation.

5. The issues mentioned in the Plan do not represent the substantive judgment, confirmation, approval or authorization of the examining and approving authorities on the issues related to the Private Placement. The effectiveness and completion of the Private Placement of shares mentioned in the Plan are subject to the approval or authorization of the examining and approving authorities.

6. Investors should consult their own stockbroker, lawyer, professional accountant or other professional consultant if in doubt.

## Special Note

1. The Private Placement has been approved by the 34th meeting of the 10th Board of Directors of the Company, but shall be submitted to the general meeting of the Company for deliberation and approval and then approved by the CSRC before it can be implemented.

2. Target subscribers of the Private Placement are no more than 35 (including 35) specific investors, including the qualified securities investment fund management companies, securities companies, trust companies, finance companies, asset management companies, insurance institutional investors, and qualified foreign institutional investors who meet the conditions specified by the CSRC and other legal persons, natural persons or institutional investors who meet the conditions specified in the relevant laws and regulations. Where a securities investment fund management company, a securities company, a qualified foreign institutional investor or a Renminbi qualified foreign institutional investor subscribes for the shares in the name of two or more products under its management, it shall be treated as one target subscriber. Where the target subscriber is a trust company, it must subscribe with its own capital.

All the target subscribers shall subscribe for the shares to be issued during the Private Placement in cash. The final target subscribers will be determined by the Board of Directors of the Company within the authority granted by the general meeting in consultation with the Sponsor (lead underwriter) for the Private Placement based on the inquiry result and in accordance with the relevant laws, administrative regulations and normative documents after the Company obtains the approval of the CSRC.

3. The Price Benchmarking Date of the Private Placement shall be the first day of the offering period of the Private Placement. The offering price shall not be lower than 80% of the average trading price of the Shares of the Company for the 20 trading days prior to the Price Benchmarking Date (average trading price of the Shares for the 20 trading days prior to the Price Benchmarking Date = Total trading amount of the Shares of the Company in the 20 trading days prior to the Price Benchmarking Date/Total trading volume of the Shares of the Company in the 20 trading days prior to the Price

Benchmarking Date).

The final offering price will be determined by the Board of Directors of the Company within the authority granted by the general meeting in consultation with the Sponsor (lead underwriter) for the Private Placement based on the subscription quotation of the target subscribers and in accordance with the price priority principle and the relevant laws, regulations and normative documents after the Company obtains the approval of the CSRC.

The floor offering price of the Private Placement shall be adjusted accordingly in cases of ex-rights and ex-dividends matters such as distribution, bonus issuance, repurchase and conversion of capital reserve into share capital during the period from the Price Benchmarking Date of the Private Placement to the offering date.

4. The number of shares offered through Private Placement is calculated by dividing the total amount of funds raised through the Private Placement by the offering price. In addition, according to the Q&A on Issuance Supervision - Supervision Requirements on Directing and Regulating the Financing Acts of Listed Companies (Revision) released by the CSRC, the number of shares offered through Private Placement shall not exceed 30% of the total share capital of the Company prior to the Private Placement, that is, no more than 671,539,661 shares (including 671,539,661 shares, subject to the number approved by the CSRC).

The upper limit of the number of shares to be issued in the Private Placement shall be adjusted accordingly in cases of capital change matters such as bonus issuance, repurchase and conversion of capital reserve into share capital during the period from the date of announcement of the board resolution in connection with the Private Placement to the offering date. Within the above range, the final offering quantity shall be determined by the board of directors under the authority of the general meeting and in consultation with the sponsor (lead underwriter) of the Private Placement according to the actual situation of the issuance.

5. The total proceeds from the Private Placement, which is no more than RMB 6,000 million (inclusive), shall be used for the investments in the following projects after deducting the relevant issuance expenses:

(In RMB 0'000)

No.	Project name	Total project investment	Amount of proceeds invested	Implementati on entity
1	The lithium-ion battery anode material integration base project with the annual output of 300,000 tons of Yunnan Shanshan New Material Co., Ltd. (Phase 1)	792,710.64	420,000.00	Yunnan Shanshan New Material Co., Ltd.
2	Supplement to working capital	180,000.00	180,000.00	Shanshan
<b>Total</b>		<b>972,710.64</b>	<b>600,000.00</b>	-

If the actual amount of proceeds from the Private Placement after deducting the issuance expenses is less than the proposed amount of proceeds to be applied in the above projects, the Company will adjust the order of priority and specific investment amounts of each project based on the actual amount of net proceeds and the priority of each project, and any shortfall in the proceeds will be made up by utilizing the self-raised capital of the Company.

Prior to the receipt of the proceeds from the Private Placement, the Company may contribute self-raised capital in accordance with the actual progress of the projects, which will be replaced with the proceeds upon its delivery.

6. The shares issued through the Private Placement shall not be transferred within six months from the ending date of the Private Placement

of Directors has formulated the profit distribution policy and shareholder return planning for the next three years, as detailed in Section IV “Profit Distribution Policy of the Company and Its Implementation” . Investors are advised to pay attention.

8. The controlling shareholders and actual controller of the Company will not be changed upon the completion of the Private Placement, and the shares of the Company will not be disqualified of the listing status due to the implementation of the plan for Private Placement.

9. In order to take into account the interests of the new and old shareholders, the accumulated undistributed profits of the Company before the Private Placement shall be shared by the new and old shareholders according to their shareholding proportion after the completion of the Private Placement.

10. According to the relevant requirements of the Opinion of General Office of the State Council on Further Enhancing Protection of Rights and Interests of Medium and Small Investors in Capital Market (Guo Ban Fa [2013] No. 110) , the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market issued by the State Council (Guo Fa [2014] No. 17) and the Instructions on Issues Related to Immediate Return Dilution Arising from IPO, Refinancing and Major Asset Restructuring (the CSRC Announcement [2015] No. 31), the Company has formulated the mitigation and remediation measures for the immediate return dilution of the Private Placement, and relevant parties have made a commitment to ensure the effective implementation of the mitigation and remediation measures. For details, please refer to "II. Matters Related to the Diluted Immediate Return of The Offering" and "III. Commitments Issued by the Relevant Parties" under Section V “Statements and Commitments of the Board of Directors Related to the Offering” in the Plan.

The formulation of mitigation and remediation measures does not mean guaranteeing the Company’s future profits. Investors are advised to pay attention to the investment risks.

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## Definitions

Shanshan or the Company	means	Ningbo Shanshan Co., Ltd.
The Plan	means	The Plan for 2022 Private Placement of Shares of Ningbo Shanshan Co., Ltd.
The Offering or the Private Placement	means	The Private Placement of Shares of Ningbo Shanshan Co., Ltd in 2022
Price Benchmarking Date	means	The first day of the offering period
Floor Offering Price	means	80% of the average trading price of the Shares in 20 trading days prior to the pricing benchmarking date
Company Law	means	Company Law of the People's Republic of China
Securities Law	means	Securities Law of the People's Republic of China
Administrative Measures	means	The Administrative Measures for Securities Issuance of Listed Companies (2020 Revision)
Implementation Rules	means	The Implementation Rules for Private Placement of Shares by Listed Companies (2020 Revision)
Listing Rules	means	The Rules for Stock Listing of Shanghai Stock Exchange (2022 Revision)
Articles of Association	means	Articles of Association of Ningbo Shanshan Co., Ltd.
CSRC	means	China Securities Regulatory Commission
NDRC	means	The National Development and Reform Commission of the People's Republic of China
MIIT	means	The Ministry of Industry and Information Technology of the People's Republic of China
General meeting	means	General Meeting of Ningbo Shanshan Co., Ltd.
Board of Directors	means	Board of Directors of Ningbo Shanshan Co., Ltd.
Supervisory Committee	means	Supervisory Committee of Ningbo Shanshan Co., Ltd.
RMB, RMB10,000, RMB100 million	means	RMB, RMB10,000, RMB100 million
Lithium battery	means	A kind of battery consisting of lithium metal or lithium alloy as anode/cathode materials and using a non-aqueous electrolyte solution. Lithium batteries can be divided into lithium metal batteries and lithium-ion batteries. The term "lithium batteries" mentioned in the Plan refers to lithium-ion batteries
Lithium-ion battery	means	A kind of secondary battery (rechargeable battery) that relies on lithium ions to move between the positive and negative terminals. During the charging and discharging process, Li <sup>+</sup> is embedded and de-embedded back and forth between the two electrodes: When charging, Li <sup>+</sup> is removed from the positive electrode and embedded in the

		negative electrode through the electrolyte, and the negative electrode is in the lithium rich state; The opposite is true when discharging
Cathode materials	means	One of the components of lithium-ion battery, which is the decisive factor of electrochemical performance of lithium-ion battery and directly determines the energy density and safety of battery, and in turn affects the comprehensive performance of battery. The cathode materials used currently mainly include lithium cobalt acid, lithium iron phosphate, lithium manganese acid, teradic materials such as lithium nickel-cobalt manganese acid (NCM) and lithium nickel-cobalt aluminate (NCA)
Anode materials	means	One of the components of lithium-ion battery, which is the main body of lithium-ion battery storage and enables the lithium ion to be embedded and de-embedded in the process of charging and discharging. Anode materials mainly affect the first discharge efficiency and cycle performance of lithium-ion batteries. The main anode materials used currently include artificial graphite and natural graphite
Electrolyte	means	The carrier for ion transport in the battery, which is generally composed of lithium salt and organic solvent. The electrolyte plays a role in conducting ions between the positive and negative electrodes of lithium batteries, and is the guarantee for lithium-ion batteries to obtain advantages such as high voltage and high specific energy. Electrolyte generally consists of high-purity organic solvent, electrolyte lithium salt, the necessary additives and other raw materials, under certain conditions, in a certain proportion
LCD	means	Liquid Crystal Display
Carbon Peaking and Carbon Neutrality	means	Carbon emission peak and carbon neutrality
Carbon Peaking	means	Carbon dioxide emissions stop growing and peak at a certain point, and then gradually fall back
Carbon Neutrality	means	The total amount of carbon dioxide or greenhouse gas emissions directly or indirectly produced by the country, enterprises, products, activities or individuals within a certain period of time can be offset by afforestation, energy conservation and emission reduction to achieve positive and negative offset and realize relative "zero emission".
GWh	means	A unit of electrical power, 1GWh=1 million KWh

TWh	means	A unit of electrical power, 1TWh=1000GWh
Pct	means	Percentage
CATL	means	Contemporary Amperex Technology Co., Limited and its subsidiaries
ATL	means	Ningde Amperex Technology Ltd. and its subsidiaries
LGES	means	LG Energy Solution and its subsidiaries
LG Chem	means	LG Chem. Ltd. (A Korean listed company, with the stock ticker of 051910.KS)
COSMX	means	Zhuhai CosMX Battery Co.,Ltd. and its related parties
Farasis Energy	means	Farasis Energy (Zhenjiang) Co.,Ltd.
SVOLT Energy	means	SVOLT Energy Technology Company Ltd,
GDR	means	Global Depositary Receipts. This plan refers specifically to the issuance of depository receipts by eligible domestic listed companies listed on domestic stock exchanges and their listing on overseas stock exchanges

Note: Unless otherwise specified, two decimal places are reserved for all the values in the Plan. There may be a discrepancy between the total and the sum of the breakdowns due to rounding.

## Section I Overview of the Plan for the Private Placement

### I. Profile of the Company

Company name (Chinese):	
Company name (English):	Ningbo Shanshan Co., Ltd.
Date of incorporation	December 14, 1992
Listing Date	January 30, 1996 (A-share)
	July 28, 2022 (GDR)
Unified social credit code	91330200704803055M
Registered capital	RMB 2,238,465,538
Legal Representative	Zheng Yonggang
Domicile	No.777, Rili Middle Road (Shanshan Building), Room 801, Shounan Street, Yinzhou District, Ningbo City, Zhejiang Province
Stock Abbreviation	Shanshan (A-share)
	Ningbo Shanshan Co., Ltd. (GDR)
Stock Ticker	600884 (A-share)
	SSNE (GDR)
Listing place	Shanghai Stock Exchange (A-share)
	SIX Swiss Exchange (GDR)
Main businesses	Lithium-ion battery anode materials, LCD polarizer
Business scope	General items: Sales of special electronic materials; sales of photoelectronic devices; sales of graphite and carbon products; engaging in investment activities with its own funds; lease of non-residential property, intellectual property services (except for patent agency services); clothing retail; clothing wholesale; technology import and export; import and export of goods (Except for the items subject to approval according to law, business activities shall be conducted independently with business license according to law) . Businesses for branches only: General items: manufacturing of special electronic materials; R&D of special electronic materials; manufacturing of photoelectronic devices; manufacturing of graphite and carbon products; apparel manufacturing (Except for the items subject to approval according to law, business activities shall be conducted independently with business license according to law).

## II. Background and Purpose of the Private Placement

### (I) Background of the Private Placement

**1. Under the background of “carbon peaking and carbon neutrality”, countries and regions around the world have enhanced their focus on new energy, and the industry of new energy vehicles and energy storage has ushered in a period of rapid development.**

The world is facing increasingly severe energy shortage and environmental pollution. With the gradual enhancement of the awareness of energy conservation and environmental protection, energy transformation has gradually become the consensus of the governments in the world, and new energy vehicles have become the development direction of the global automobile industry.

In October 2021, the Opinions of the Central Committee of the Communist Party of China and The State Council on Fully, Accurately and Comprehensively Implementing the New Development Concept and Achieving Peak Carbon Neutrality and the Notice of The State Council on the Issuance of the Action Plan for Carbon Peaking by 2030 (Guo Fa [2021] No. 23) were issued, marking the commencement of the national overall deployment of carbon peaking and carbon neutrality of China. Driven by the implementation of the “carbon peaking and carbon neutrality” policies, the domestic new energy and new materials have ushered in new development opportunities, and the new energy vehicle industry achieved rapid growth.

In addition to China, the United States, the European Union, the United Kingdom, Japan and other major countries and regions in the world also engaged in energy transformation. In January 2020, the European Union issued the world's toughest carbon emission standards to cut car carbon dioxide emissions by 27% by 2021. On June 8, 2022, the European Parliament formally adopted the European Commission's legislative proposal to stop the sales of new fuel vehicles, including hybrid cars, in the EU from 2035. On August 16, 2022, President Biden of the United States signed the Inflation Reduction Act of 2022, which allocates \$369 billion for energy security and climate investments, with an aim to reduce carbon emissions by 40% by 2030.

Thanks to the energy transformation in various countries, new energy vehicles have achieved rapid development under the promotion of national policies. According to the statistics of EV-Volumes, nearly 6.5 million NEVs were sold globally in 2021, up 108% year on year.

According to the information of China Association of Automobile Manufacturers, in 2021, the output and sales of new energy vehicles in China respectively reached 3.545 million units and 3.521 million units, with a year-on-year growth of 1.6 times. Among the main varieties of new energy vehicles, the output and sales of pure electric and plug-in hybrid electric vehicles showed a high growth momentum, compared with the same period last year.

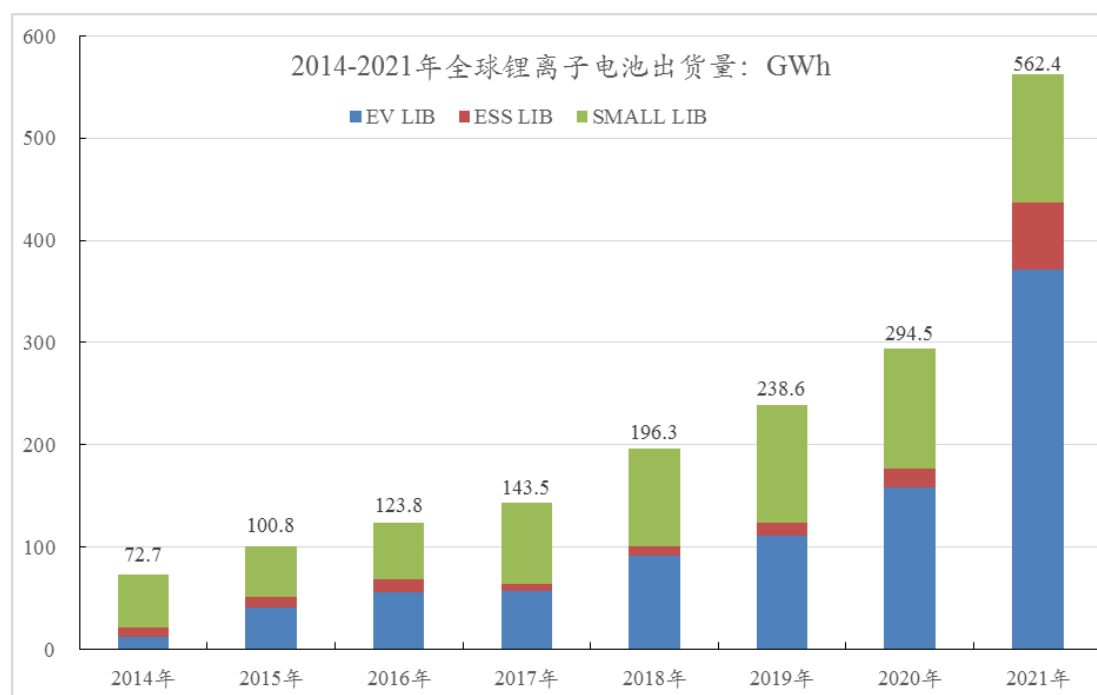
With the deepening of energy transformation, energy storage system plays an increasingly important role. In July 2021, the NDRC and the National Energy Administration issued the Guidance on Accelerating the Development of New Energy Storage (NDRC Energy Regulation (2021) No. 1051), setting the goal of "persisting in the diversification of energy storage technologies and promoting the continuous cost reduction and commercial scale application of relatively mature new energy storage technologies such as lithium-ion batteries". In June 2022, nine ministries and commissions including the NDRC and the National Energy Administration jointly issued the "14th Five-Year Plan for Renewable Energy Development" (NDRC Energy (2021) No. 1445), which proposed "innovative business models for the development of energy storage, clarification of the price formation mechanism of energy storage, encouraging energy storage for renewable energy power generation and power users with various regulation services; innovation of synergistic operation mode, and orderly promotion of the synergistic development of energy storage and renewable energy". The release and implementation of the relevant policies are conducive to further promoting the research and application of lithium-ion batteries in the energy storage field.

The energy transformation under the background of "carbon peaking and carbon neutrality" has laid a policy foundation for the sustainable development of new energy, new materials and new energy vehicles, and will further broaden the development and

application of lithium-ion batteries in the energy storage field.

## **2. The rapid development of the global new energy vehicle and energy storage industries will create vast development potential for the lithium-ion battery industry**

According to the "White Paper on the Development of China's Lithium ion Battery Industry (2022)" released by EV Tank, the global total shipment of lithium ion batteries in 2021 was 562.4GWh, up 91.0% year-on-year, among which, the global automotive power battery (EV LIB) shipment was 371.0GWh, accounting for 65.97%, with a year-on-year growth of 134.7%; the shipment of energy storage batteries (ESS LIB) was 66.3GWh, accounting for 11.79%, with a year-on-year growth of 132.6%; the shipment of small batteries (SMALL LIB) was 125.1GWh, accounting for 22.24%, with a year-on-year growth of 16.1%.



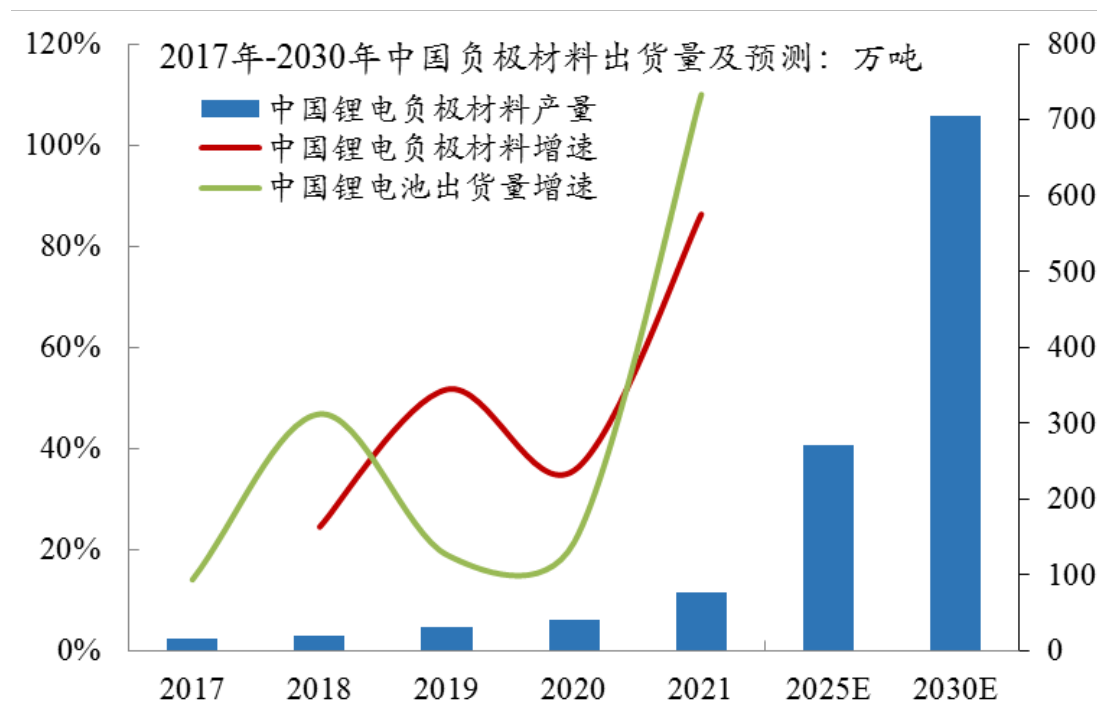
Sources: EV Tank

According to the White Paper on the Development of China's Lithium-ion Battery Industry (2022), China has been the world's largest producer and manufacturer of lithium-ion batteries since 2014. In 2021, the total shipment of lithium ion batteries in China reached 334.11GWh, representing an increase of 110.04% compared with 2020, accounting for 59.41% of the world, with an increase of 17.3 PCT compared with 2014.



on year, while shipments of Chinese anode materials reached 779,000 tons, up 86.4% year on year.

China is the largest producer of anode materials for lithium-ion batteries in the world. According to the White Paper on the Development of China's Anode Material Industry (2022), in 2021, Chinese enterprises accounted for 86.1% of the global shipments of anode materials, with an increase of 8.4 PCT compared with 2020.



Sources: EV Tank

According to the White Paper on the Development of China's Anode Material Industry (2022), by 2025 and 2030, China's total shipments of lithium-ion battery anode materials will reach 2.705 million tons and 7.054 million tons respectively, accounting for more than 90% of the global shipments. China's lithium-ion battery anode material industry embraces a promising future.

**4. The Company is a world-leading manufacturer of anode materials for lithium-ion batteries, and will further increase its production capacity to meet the growing demand of downstream customers and continue to strengthen its global competitive advantage**

The Company is the first enterprise engaged in the research and development and production of artificial graphite anode materials for lithium-ion batteries in China, and

has more than 20 years of research and development and industrial production practice in anode materials for lithium-ion batteries. As a world-leading supplier of anode materials for lithium-ion batteries, the Company insists on customer demand as the core and leads the development of the anode material industry through technological innovation, and has built long-term core competitive advantages in product technology, capacity scale, customers and industry chain layout.

Based on the strong downstream demand and the excellent performance of our products, the demand of our anode products exceeds the supply. The current capacity can no longer meet the growing demand of downstream customers. The projects invested with the proceeds will help further improve the company's integrated production capacity and graphitization self-sufficiency rate, further meet customer needs, achieve cost reduction and efficiency increase, and consolidate the company's leading position in the industry.

## (II) Purpose of the Private Placement

### **1. To respond to the national "carbon peaking and carbon neutrality" strategy, to facilitate the development of new energy industry**

According to the calculations of China Automotive Technology and Research Center, among carbon emissions in China's transportation sector, carbon emissions from automobiles account for more than 80%, or about 7.5% of the whole society's emissions. According to the research report "China Automotive Low Carbon Action Plan" released by China Automotive Technology and Research Center, the whole life cycle carbon emissions of China's automotive industry reached 1.2 billion tons in 2021, of which carbon emissions from passenger cars reached 700 million tons (96% generated by gasoline vehicles). Compared with traditional energy passenger cars, pure electric passenger cars enjoy obvious advantages over life cycle carbon emission reduction. By accounting for data on passenger cars from 115 auto companies, involving 5,313 models (98.7% of total passenger car sales in 2021), the report found that compared with gasoline passenger cars and diesel passenger cars, pure electric cars reduce carbon emissions by 43.4% and 59.5%, respectively. Vehicle electrification is

an important part of achieving carbon reduction goals.

The main products of the Company's anode material business are artificial graphite, natural graphite and silicon-based anode, etc. The Company's products have excellent performance and are in short supply, which can fully meet the demand of downstream lithium battery enterprises such as those engaged in power, energy storage and consumer electronics. In the context of the national "carbon peaking and carbon neutrality" policy, the Company actively practices green development, responds to the national "carbon peaking and carbon neutrality" strategy, and continues to focus on the development of anode materials for lithium-ion batteries, all of which contribute to the development of the national new energy industry.

**2. To comprehensively accelerate the layout of integrated production lines, actively expand production capacity and quickly respond to customer demand to further enhance the Company's core competitiveness**

With the rapid development of the new energy vehicle industry, the market demand for lithium-ion battery anode materials is growing explosively. At present, the production capacity of the Company's lithium-ion battery anode material is getting increasing tighter, and the demand of the Company's products exceeds the supply. As of the announcement date of the Plan, the effective production capacity of the Company's finished anode materials reached 180,000 tons, and the graphitization production capacity was 94,000 tons. The Company's own capacity for graphitization is seriously mismatched with that for anode materials, leading to a high proportion of outsourced processing, which is not only costly but also difficult to ensure the quality, thus affecting the production and delivery of the Company's anode materials.

The lithium-ion battery anode material integration base project with the annual output of 300,000 tons of Yunnan Shanshan New Material Co., Ltd. (Phase 1), the project funded with proceeds from the Private Placement, will not only further enhance the scale of the integrated production capacity of the Company, improve the graphitization self-sufficiency rate and highlight the cost economy of integrated production, but also can strengthen the stability of the supply of the Company's anode materials and enhance its core competitiveness.

**3. To optimize the capital structure, enhance profitability, and consolidate the foundation for sustainable development**

When the proceeds from the Private Placement

the target subscriber is a trust company, it must subscribe with its own capital.

All the target subscribers shall subscribe for the shares to be issued during the Private Placement in cash. The final target subscribers will be d

(Revision) released by the CSRC, the number of shares offered through Private Placement shall not exceed 30% of the total share capital of the Company prior to the Private Placement, that is, no more than 671,539,661 shares (including 671,539,661 shares, subject to the number approved by the CSRC).

The upper limit of the number of shares to be issued in the Private Placement shall be adjusted accordingly in cases of capital change matters such as bonus issuance, repurchase and conversion of capital reserve into share capital during the period from the date of announcement of the board resolution in connection with the Private Placement to the offering date. Within the above range, the final offering quantity shall be determined by the board of directors under the authority of the general meeting and in consultation with the sponsor (lead underwriter) of the Private Placement according to the actual situation of the issuance.

#### **(VI) Lock-up period**

The shares issued through the Private Placement shall not be transferred within six months from the ending date of the Private Placement. The target subscribers who reduce their shareholding by transferring the shares they subscribe in the Private Placement upon expiration of the lock-up period are required to comply with the relevant requirements of the CSRC and Shanghai Stock Exchange.

During the lock-up period, the shares obtained by the target subscribers under Private Placement due to the bonus issuance and the conversion of capital reserve to share capital shall also be subject to the above lock-up arrangement.

#### **(VII) The disposal scheme of accumulated profits prior to the Private Placement**

In order to take into account the interests of the new and old shareholders, the accumulated undistributed profits of the Company before the Private Placement shall

**(IX) Term of validity of resolution**

The resolution in relation to the Private Placement shall remain valid for twelve months from the date on which relevant resolutions are considered and approved at the general meeting.

**IV. Use of the proceeds**

The total proceeds from the Private Placement, which is no more than RMB6,000 million (inclusive), shall be used for the investments in the following projects after deducting the relevant issuance expenses:

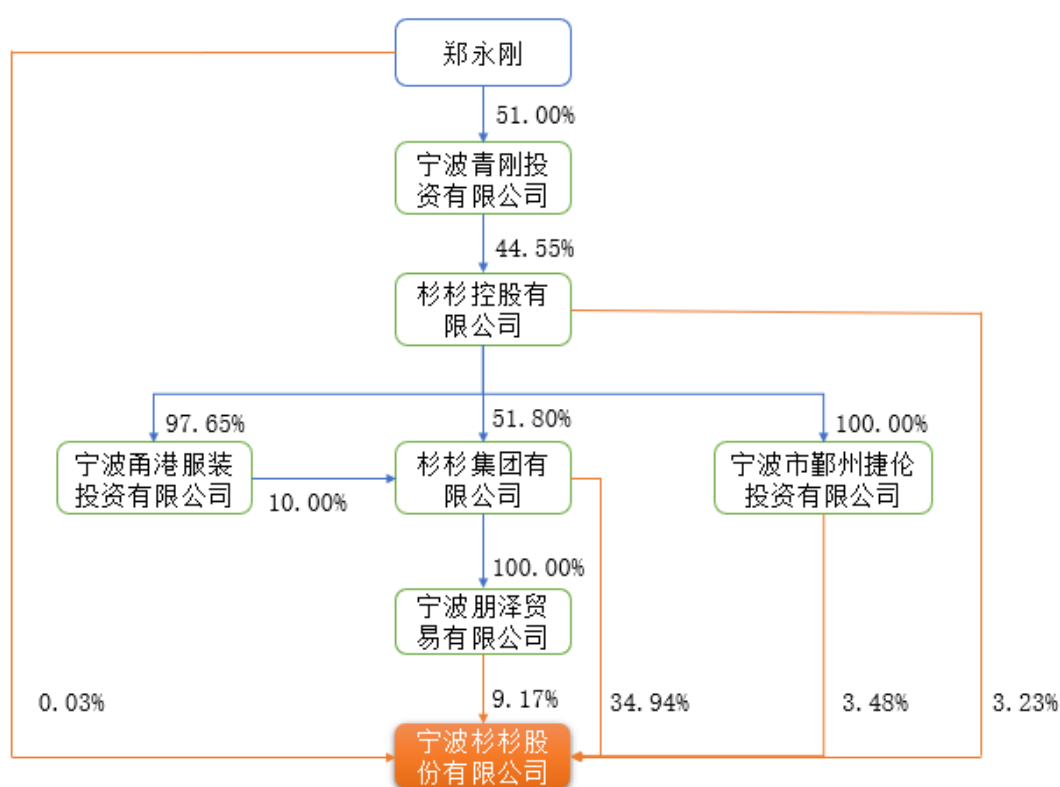
(In RMB 0'000)

No.	Project name	Total project investment	Amount of proceeds invested	Implementati on entity
	The lithium-			

documents. As of the announcement date of the Plan, the related parties of the Company did not participate in the subscription of the Private Placement, and this offering shall not constitute a related transaction.

## VI. Whether this offering will cause any change to the control right of the Company

The equity structure of the Company as of the announcement date of the Plan is as follows:



Prior to this offering, Mr. Zheng Yonggang directly held 655,267 shares of the Company, accounting for 0.03% of the total number of shares of the Company prior to the offering; Shanshan Group Co., Ltd. directly held 782,222,036 shares of the Company (including securities lending of 8.59 million shares), and indirectly held 205,264,756 shares of the Company through Ningbo Pengze Trading Co., Ltd., resulting in holding 987,486,792 shares of the Company in total, accounting for 44.11% of the total number of shares of the Company prior to the offering; In addition to indirectly holding shares of the Company through Shanshan Group Co., Ltd., Shanshan

Holdings Ltd. directly held 72,212,189 shares of the Company, accounting for 3.23% of the total number of shares of the Company prior to the offering, and indirectly held 77,873,254 shares of the Company through Ningbo Yinzhou Jielun Investment Co., Ltd., accounting for 3.48% of the total number of shares of the Company prior to the offering. Based on the above equity structure, Mr. Zheng Yonggang, actual controller of the Company, controlled 1,138,227,502 shares of the Company, accounting for 50.85% of the total number of shares of the Company prior to the offering.

When calculated based on the upper limit of the number of shares issued in the Private Placement, upon the completion of the Private Placement, the total capital of the Company will be 2,910,005,199 shares, and the shares controlled by Mr. Zheng Yonggang, actual controller of the Company, will be 1,138,227,502 shares, accounting for 39.11% of the total number of shares of the Company after the offering. Mr. Zheng Yonggang will still be the actual controller of the Company. This offering will not cause any change to the control of the Company.

## **VII. The approval status of the offering plan and the procedures for report and application**

The Private Placement has been approved by the 34th meeting of the 10th board of directors of the Company held on October 17, 2022, but shall be submitted to the general meeting of the Company for deliberation and approval and approved by the CSRC before it can be implemented.

Upon approval by the CSRC, the Company will apply to the SSE and China Securities Depository and Clearing Corporation Limited for stock issuance, registration and listing.

## Section II Feasibility Analysis of the Board of Directors on the Use of Proceeds

### I. Plan for the Use of Proceeds

The total proceeds from the Private Placement, which is no more than RMB 6,000 million (inclusive), shall be used for the investments in the following projects after deducting the relevant issuance expenses:

(In RMB 0'000)

No.	Project name	Total project investment	Amount of proceeds invested	Implementati on entity
1	The lithium-ion battery anode material integration base project with the annual output of 300,000 tons of Yunnan Shanshan New Material Co., Ltd. (Phase 1)	792,710.64	420,000.00	Yunnan Shanshan New Material Co., Ltd.
2	Supplement to working capital	180,000.00	180,000.00	Shanshan
<b>Total</b>		<b>972,710.64</b>	<b>600,000.00</b>	-

If the actual amount of proceeds from the Private Placement after deducting the issuance expenses is less than the proposed amount of proceeds to be applied in the above projects, the Company will adjust the order of priority and specific investment amounts of each project based on the actual amount of net proceeds and the priority of each project, and any shortfall in the proceeds will be made up by utilizing the self-raised capital of the Company.

Prior to the receipt of the proceeds from the Private Placement, the Company may contribute self-raised capital in accordance with the actual progress of the projects, which will be replaced with the proceeds upon its delivery.

### II. Feasibility analysis on the projects invested with the Use of Proceeds

**(I) The lithium-ion battery anode material integration base project with the annual output of 300,000 tons of Yunnan Shanshan New Material Co., Ltd. (Phase**

1)

### **1. Basic information of the project**

The project is the phase 1 of the lithium ion battery anode material integration base project with the annual output of 300,000 tons of Yunnan Shanshan New Material Co., Ltd. With a planned investment of RMB 792,7106,400, the project will be constructed in Caopu Area of Anning Industrial Park, Yunnan Province, and the implementation entity is Yunnan Shanshan New Material Co., Ltd., a majority-controlled subsidiary of the Company.

With an annual output of 200 thousand tons of anode materials, the project covers an area of about 937.70 mu, with a building area of about 562,376 square meters and a total building area of 1,047,262 square meters. Production facilities such as milling workshop, modification workshop, pre-graphitization workshop, graphitization workshop, carbonization workshop, and other supporting facilities such as storage engineering, public auxiliary engineering, environmental protection engineering, office and living facilities will be built.

### **2. Necessity of project implementation**

(1) Fully grasping the historic opportunities brought by the development of new energy industry, to meet the growing needs of customers and continue to enhance the core competitiveness of the Company

As the global energy structure gradually undergoes profound changes, the new energy vehicle and energy storage markets maintain rapid development, driving the rapid growth of the lithium-ion battery industry. As one of the key raw materials for lithium-ion batteries, the cathode material will also usher in unprecedented development opportunities.

In the context of the rapid development of the new energy industry, as the Company continues to deepen its strategic cooperation with global top customers, its existing production capacity can no longer meet the growing needs of customers. By actively building an integrated base project, the Company can effectively alleviate the insufficient production capacity and enhance the stable supply of products. All these efforts will further consolidate the Company's long-term and stable relationship with

downstream customers, continue to expand its market share and thus enhance the core competitiveness.

(2) Necessary for enhancing the graphitization self-supply rate, reducing cost and improving efficiency constantly

As of the announcement date of the Plan, the Company had an effective anode material production capacity of 180,000 tons and a graphitization production capacity of 94,000 tons. There is a serious mismatch between the graphitization capacity of the Company and its production capacity of anode materials, leading to high proportion of outsourced processing, which is not only costly but also difficult to ensure quality. In order to reduce the proportion of outsourcing and reduce production costs, the Company needs to strengthen the construction of integrated base projects. The project is an anode material production line integrating all processes of raw material processing, low-temperature modification, graphitization, carbonization and finished product processing, etc. Upon completion, the project will help the Company strengthen the scale advantage of integrated production capacity, significantly reduce production costs and improve profitability.

### **3. Feasibility of project implementation**

(1) The project aligns with the support of the relevant national industrial policy

As a new type of green battery, lithium ion battery has gradually expanded its application field thanks to its unique performance advantages in the backdrop of increasing energy shortage and environmental pollution. In particular, with the rapid development of new energy vehicles, the demand for lithium-ion batteries has also risen rapidly.

A series of strategies and plans have been released in the field of energy storage in China, which clearly put forward the tasks and goals of accelerating the development of efficient energy storage, innovation of advanced energy storage technology, actively promoting the research, development and application of energy storage technology, and conquering key energy storage technologies. Featuring long life, high energy density and strong environmental adaptability, lithium-ion batteries have gradually become the

mainstream of electrochemical energy storage with the gradual maturity of the commercialization route and the continuous reduction of the cost, embracing a promising prospect.

According to the Proposal of the CPC Central Committee on Formulating the 14th Five-Year Plan and 2035 Long-Term Goals for National Economic and Social Development, which was issued by the State in 2020, strategic emerging industries, such as new energy, new materials and new energy vehicles, will be one of the major development directions of China in the next five years. The Company actively promotes the project construction of the integration base of lithium-ion battery anode materials, which can contribute to the healthy and fast development of the lithium ion battery industry. It is in line with the policies of "carbon peaking" by 2030 and "carbon neutrality" by 2060 as well as the development direction of China's new energy vehicle and energy storage industries.

(2) Driven by the strong demand in the end markets of new energy vehicles and energy storage, the lithium-ion battery cathode materials market has a promising prospect and will continue to grow at a high rate in the future

Under the backdrop of low carbon economy, energy conservation and emission reduction, new energy vehicles represent the development direction of the future automobile industry, and a new starting point for China's automobile industry to catch up with the world's automobile industry. Lithium-ion battery is the core component of new energy vehicles, and the industrialization of new energy vehicles will directly drive the rapid growth of the lithium-ion battery market.

In July 2021, EV Tank released the Mid - and Long-term Development Outlook for Global New Energy Vehicle Market (2030), which predicts that global sales of new energy vehicles will reach 18 million units by 2025 and 40 million units by 2030, with a penetration rate of about 50%. According to the estimates of EV Tank, global power battery demand will reach 1,059GWh in 2025, officially entering the TWh era, and reach 2,661GWh in 2030.

Global sale estimates of new energy vehicles (10,000 unit

become clearer, and the demand for energy storage batteries in many application scenarios, including power system energy storage, base station energy storage and home energy storage, will gradually increase. According to the estimates of EV Tank, global shipments of energy storage batteries will reach 244GWh by 2025, with a CAGR of 39% during 2021-2025.

Driven by the rapid growth for demand of power batteries and energy storage batteries, lithium-ion battery anode materials maintain a high growth trend. According to the data from the GGII, in the first half of 2022, the domestic shipment of lithium battery anode materials was 540,000 tons, up 68% year on year. The market space of lithium battery anode materials keeps increasing.

(3) The sound R&D system and rich technical experience have laid a solid technical foundation for the project

The Company has a high-level research and development team with industry leading technical experts as the core, and its subordinate enterprises have three post-doctoral workstations, national enterprise technology centers and other research and development platforms. After years of high-quality R&D investment and cultivation of independent R&D ability, the Company has developed a comprehensive R&D and innovation system. Our anode material business leads the industry in the research and development of high-end products, graphitization technology, raw material development and evaluation technology, and process equipment development.

In terms of high-end products, the high energy density low expansion technology, fast filling and coating technology, and silicon-based anode precursor synthesis technology independently developed by the Company are in the forefront of the industry. In terms of graphitization technology, the Company has been committed to the improvement and innovation of graphite chemical process. Our box furnace technology leads the industry in quality and cost control, supported by constant process optimization and improvement.

The process route of this project is roughly the same as the Company's 100,000-ton integrated base project in Baotou, Inner Mongolia, which has been fully verified. The equipment processing and installation manufacturers of this project are the

suppliers of long-term cooperation, and the drawings for non-standard equipment are provided by the Company, which can effectively ensure that the civil construction of the project will start on time and the project will be put into production smoothly.

#### 4. Project investment estimate

The expected total investment of the project is RMB7,927.1064 million, and the specific investment arrangement is as follows:

(In RMB 0'000)

No.	Investment content	Investment amount
1	Project cost	567,053.67
1.1	Construction engineering	92,867.71
1.2	Equipment and installation	474,185.96
2	Other expenses for project construction	41,770.30
3	Preparation expenses	30,441.20
4	Working capital	139,570.47
5	Loan interest during the construction period	13,875.00
6	<b>Total project investment</b>	<b>792,710.64</b>

#### 5. Project construction period

According to the characteristics of the project and the situation of similar construction projects in China, after the preliminary work of the project is completed and the approval of the relevant authorities is obtained, the construction period of the project is estimated to be 16 months.

#### 6. Economic benefit evaluation for the project

The after-tax IRR of the project is 24.68%, and the after-tax payback period is 6.33 years (including the construction period). The project has good economic benefits.

#### 7. Reports and approvals for the project

As of the announcement date of the plan, the project filing and registration were completed, but the approval of environmental assessment and the land use right certificate for the project have not been obtained.

### (II) Supplement to working capital

#### 1. Basic information of the project

The Company intends to use RMB 1,800 million of the proceeds from the Private Placement to supplement the working capital, so as to meet its capital needs for future business development, improve the sustainable profitability, optimize the capital structure, reduce financial expenses, and improve the ability to resist risks.

## **2. Necessity of the project**

(1) To meet the demand for working capital for the continuous expansion of business scale and enhance market competitiveness

The Company achieved revenue of RMB8,679.9110 million, RMB8,215.8967 million and RMB2,069.3826 million respectively in 2019, 2020 and 2021, with a CAGR of 54.43%. With the expansion of business scale, the Company needs to constantly invest HR, equipment and funds in production, research and development to ensure the realization of long-term business development goals. Therefore, relatively sufficient working capital is an important guarantee for the steady development of the Company. After the supplement to working capital, it will effectively meet the new working capital demand brought by the continuous expansion of the Company's business scale, which is conducive to enhancing the capital strength of the Company, providing financial support for the development of various business activities of the Company, flexibly responding to the future development trend of the industry, helping the company develop bigger and stronger main business, and enhancing its market competitiveness.

(2) To optimize the capital structure, and enhance the ability to resist risks

Part of the proceeds will be used to supplement the working capital, which can effectively reduce the assets liability ratio of the Company, optimize the capital structure, improve the liquidity indicators, reduce the financial risk and operation risks of the Company, enable the Company to improve its anti-risk ability in the changing market competition environment, adhere to the long-term development strategy, and safeguard the interests of all the shareholders.

## **3. Feasibility of the project**

The use of the proceeds from the Private Placement to supplement the working capital is in line with the relevant industrial policies and industry status quo as well as

the current actual development situation of the Company, and good for the Company to improve its economic benefits, achieve sustainable development, enhance its capital strength, satisfy the operating capital needs, and realize its development strategy. The use of the proceeds from the Private Placement to supplement the working capital complies with the provisions on use of proceeds set out in the Administrative Measures on the Issuance of Securities, and the Implementation Rules, Q&A on Issuance Supervision -- Supervision Requirements on Directing and Regulating the Financing Acts of Listed Companies (Revision). The Plan is feasible.

### **III. Impact of the Private Placement on the operation management and financial position of the Company**

#### **(I) Impact of the offering on the operation management of the Company**

The project invested with the proceeds from the Private Placement is in line with the relevant national industrial policies as well as the overall development plan of the Company. With good market development prospect and economic benefits, the plan for the use of proceeds is reasonable and feasible. After the successful implementation of the project, the Company will further strengthen its main business advantages, which is conducive to enhancing its market influence. The Private Placement is in line with the interests of the Company and all the shareholders.

#### **(II) Impact of the offering on the financial position of the Company**

Upon the completion of the Private Placement, the total assets and net assets of the Company will be increased, its assets liability ratio will be reduced, the capital structure will be further optimized, financial cost and financial risks will be reduced, and its capital strength will be enhanced. Because certain investment and construction period is required for the proceeds-funded project, the Company's return on equity may be affected to some extent in the short term after the offering. However, in mid and long term, when the project is completed and generates economic benefits, the Company's revenue and profit level will gradually rise, further improving its financial position.

### **IV. Conclusion of feasibility analysis**

In conclusion, the project invested with the proceeds from the Private Placement

is in line with the relevant national industrial policies as well as the future development plan of the Company, featuring good market development prospect and economic benefits. The implementation of the projects invested with the proceeds will further optimize the Company's strength and competitiveness, which is conducive to the long-term sustainable development of the Company and in line with the interests of all the shareholders. Therefore, the projects invested with the proceeds from the Private Placement are necessary and feasible.

### **Section III Discussion and Analysis of the Board of Directors on the Impact of the Offering on the Company**

#### **I. Changes in the business and asset integration plan, Articles of Association, shareholder structure, senior management structure and business revenue structure of the Company after the offering**

##### **(I) Change in businesses after the offering**

The projects invested with the proceeds from the Private Placement are carried out based on the main business and future development strategy of the Company. After the implementation of the projects invested with the proceeds from the Private Placement, the production capacity of lithium-ion battery anode materials will be further expanded, which is conducive to better meeting the needs of customers and provides a strong guarantee for the Company to further play its business advantages.

##### **(II) Change in Articles of Association after the offering**

Upon the completion of the offering, total share capital of the Company will be increased, and the equity structure will be changed. Therefore, upon completion of the offering, the Company will make adjustments to the Articles of Association regarding the total share capital, the equity structure and other matters related to the Private Placement.

##### **(III) Change in shareholder structure after the offering**

When calculated based on the upper limit of the number of shares issued in the Private Placement, upon the completion of the Private Placement, the total capital of the Company will be 2,910,005,199 shares, and the shares controlled by Mr. Zheng Yonggang, actual controller of the Company, will be 1,138,227,502 shares, accounting for 39.11% of the total number of shares of the Company after the offering. Mr. Zheng Yonggang will still be the actual controller of the Company. This offering will not cause any change to the control of the Company.

#### **(IV) Change in senior management after the offering**

This offering will not cause significant change to the senior management structure. If the Company intends to adjust the senior management structure, it will perform the necessary legal procedures and information disclosure obligations in accordance with the relevant regulations.

#### **(V) Change in business revenue structure after the offering**

The projects invested with the proceeds from the Private Placement are carried out for the main business of the Company – lithium-ion battery anode materials business. Upon the completion of the offering, it will be conducive to further promoting the Company's cooperation with major strategic customers at home and abroad, enhancing the Company's comprehensive competitive strength, and in line with the development trend of global new energy industry and the national strategy of "carbon peaking" and "carbon neutrality". With the investment of the proceeds and the implementation of the project, the revenue from lithium-ion battery anode materials business will be increased, but the business revenue structure of the Company will not be changed significantly.

## **II. Change in financial position, profitability and cash flow of the Company after the offering**

### **(I) Impact of the offering on the financial position of the Company**

Upon the completion of the offering, the total assets and net assets of the Company will be increased, its assets liability ratio will be reduced, which is conducive to further reinforce capital strength. The capital structure will be further optimized, financial risks will be reduced, which is conducive to the robust operation and sustainable healthy

development of the Company.

### **(II) Impact of the offering on the profitability of the Company**

The proceeds from the offering is mainly used for the strategic deployment of the Company's main business - lithium-ion battery anode materials business. Upon the completion of the project, the profitability of the Company will be further enhanced. Because it takes some time for the proceeds-funded project to fully release the operating benefits, the Company's financial indicators such as return on equity and earnings per share may be affected to some extent in the short term. However, in the long run, with the achievement of the economic benefits of the proceeds-funded project, the overall profitability of the Company will be released, and the capacity expansion will promote the rapid increase of the main business income, further enhancing the overall competitiveness of the Company.

### **(III) Impact of the offering on cash flow of the Company**

Upon the completion of the Private Placement, the cash flow from financing activities of the Company will be increased significantly. When the proceeds is put into use, the cash flow from investing activities of the Company will be increased correspondingly. When the proceeds-funded project is completed and put into service and generates benefits, the cash flow from operating activities of the Company will be increased correspondingly, and its overall profitability will be further enhanced.

## **III. Change in the business relationship, management relationship, related transactions and horizontal competition between the Company and controlling shareholder, the actual controller and its related parties**

Upon the completion of the Private Placement, there will not be any significant change in the business relationship and management relationship between the Company and the controlling shareholder, the actual controller and its related parties. The related transactions between the Company and the controlling shareholder, the actual controller and its related parties will not be increased, nor will they have horizontal competition

due to the Private Placement. There is no significant change in the business relationship, management relationship, related transactions and horizontal competition between the Company and the controlling shareholder, the actual controller and its related parties before and after the Private Placement.

**IV. Upon the completion of the Private Placement, whether the Company's capital and assets will be occupied by the controlling shareholder and its related parties, or whether the Company will provide security for the controlling shareholder and its related parties**

As of the announcement of the Plan, the Company's capital and assets were not occupied by the Controlling shareholder and its related parties, and the Company did not provide security for the controlling shareholder and its related parties. The use of the Company's capital and assets or external guarantees were carried out in strict accordance with the provisions of laws, regulations, normative documents and Articles of Association. Upon the completion of the offering, the Company's capital and assets will not be occupied by the Controlling shareholder and its related parties, nor will the Company provide security for the controlling shareholder and its related parties due to the offering.

**V. Impact of the Private Placement on the liabilities of the Company**

As of June 30, 2022, the consolidated asset liability ratio of the Company was 49.49%. The proceeds from the Private Placement will be fully used for the construction of the lithium-ion battery anode material project and supplementing the working capital. Liabilities (or contingent liabilities) will not be increased significantly due to the offering. Upon the completion of the offering, the net assets of the Company will be increased significantly, the asset liability ratio will be reduced correspondingly, and the financial structure will be more secure, which will further enhance the Company's ability to finance through bank loans or other creditor's rights, and provide a guarantee for the long-term development of the Company. It will not result in high liability ratio

and unreasonable financial cost.

## **VI. Risks related to the offering**

When evaluating the Private Placement, investors shall, in addition to the information provided in the Plan, take the following risk factors into account:

### **(I) The macroeconomic risks**

The downstream applications of lithium-ion battery anode materials mainly include 3C consumer electronics, new energy vehicles and electrochemical energy storage, featuring a wide range of applications. If there are periodic changes in international and domestic macroeconomic trend and market demand in the future, it will affect the prosperity and production and operation status of the downstream industry. Therefore, the Company is subject to the risk of business result decline due to macroeconomic change.

### **(II) Policy risks**

Lithium-ion battery anode material is an important main product of the Company, and new energy vehicle is one of its main application fields. The introduction and adjustment of national policies on new energy vehicle industry will have certain impact on the Company's main business operation. If there is any significant adverse change to the related industrial policies of new energy vehicles or the national policy intensity of energy saving and emission reduction, it will directly affect the sales of lithium-ion battery anode material products, which will in turn cause material adverse impact on the business result of the Company.

### **(III) Market competition risks**

In recent years, with the rapid development of the new energy vehicle market, anode materials, as key raw materials for power batteries and energy storage batteries, have attracted a large number of new enterprises to join the industry. In addition, the existing lithium material enterprises expand their capacity one after another, resulting in increasingly fierce market competition. If future market demand falls short of expectations, the market may suffer from structural and staged overcapacity. If the Company fails to improve the product level in time, it will be subject to the market

competition risk.

**(IV) The risk of fluctuation in raw material and outsourced processing price**

The raw materials of the Company's anode materials products are mainly petroleum coke, needle coke and other coke raw materials, whose prices are affected by the price of petroleum and other basic raw materials and the relationship between market supply and demand, showing varying degrees of fluctuation. In addition, the demand for graphitization processing, the intermediate process of anode materials, is growing rapidly, and the supply capacity is tight, resulting in price fluctuations. If the price of raw materials and outsourced processing changes drastically in a short period of time in the future, and the Company fails to effectively transfer the pressure of price increase to the downstream or offset the pressure of cost increase through technological innovation and whole process production, it will have an adverse impact on the Company's profitability.

**(V) Exchange rate risks**

Part of the Company's revenue comes from export sales. The settlement with overseas payment channels involves USD, Euro and other currencies, and part of the income from foreign exchange settlement is deposited in bank accounts in the form of foreign currencies. If the value of RMB is unstable in the future and the Company fails to take effective countermeasures, it will be subject to risks such as profit decline of export business and exchange loss caused by exchange rate fluctuations.

**(VI) Risk of performance decline due to COVID-19**

After years of development, complete technical accumulation has been formed for the lithium-ion battery technology, resulting in mature process. Lithium-ion battery technology is expected to remain the mainstream technology in the market in the longer term. However, with the continuous investment of domestic and foreign scientific research forces and industrial capital in the field of new energy and new materials application, new battery materials or emerging technology routes may become mature rapidly and the commercial application process will be accelerated. If the Company fails to upgrade its products quickly or the research and development fall short of expectations, or the technical reserve of the emerging technology route is not sufficient, the market competitiveness of the Company's products may be adversely affected.

**(VIII) Risk of capacity digestion or benefits of the proceeds-funded project falling short of expectation**

The proceeds of the company will be mainly used for the lithium-ion battery anode material integration base project with the annual output of 300,000 tons Yunnan Shanshan New Material Co., Ltd. (Phase 1). After the project is completed and put into production, the core capacity of the Company will be enhanced significantly. This fundraising project is a prudent decision made by the Company based on feasibility analysis and demonstration in combination with industrial policy, industry development trend, market space, customer demand, and the Company's technical level. However, because certain construction period is required for the proceeds-funded project, there may be adverse changes in the market environment, technology and related policies during the implementation of the project and after the actual completion of the project, which may result in the risk that the Company's new capacity cannot be digested or the benefit is less than expected.

**(IX) Review & approval risk**

The Private Placement shall be submitted to the general meeting of the Company for deliberation and approval and approved by the CSRC before it can be implemented. There exists uncertainty on whether the Private Placement will be approved and the time of approval.

**(X) Risk of immediate return dilution**

Upon the receipt of the proceeds, the total share capital and net assets of the Company will be increased correspondingly. However, because it takes some time for the proceeds-funded project to generate operating benefits after it is completed and put into service, the Company's earnings per share and return on equity may decline to some extent in the short term. Therefore, shareholders are subject to the risk of immediate return dilution.

**(XI) Risk of stock price fluctuation**

The Private Placement will have significant impact on the production and operation and financial position of the Company. The changes in the Company's fundamentals will affect its stock price. In addition, the state macroeconomic situation, major policies, domestic and foreign political situation, changes in the supply and demand of the stock market and investors' psychological expectations will affect the price of stocks and bring risks to investors. China's securities market is still in the development stage with relatively large market risk. The stock price may have large fluctuation and deviate from the company value. Therefore, investors are reminded to pay attention to the stock price fluctuations and the possible risks in the share market.

## **Section IV Profit Distribution Policy of the Company and Its Implementation**

### **I. Profit distribution policy of the Company**

#### **(I) Basic principles for profit distribution**

for cash dividend, that is, the profit distributed in cash every year shall not be less than 10% of the distributable profit realized by the Company in that year, and the accumulated profits distributed in cash in the last three years shall not be less than 30% of the annual distributable profits realized by the Company in the last three years.

4. The Board shall propose a differentiated cash dividend policy in accordance with the procedures as required by the Articles of Association, taking into account various factors such as features of the industries where the Company operates, the stage of development of the Company, its own business model, level of profitability, and whether there is significant capital expenditure arrangement, and based on the following situations:

(1) If the Company is in mature development stage and has no significant capital expenditure arrangement, when profit distribution is made, the cash dividend shall at least account for 80% of the profit distribution;

(2) If the Company is in mature development stage and has significant capital expenditure arrangement, when profit distribution is made, the cash dividend shall at least account for 40% of the profit distribution;

(3) If the development stage of the Company is in the growth stage and there are major capital expenditure arrangements, when making profit distribution, the cash dividend shall at least account for 20% of the profit distribution.

The development stage of the Company upon dividend distribution shall be determined by the Board based on actual situations.

#### 4. Conditions for issuing stock dividends

On the premise of meeting the conditions for cash dividend, the Company may make profit distribution by means of stock dividends if it believes that issuing stock dividends is conducive to the interests of all the shareholders after considering the Company's growth, diluted net assets per share and other factors, and ensuring that the minimum cash dividend ratio, the capital stock size and the equity structure of the Company are reasonable. The specific proportion of dividends shall be examined and approved by the Board and submitted to the general meeting for deliberation and decision.

### **(III) Procedures for reviewing profit distribution scheme**

The board of directors shall formulate the profit distribution scheme according to the established profit distribution policy. The profit distribution scheme shall be submitted to the general meeting for deliberation after the independent directors express their independent opinions, and shall be deliberated and approved by the general meeting with more than two-thirds of the voting rights held by the shareholders present at the general meeting.

Independent Directors can collect views from minority shareholders to put forward the profit distribution proposal and directly propose to the Board for consideration.

Before the profit distribution scheme is deliberated by the general meeting, the Company shall full discussion and exchange with the shareholders (especially the minority shareholders) on the profit distribution scheme through various means, listen to the opinions and claims of the minority shareholders and make prompt response to the concerns of the minority shareholders.

When resolution is made by general meeting on the profit distribution scheme, the Board shall complete the dividend (or share) distribution issues in 2 months after the general meeting.

The Company shall disclose in detail the formulation and implementation of the cash dividend policy during the reporting period in the periodic report.

### **(IV) Change in profit distribution policy**

After the dividend policy is determined, it shall not be adjusted at will to reduce the level of returns to shareholders. However, if the Company needs to adjust the dividend policy in case of force majeure such as war and natural disasters, or changes in the Company's external business environment that have a significant impact on its production and operation, or any significant changes to the operating conditions, or the needs for production and operation, investment planning, long-term development of the Company, or the modification of the provisions on the dividend policy by the regulatory authorities, the Company may adjust or change the cash dividend policy.

If it is necessary to adjust or change the policy distribution policy, the conditions stipulated in the Articles of Association shall be met, the relevant proposals shall be

subject to detailed argumentation, the supervisory committee shall examine the profit distribution policy formulated and modified by the Board and approve it by voting of more than half of the supervisors.

The profit distribution policy proposed by the Board shall be approved by more than half of the Board members and approved by more than two-thirds of the independent directors, and then submitted to the general meeting for deliberation and approved by more than two-thirds of the voting rights held by the shareholders attending the general meeting. The relevant proposal submitted to the general meeting shall explain the reasons for changing the profit distribution policy in detail. When the general meeting deliberates and adjusts the matters related to the profit distribution policy, the Company shall facilitate the participation of minority shareholders in the general meeting through online voting and other means.

#### **(V) Arrangement for the use of undistributed profits for the current year**

The undistributed profits for the current year shall be reserved by the Company for production and operation and carried forward for distribution in the future.

## **II. Cash dividends in the last three years and use of undistributed profit**

### **(I) Profit distribution schemes of the Company in the last three years and the implementation**

#### **1. Profit Distribution Scheme for 2019 and its implementation**

On May 18, 2020, with the approval of the annual general meeting for 2019, based on the total share capital on the equity registration date for the implementation of the 2019 equity distribution, the Company distributed a cash dividend of RMB 1.20 (tax inclusive) for every 10 shares to all the shareholders from the undistributed profits, and distributed 4.5 shares for every 10 shares to all the shareholders by converting the capital reserve (capital premium) into share capital.

On June 19, 2020, the Company completed the profit distribution for 2019, distributing cash dividends of RMB 134,731,798.32 in total, converting capital reserve of 505,244,243 shares into share capital. After the distribution, the total share capital of



Annual net profit attributable to shareholders of the listed company in the consolidated statements in the last three years	124,916.98
Proportion of total cash dividend in the last three years in the annual net profit attributable to shareholders of the listed company in the consolidated statements in the last three years	79.13%

### **(III) Use of the undistributed profits in the last three years**

The undistributed profits of the Company in the last three years were mainly used for meeting the capital needs of daily operation and business development of the Company.

## **III. Shareholder return plan of the Company for the coming three years**

### **(I) Specific shareholder return planning of the Company for the coming three years (2022 to 2024)**

In order to further promote the establishment of a scientific, sustainable and stable dividend mechanism, facilitate investors to form stable investment return expectations, and protect the legitimate rights and interests of investors, the Company has formulated the Shareholder Return Plan of Ningbo Shanshan Co., Ltd. for the Coming Three Years (2022 to 2024) according to the requirements of the Notice on Further Implementation of Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37), the Guidance on Supervision of Listed Companies No. 3 -- Cash Dividends of Listed Companies (2022 Revision) (CSRC Announcement [2022] No. 3) and the Articles of Association. The Shareholder Return Plan has been reviewed and approved by the 34th meeting of the tenth board of directors. Its contents are detailed below:

#### **1. Form of profit distribution**

The Company distributes dividends in the form of cash, stock or a combination of cash and stock.

#### **2. Conditions and proportions of profit distribution**

(1) Conditions and proportions of cash dividend: The distributable profit realized in the year (that is, the after-tax profit after the Company makes up the loss and withdraws the reserve funds) shall be positive, the Company shall have sufficient cash flow and the cash dividend distribution shall have no impact on the Company's sustained operations; The cumulative distributable profit of the Company shall be positive; The Company shall have no major investment plan or major cash disbursement (except for proceeds-funded projects) for the next twelve months. Major investment plan or major cash disbursement means that the accumulated expenditures of the proposed external investment, acquisition of assets or purchase of equipment by the Company in the coming twelve months amount to or exceed 10% of the latest audited net assets of the Company.

The board of directors shall formulate the profit distribution scheme according to the established profit distribution policy. The profit distribution scheme shall be submitted to the general meeting for deliberation after the independent directors express their independent opinions, and shall be deliberated and approved by the general meeting with more than two-thirds of the voting rights held by the shareholders present at the general meeting.

(2) Conditions for stock dividend distribution: On the premise of meeting the conditions for cash dividend, the Company may make profit distribution by means of stock dividends if it believes that issuing stock dividends is conducive to the interests of all the shareholders after considering the Company's growth, diluted net assets per share and other factors, and ensuring that the minimum cash dividend ratio, the capital stock size and the equity structure of the Company are reasonable. The specific proportion of dividends shall be examined and approved by the Board and submitted to the general meeting for deliberation and decision.

(3) Differentiated cash dividend policy: The Board of Directors will propose a differentiated cash dividend policy in accordance with the procedures stipulated in the Articles of Association after comprehensively considering the characteristics of the industry, the development stage, business model, profit level of the Company, whether there is a major capital expenditure arrangement and other relevant factors, focusing on

the following situations: If the development stage of the Company is in the mature stage and there is no significant capital expenditure arrangement, when making profit distribution, the lowest proportion of cash dividends in the profit distribution shall reach 80%; If the development stage of the Company is in the mature period and there are major capital expenditure arrangements, when making profit distribution, the proportion of cash dividends in the profit distribution shall be at least 40%; If the development stage of the Company is in the growth stage and there are major capital expenditure arrangements, when making profit distribution, the proportion of cash dividends in the profit distribution shall be at least 20%;

### **3. Interval of profit distributions**

In principle, annual profit distribution shall be made once a year when the conditions for cash dividend are met. The Company adopts a fixed proportion policy for cash dividend, that is, the profit distributed in cash every year shall not be less than 10% of the distributable profit realized by the Company in that year, and the accumulated profits distributed in cash in the last three years shall not be less than 30% of the annual distributable profits realized by the Company in the last three years.

#### **(II) Formulation cycle of the shareholder return plan and relevant decision-making mechanism**

1. The Company shall revise the Shareholder Return Plan at least once every three years and determine the shareholder return planning in accordance with the actual operation situations of the Company and the opinions of Shareholders (especially minority shareholders) .

2. On the basis of fully considering the Company's profit scale, cash flow status, development stage and current capital demand, as well as the opinions of shareholders (especially minority shareholders), the board of directors shall formulate the Shareholder Return Plan for the Next Three Years, which shall be submitted to the shareholders' meeting for deliberation and approval after the independent directors express independent opinions.

3. The boardmulat1( t)-2(he)14(e)4( )3.9(l)-2(l)-1.9( f s)-0.9(ubm)-2(i)-ex the

submitted to the general meeting for deliberation after the independent directors express their independent opinions, and shall be deliberated and approved by the general meeting with more than two-thirds of the voting rights held by the shareholders present at the general meeting. When resolution is made by general meeting on the profit distribution scheme, the Board shall complete the dividend (or share) distribution issues in 2 months after the general meeting. The Company shall disclose in detail the formulation and implementation of the cash dividend policy during the reporting period in the periodic report.

### **(III) Adjustment of the shareholder return plan**

After the dividend policy is determined, it shall not be adjusted at will to reduce the level of returns to shareholders. However, if the Company needs to adjust the dividend policy in case of force majeure such as war and natural disasters, or changes in the Company's external business environment that have a significant impact on its production and operation, or any significant changes to the operating conditions, or the needs for production and operation, investment planning, long-term development of the Company, or the modification of the provisions on the dividend policy by the regulatory authorities, the Company may adjust or change the cash dividend policy. If it is necessary to adjust or change the policy distribution policy, the conditions stipulated in the Articles of Association shall be met, the relevant proposals shall be subject to detailed argumentation, the supervisory committee shall examine the profit distribution policy formulated and modified by the Board and approve it by voting of more than half of the supervisors.

The profit distribution policy proposed by the Board shall be approved by more than half of the Board members and approved by more than two-thirds of the independent directors, and then submitted to the general meeting for deliberation and approved by more than two-thirds of the voting rights held by the shareholders attending the general meeting. The relevant proposal submitted to the general meeting shall explain the reasons for changing the profit distribution policy in detail. When the general meeting deliberates and adjusts the matters related to the profit distribution policy, the Company shall facilitate the participation of minority shareholders in the

general meeting through online voting and other means.

#### **(IV) Protection of the interests of shareholders**

1. Before the profit distribution scheme is deliberated by the general meeting, the Company shall full discussion and exchange with the shareholders (especially the minority shareholders) on the profit distribution scheme through various means, listen to the opinions and claims of the minority shareholders and make prompt response to the concerns of the minority shareholders.

2. Independent Directors can collect views from minority shareholders to put forward the profit distribution proposal and directly propose to the Board for consideration.

3. If the Company achieved profits in the previous fiscal year, but the board of directors did not put forward a cash profit distribution plan after the end of the previous fiscal year, it shall specify in the periodic report the reasons for not making dividend distribution and the purposes for which the funds not used for dividend distribution were retained by the Company. The independent directors shall express independent opinions on this.

4. The Company shall disclose in details the formulation and implementation of the cash dividend policy in its annual reports, and explain whether it is in compliance with the provisions of the Articles of Association or requirements of the resolutions of the general meeting, whether the criteria and proportion of dividend distribution is specific and clear, whether the relevant decision-making procedures and mechanism are complete, whether independent directors duly perform their duties and play their due roles, whether minority shareholders have opportunities to fully express their opinions and requests, and whether the legitimate rights and interests of minority shareholders are fully protected. If the cash dividend policy is adjusted or changed, the Company shall explain in detail whether the conditions and procedures for adjustment or change are compliant and transparent.

5. In case any shareholder misappropriates the funds of the Company unlawfully, the Company has the right to deduct cash dividends to be distributed to such shareholder for making up the amount misappropriated.



## **Section V Statements and Commitments of the Board of Directors Related to the Offering**

### **I. Statement of the board on whether there is any equity financing plan other than this offering in the next twelve months**

In addition to this offering, the board of directors of the Company will determine whether to arrange any other equity financing plan in the next twelve months according to the Company's future development plan, the industry development trend, as well as the Company's capital structure, financing needs and capital market development. If the Company arranges equity financing according to the needs of business development and the status of its assets and liabilities in the future, it will perform the deliberation procedures and information disclosure obligations in accordance with laws, regulations, normative documents and the Articles of Association.

### **II. Matter related to the immediate return dilution resulting from this offering**

According to the relevant requirements of the Opinion of General Office of the State Council on Further Enhancing Protection of Rights and Interests of Medium and Small Investors in Capital Market (Guo Ban Fa [2013] No. 110), the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market issued by the State Council (Guo Fa [2014] No. 17) and the Instructions on Issues Related to Immediate Return Dilution Arising from IPO, Refinancing and Major Asset Restructuring (the CSRC Announcement [2015] No. 31), the Company has made analysis on the immediate return dilution influence of the Private Placement, and proposed mitigation and remediation measures, in order to protect the interests of the minority investors. The relevant parties have made a commitment to ensure the effective implementation of the mitigation and remediation measures, as detailed below:

#### **(I) Impact of the immediate return dilution resulting from the offering on the key financial indicators of the Company**

##### **1. Key assumptions and premises**

(1) It is assumed that there are no major adverse changes in the macroeconomic environment, industrial policies, industry development, market conditions and other aspects of the Company.

(2) It is assumed that the Private Placement will be completed in December 2022. The estimated time is used for calculating the impact of the immediate return dilution resulting from the Offering on the key financial indicators of the Company only. The actual time shall be the actual completion time of the Offering, which shall be subject to the approval of the CSRC.

(3) It is assumed that the total proceeds from the Private Placement is RMB 6,000 million (without considering the impact of the offering expenses), and that the final number of shares issued in the Private Placement is the upper limit of 671,539,661 shares, provided that the actual final number shall be subject to the result approved by the CSRC.

(4) According to the 2021 annual results disclosed by the Company, the net profit attributable to shareholders of the parent company in 2021 was RMB 3,339.6965 million, and the net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses was RMB 1,885.3201 million. Benefiting from national policy support, demand pull in the field of new energy vehicles and other factors, the lithium-ion battery material business achieved a net profit attributable to shareholders of the listed company of RMB 1,194.7189 million, representing an increase of 315.22% year-on-year. In addition, the Company completed the acquisition of LCD polarizer business from LG Chem and achieved consolidation, the LCD polarizer business achieved a net profit attributable to shareholders of the listed company of RMB 1,197.2006 million in 2021. The Company focuses on two core businesses: lithium-ion battery anode materials and polarizers. Thanks to the rapid growth of global new energy vehicles, the demand for lithium-ion battery anode material business has increased significantly. The Company's anode material integration bases have been put into operation one after another and the capacity has been further released, which will promote the further development of lithium-ion battery anode material business. Thanks to the booming of large-size TV panel and the

increasing global demand for IT panels, as well as the improvement of the capacity utilization rate of Guangzhou polarizer production line, the Company's polarizer business is expected to maintain robust development. Therefore, it is estimated that the net profit attributable to the shareholders of the parent company and the net profit attributable to the shareholders of the parent company after deducting non-recurring gains and losses achieved in 2022 are calculated according to the following three situations: growing by 20% from 2021; growing by 10% from 2021; flat with 2021.

This assumption is only used to calculate the impact of the immediate return dilution resulting from the Private Placement on the Company's key financial indicators. It does not represent the Company's profit forecast. Investors shall not make investment decisions based on this assumption.

(5) It is assumed that except for the Private Placement, the Company will not carry out other actions that will affect or potentially affect the total share capital of the Company.

(6) The impact of other non-recurring gains and losses and force majeure factors on the Company's financial position is not considered.

(7) The impact of the proceeds from the Private Placement on the business operation and financial position of the Company (such as operating revenue, financial expense, investment income, etc.) is not taken into account;

The above assumptions are only used to calculate the impact of the immediate return dilution resulting from the Private Placement on the Company's key financial indicators. They do not represent the Company's judgment on the operating conditions and trends, do not constitute a profit forecast, and shall not be relied on by the investors for making investment decision. If the investors make investment decision based on these assumptions analysis and suffer loss, the Company shall not be liable.

## **2. Impact on the key financial indicators of the Company**

Based on the above assumptions, the impact of the Private Placement on the key financial indicators of the Company is calculated as follows:

Item	December 31, 2021/2021	December 31, 2022/2022	
		Before the offering	After the offering
Total share capital (shares)	2,142,919,938	2,238,465,538	2,910,005,199
<b>Scenario 1: The net profit attributable to the owner of the parent company after deducting non-recurring gains and losses in 2022 increases by 20.00% as compared with that of 2021</b>			
Net profit attributable to shareholders of the listed company, net of non-recurring gains and losses (RMB 10 thousand)	188,532.01	226,238.42	226,238.42
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	1.15	1.04	1.04
Diluted earnings per share after deduction of non-recurring gains and losses (RMB/share)	1.15	1.04	1.04
Weighted average return on equity after deduction of non-recurring gains and losses	13.41%	10.73%	10.73%
<b>Scenario 2: The net profit attributable to the owner of the parent company after deducting non-recurring gains and losses in 2022 increases by 10.00% as compared with that of 2021</b>			
Net profit attributable to shareholders of the listed company, net of non-recurring gains and losses (RMB 10 thousand)	188,532.01	207,385.21	207,385.21
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	1.15	0.95	0.95
Diluted earnings per share after deduction of non-recurring gains and losses (RMB/share)	1.15	0.95	0.95
Weighted average return on equity after deduction of non-recurring gains and losses	13.41%	9.88%	9.88%
<b>Scenario 3: The net profit attributable to the owner of the parent company after deducting non-recurring gains and losses in 2022 is flat with that of 2021</b>			
Net profit attributable to shareholders of the listed company, net of non-recurring gains and losses (RMB 10 thousand)	188,532.01	188,532.01	188,532.01

Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	1.15	0.86	0.86
Diluted earnings per share after deduction of non-recurring gains and losses (RMB/share)	1.15	0.86	0.86
Weighted average return on equity after deduction of non-recurring gains and losses	13.41%	9.02%	9.02%

## **(II) Risk reminder for immediate return dilution resulting from the Private Placement**

Upon the receipt of the proceeds, the total share capital and net assets of the Company will be increased correspondingly. However, because it takes a certain period of time to construct and implement the proceeds-funded projects, the financial indicators of the Company, such as the return on equity before deduction of non-recurring gains and losses and earnings per share, are at risk of decline in the short term. The investors are reminded to be alert of the risk that the offering may dilute the immediate return to the shareholders.

In addition, in the process of calculating the impact of the immediate return dilution resulting from the offering, the assumption analysis of the net profit attributable to the shareholders of the listed company in 2022 is not the Company's profit forecast. The mitigation and remediation measures to address the immediate return dilution risks do not guarantee the future profits of the Company, and investors shall not make investment decisions based on them. The Company shall not be liable for any loss caused by the investor's investment decision based on these assumptions.

## **(III) Necessity and rationality of the Private Placement**

For the necessity and rationality of the Private Placement, please refer to Section II Feasibility Analysis of the Board of Directors on Use of Proceeds in this plan.

## **(IV) The relation between the proceeds-funded project and the existing businesses, as well as the talent, technology and market reserve of the Company**

### **1. The relation between the proceeds-funded project and the existing businesses**

The proceeds-funded project is carried out for the existing lithium-ion battery anode material business. It is designed to improve production capacity, upgrade technology and extend the industrial chain on the basis of the existing main business. The proceeds-funded project is closely related to the existing businesses of the Company. It is helpful to further improve the financial strength of the Company, strengthen the service capability of the whole industrial chain, and is of great significance to optimize the product structure, expand the business scale and enhance the profitability of the Company.

## **2. The talent, technology and market reserve of the Company**

### **(1) Talent reserve**

After long-term development, the Company has successfully built a core talent team of lithium-ion battery anode materials with superior technology, efficient management and high loyalty. To ensure the consistency of management and the efficiency of operation, the personnel needed for the operation of the proceeds-funded project will be obtained through internal training and external recruitment. After the project construction is commenced, the management personnel and operators will be allocated by the Company, and other required workers will be arranged by the labor service company. The Company will also develop a detailed personnel training plan according to the product characteristics and management mode of the new project, so as to ensure that the relevant personnel can work smoothly and competently. The human resources department of the Company will formulate feasible manpower recruitment plans according to the actual personnel needs, so as to meet the talent needs of the Company in different fields and ensure the smooth implementation of the projects funded with the proceeds from the Private Placement.

### **(2) Technical reserve**

After years of technology development and accumulation, the Company has rich technical reserve in lithium-ion battery anode materials, boasting a series of research achievements such as "Lithium ion battery anode material (mesocarbon microbeads)", "High power lithium ion power battery anode material G06", "Lithium ion battery anode material - mesocarbon microbeads production technology development", "800-

ton lithium ion battery material carbon anode project", "lithium ion battery anode material composite graphite spheres (CGS)" , and , and many honors such as "National Technological Innovation Model Enterprise" and "National Enterprise Technology Center". The technologies being developed by the Company, such as "high-energy density fast-charging graphite", "high-energy density artificial graphite", "cost-effective 350 fast-charging graphite", "high-energy density low-cost 355 artificial graphite", "high-first-effect silicon oxygen project" and "ultra-low-cost artificial graphite", have entered the mass production stage, and the "hard carbon" technology is in the pilot trial stage. In conclusion, the Company has sufficient technical reserves in the field of lithium-ion battery anode materials and is in a leading position in the industry.

### (3) Market reserve

The Company has been deeply engaged in the field of lithium-ion battery anode materials for years and boasts stable market and customer reserves. After years of operation, the Company has accumulated rich experience in the management team and market development, and established long-term and stable cooperative relations with many outstanding enterprises in the lithium battery industry. Rich and high-quality customer resources are strong guarantees for the successful implementation of the proceeds-funded project.

In conclusion, the Company has had a good reserve of resources in terms of personnel, technology, market and other aspects for the proceeds-funded project, which can ensure the successful implementation of the proceeds-funded project.

### **(V) The mitigation and remediation measures for the immediate return dilution resulting from the Private Placement**

In order to effectively prevent the risk that the immediate return may be diluted due to this Private Placement, the Company plans to take the following measures to ensure the effective use of the proceeds, improve the Company's business result, and realize the sustainable business development and reasonable return on investment for shareholders:

#### **1. To strengthen the supervision over the proceeds, guard against risks in**

**the use of proceeds, and ensure that the proceeds is used reasonably and lawfully**

To ensure the compliant and effective use of the proceeds, upon the receipt of the proceeds from the Private Placement, the Company will deposit the proceeds in a special account, ensure the reasonable and compliant use of the proceeds, actively cooperate with the sponsor (lead underwriter) and regulatory banks to check and supervise the use of proceeds, and reasonably prevent the risks in the use of proceeds in strict accordance with the requirements of the Administrative Measures for Securities Issuance of Listed Companies, the Regulatory Guidelines for Listed Companies No. 2-Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies, and the Listing Rules of Shanghai Stock Exchange.

**2. To improve the Company's core competitiveness, accelerate the development of the existing main business, strengthen the effectiveness of the proceeds, and enhance the profitability**

The Company will continue to focus on the existing main business, further expand the scale of operations, and improve sustainable profitability and risk resistance, in order to ensure the long-term returns for shareholders. On one hand, the Company will actively build a more reasonable performance evaluation system and talent incentive mechanism to enhance the enthusiasm of employees and promote business development. On the other hand, the Company will establish and improve a business system with overall cost control as the core, strengthen daily business management and internal control, constantly improve the corporate governance structure, strengthen budget and investment management, comprehensively improve the daily operating efficiency, integrate cost control into each management measure, reduce the operating cost, enhance the management level and improve the business results.

In addition, the Company will actively promote the construction of the proceeds-funded project, in order to complete the project and generate expected benefits as soon as possible. The Private Placement is a strategic development initiative made based on the national policy, industry background and the planning of the Company. Upon the receipt of the proceeds, the Company will accelerate the implementation of the proceeds-funded project, promptly and efficiently complete the works for the project,

in order to put the proceeds-funded project into service and generate expected benefits as soon as possible.

**3. To constantly improve the corporate governance system and enhance the internal control management**

The Company will constantly improve the corporate governance structure in strict accordance with the requirements of laws, regulations and normative documents such as the Company Law, the Securities Law and the Governance Standards for Listed Companies, and ensure that the shareholders, board of directors, independent directors and the supervisory committee can fully and effectively exercise their corresponding rights and responsibilities, and provide institutional guarantee for the development of the Company. In addition, the Company will further enhance the enterprise operation management and internal control, optim3(n)-10(a(z(xo21H(z(xo71)JTJ -0.)-2(e)4n-1(ci)-u)-6(n)-4()-14

investment risks.

### **III. Undertakings of the relevant parties**

The controlling shareholder, actual controller, all the directors and senior officers of the Company have provided the following commitments for ensuring the effective implementation of the mitigation and remedy measures for the immediate return dilution:

#### **(I) Commitments of the controlling shareholder and actual controller**

The controlling shareholders, Shanshan Group Co., Ltd. and Shanshan Holdings Ltd., and the actual controller, Mr. Zheng Yonggang, have made the following commitments:

1. I will not interfere in the Company's operation and management activities beyond my authority, and I will not encroach on the Company's interests;

2. If the mitigation and remediation measures cannot be effectively implemented because the Firm/I interfere(s) in the listed company's operation and management activities beyond its/my authority or encroach(es) on the listed company's interests, and loss is caused to the listed company or the investors, the Firm/I will assume the compensation liabilities to the listed company or investors according to law;

3. For any new regulatory measures issued by the CSRC in relation to the mitigation and remediation measures during the period from the date of this undertaking to the completion of the Private Placement that result in the failure of the above commitments to meet such requirements of the CSRC, the Firm/I hereby undertake(s) that the Firm/I shall make further undertakings in accordance with those new requirements issued by the CSRC.

#### **(II) Commitments of directors and senior officers**

The directors and senior officers of the Company undertake to faithfully and diligently perform their duties, safeguard the legitimate rights and interests of the Company and all the shareholders, and make the following commitments according to the relevant regulations of the CSRC to ensure the effective implementation of the mitigation and remediation measures for immediate return dilution:

1. I hereby undertake that I shall not provide benefits to other entities or individuals without consideration or on unfair terms nor conduct in any other way that may impair the interest of the Company;

2. I hereby undertake that I shall be subject to restrictions when incurring expenses in performing my duties;

3. I hereby undertake that I shall not apply the assets of the Company for any investment or expenditure which is unrelated to the performance of my duties;

4. I hereby undertake that the remuneration package formulated by the Board, the Nomination Committee or the Remuneration Committee shall be implemented in line with the mitigation and remedy measures of the Company;

5. I hereby undertake that if the Company intends to implement any Share Incentive in the future, the proposed vesting terms shall be operated in line with the mitigation and remediation measures of the Company;

6. I hereby undertake that I will earnestly implement the mitigation and remediation measures of the Company. If I violate or refuse to fulfill the above undertaking and cause losses to the Company or the shareholders, I agree to bear corresponding legal liabilities according to laws, regulations and relevant provisions of the securities regulatory authority;

7. For any new regulatory measures issued by the CSRC in relation to the mitigation and remediation measures during the period from the date of this undertaking to the completion of the Private Placement that result in the failure of the above commitments to meet such requirements of the CSRC, I hereby undertake that the I shall make further undertakings in accordance with those new requirements issued by the CSRC.

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Board of Directors of Ningbo Shanshan Co., Ltd.