Ningbo Shanshan Co., Ltd.

Feasibility Analysis Report on the Use of Proceeds from Private Placement of Shares in 2022

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

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

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.

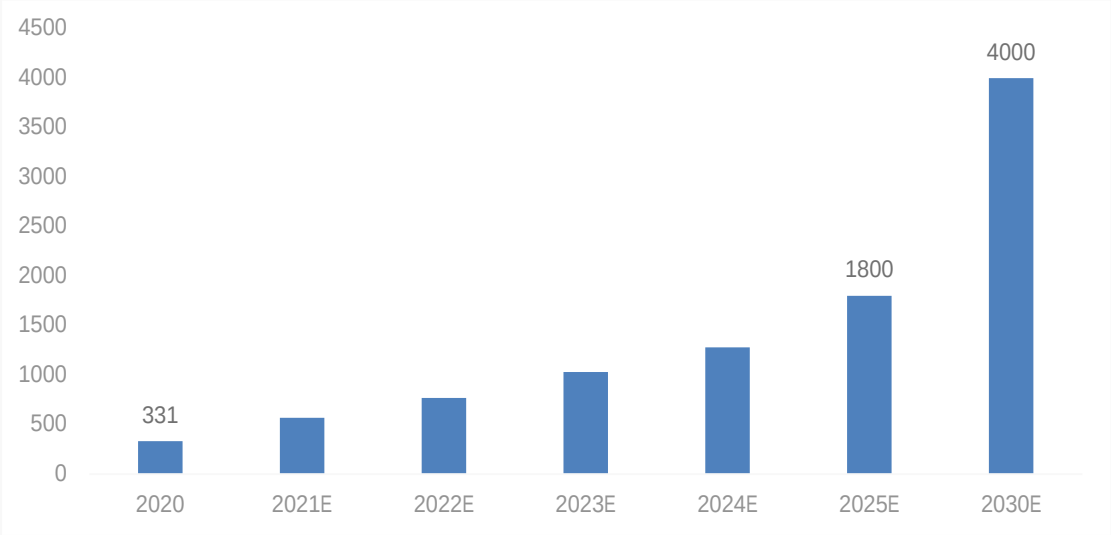
3. Feasibility of project implementation

(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.

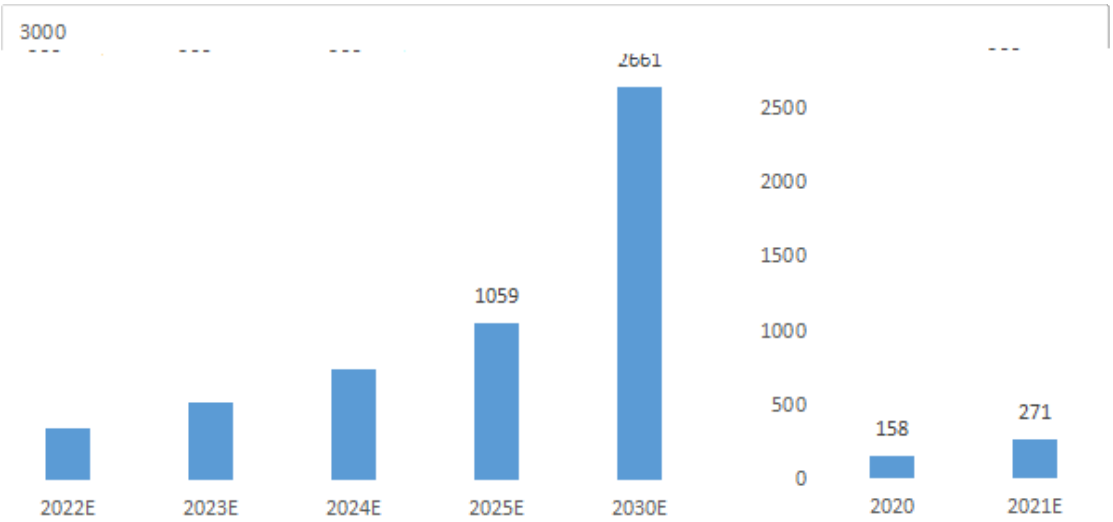
A series of strategies and plans have been released in the field of energy storage in China, which clearly put forward the tasks and goals of accelerating the development of efficient energy storage, innovation of advanced energy storage technology, actively promoting the research, development and application 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



Global sale estimates of new energy vehicles (10,000 units)

Sources: EV Tank



Estimates of global installed capacity of power battery (in GWh)

Sources: EV Tank

In the energy storage field, according to the White Paper on the Development of China's Energy Storage Lithium-ion Battery Industry (2022) jointly released by EV Tank and China YiWei Institute of Economics, in 2021, the global total shipment of energy storage lithium-ion batteries was 66.3GWh, up 132.4% year-on-year. In terms of industry applications, power systems remained the largest application market for Lithium-ion batteries, accounting for 71% in 2021.

Under the backdrop of carbon peaking and carbon neutrality, with the gradual decrease of the cost of energy storage lithium-ion batteries, the business model will

become clearer, and the demand for energy sdoz3.9(e)g9(e)-gbdee sanemagyeanhdd4an

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	**Total project investment**	**792,710.64**

5. Project construction period

According to the characteristics of the project and the situation of similar

T

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

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.

Board of Directors of Ningbo Shanshan Co., Ltd.

17 October 2022