Ningbo Shanshan Co., Ltd.
Dilution of Immediate Return Resulting from the Private Placement of Shares by the Company and the Remedial Measures and Undertakings by Relevant Entities

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 if 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: ①growing by 20% from 2021; ②growing by 10% from 2021; ③flat with 2021.

This assumption is only used to calculate the impact of 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
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			
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%
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			
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%
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			
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

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 the Ningbo Shanshan Co., Ltd. Plan for 2022 Private Placement of Shares.

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

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.

Board of Directors of Ningbo Shanshan Co., Ltd.

17 October 2022