

**Ad hoc announcement pursuant to Art. 53 LR**

## **Ningbo Shanshan Co., Ltd.**

### **Announcement on the Sale of Part of the Equity**

#### **Interest in a Controlling Subsidiary**

**Important:**

- Ningbo Shanshan Co., Ltd. (the “Company” or “Ningbo Shanshan”) agreed that Ningbo Yongquan Investment Co., Ltd. (“Yongquan Investment”), a wholly-owned subsidiary of the Company, shall transfer its 51% equity interest in Shanshan New Material (Quzhou) Co., Ltd. (“Quzhou Shanshan”) to Sunyes Electronic Manufacturing (Guangdong) Holding Co., Ltd. (“Sunyes Manufacturing”) or its designated holding subsidiary established for the purpose of executing this transaction at RMB703.8 million.

Upon completion of the transaction, the Company's shareholding in Quzhou Shanshan will be reduced from 82.25% to 31.25%, the Company will no longer have control over Quzhou Shanshan, and Quzhou Shanshan will no longer be included in the Company's consolidated statements.

- The transaction does not constitute a connected transaction and does not constitute a material asset reorganization.

#### **I. Transaction Overview**

In order to further focus on the development of the core business of the Company, optimize the allocation of resources and continuously enhance the core competitiveness of the Company, the general manager's office meeting of the Company considered and agreed that Yongquan Investment, a wholly-owned subsidiary of the Company, would transfer 51% of its equity interest in Quzhou Shanshan to Sunyes Manufacturing, and entered into the Equity Transfer Agreement (the “Agreement”).

The transaction price of 51% equity interest in Quzhou Shanshan was determined to be RMB703.8 million by consensus of the parties according to the historical profit situation of Quzhou Shanshan and the expectation of its future profit in the principle of fairness, reasonableness, and cooperation.

Upon completion of the transaction, the Company's shareholding in Quzhou

Shanshan will be reduced from 82.25% to 31.25%, the Company will no longer have control over Quzhou Shanshan, and Quzhou Shanshan will no longer be included in the Company's consolidated statements.

The transaction does not constitute a connected transaction and does not constitute a material asset reorganization.

Pursuant to the provisions of the Articles of Association of Ningbo Shanshan Co., Ltd., the transaction is not required to be submitted to the Board of Directors or the shareholders' general meeting for approval.

Given that the profit arising from this transaction is expected to account for more than 10% of the audited net profit of the Company for the latest fiscal year, and the absolute amount exceeds RMB1 million, it is hereby disclosed in accordance with the relevant provisions of Article 6.1.2 of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

## II. Counterparty Profile

Name	Sunyes Electronic Manufacturing (Guangdong) Holding Co., Ltd
Unified Social Credit Code	91440300745197274Y
Date of incorporation	10 January 2003
Place of registration	Room 300, 1F, Zone C, Building 24, Tech-Bay, No.1 Jintang Road, Tangjiawan Town, High-tech Zone, Zhuhai
Office address	306A, Building 1, Excellence Meilin Central Plaza (North), Zhongkang Road, Futian District, Shenzhen
Name of Legal Representative	Xu Leiyu
Registered Capital	RMB507.7251 million
Principal operations	It is mainly focused on the electronic information industry and can be divided into “electronic manufacturing solutions”, “electronic manufacturing products” and “industry supporting service” according to the nature of business.
Substantial shareholder or actual controller	Shenzhen Sunleader Electronic Group Co., Ltd. holds 23.93% of its equity. Sunyes Manufacturing is in the process of change of control and is currently in the state of having no controlling shareholder and no actual controller.
Key financial data (Consolidated)	In 2021 (at the end of the year), Sunyes Manufacturing had total assets of RMB2,241.8158 million and net assets attributable to shareholders of the listed company of RMB1,424.2088 million; operating revenue of RMB2,319.5868 million and net profit attributable to shareholders of the listed company of RMB60.4145 million. (Audited) In the first three quarters of 2022 (at the end of the first three quarters), Sunyes Manufacturing had total assets of RMB2,575.5670 million and net assets attributable to shareholders of the listed company of RMB1,456.4890 million; operating revenue

	of RMB1,309.6447 million and net profit attributable to shareholders of the listed company of RMB28.4369 million. (Unaudited)
Related relations	There is no other relationship between the counterparty and the Company in terms of property rights, business, assets, debts and liabilities, personnel, etc.

### III. Basic Information of the Transaction Subject

#### (I) Transaction subject: 51% equity interest of Quzhou Shanshan

Name	Shanshan New Material (Quzhou) Co., Ltd.
Date of incorporation	20 May 2013
Place of registration	No.62, Huayin North Road, Kecheng District, Quzhou, Zhejiang Province
Name of Legal Representative	Zhu Xuequan
Registered Capital	RMB264.05 million
Principal operations	It is mainly focused on the R&D, production and sales of electrolyte and lithium hexafluorophosphate.
Substantial shareholder	Yongquan Investment, the Company's wholly-owned subsidiary, holds 82.25% of its equity, and Zhejiang Juhua Co., Ltd. and Luoyang Sunland Chemical Industry Material Science Technology Co., Ltd. hold 15.91% and 1.84% of its equity, respectively.
Ownership status	The property rights of the transaction subject are clear, free from mortgages, pledges, and any other restrictions on transfer, not involved in any litigation, arbitration, or judicial measures such as seizure and freezing, and there are no other circumstances that prevent the transfer of ownership.
Right of first refusal	Other shareholders who have the right of first refusal in this transaction waive their right of first refusal.

Key financial indicators of the transaction subject:

Unit: RMB10,000

Item	31 August 2022	31 December 2021
Total assets	109,568.04	105,157.20
Total liabilities	45,458.16	52,042.22
Net assets	64,109.88	53,114.97
Item	January-August 2022	2021
Operating income	62,946.39	111,099.10
Net profit	11,040.30	37,556.88

Note: The above financial data has been audited by BDO, and a standard unqualified audit report has been issued.

#### (II) Appraisal of the transaction subject

1. Name of the appraisal firm: CanWin Appraisal Co., Ltd.
2. Appraisal benchmark date: 31 August 2022.

3. Appraisal approach adopted: The asset-based approach and the income approach were adopted for the appraisal.

4. Important appraisal assumptions: Based on full consideration of Quzhou Shanshan's products and business model, and taking into account its current R&D and innovation capability, it is expected that there are no significant legal obstacles for Quzhou Shanshan to pass the re-examination of high-tech enterprises in the future, and therefore, it is assumed that Quzhou Shanshan's income tax policy will remain unchanged in the future years, i.e. Quzhou Shanshan will continue to be certified as a high-tech enterprise and enjoy a 15% enterprise income tax rate after the expiration of the certification period.

5. Appraisal conclusion: The total equity interest attributable to shareholders of Quzhou Shanshan was RMB738,141,230.91 by the asset-based approach and RMB1,371,000,000.00 by the income approach, with a difference of RMB632,858,769.09, representing a difference of 85.74%.

According to the industry and operating characteristics of Quzhou Shanshan, the appraisal value by the income approach can reflect the current value of the total equity interest attributable to shareholders of the Company more objectively and comprehensively. The appraisal finally adopted the result by the income approach as the appraised value of the total equity interest attributable to shareholders of Quzhou Shanshan, which was RMB1,371,000,000.00, with an appreciation rate of 113.85%.

### **(III) Analysis of the reasonableness of transaction pricing**

The transaction price of 51% equity interest in Quzhou Shanshan was determined to be RMB703.8 million by consensus of the parties based on the valuation of 100% equity interest in Quzhou Shanshan of RMB1,380 million according to the historical profit situation of Quzhou Shanshan and the expectation of its future profit in the principle of fairness, reasonableness and cooperation. The transaction consideration represents an appreciation of approximately 115% over the latest (i.e. 31 August 2022) audited net asset value of the corresponding underlying equity interest of Quzhou Shanshan, and the transaction pricing is fair and reasonable.

## **IV. Main Content and Performance Arrangements of the Agreement**

### **(I) Main terms of the Agreement**

1. Parties of the Agreement: Sunyes Manufacturing, Yongquan Investment, Quzhou Shanshan.

2. Subject and price of the transaction: 51% equity interest in Quzhou Shanshan at a transaction price of RMB703.8 million.

3. Payment Arrangements: (1) Sunyes Manufacturing shall pay to Yongquan Investment an intention deposit of RMB70 million within 5 business days after the signing of the Agreement, which in principle shall be part of the second installment of the transfer unless otherwise agreed in writing by both parties; (2) Sunyes Manufacturing shall pay to Yongquan Investment 51% of the equity transfer price, i.e. RMB358.938 million within 2 business days after the effective date of the Agreement; (3) Sunyes Manufacturing shall pay the remaining equity transfer amount, i.e. RMB344.862 million (the "Second Tranche Transfer Amount"), to Yongquan Investment within 180 days from the closing date as agreed in the Agreement (but no later than 30 June 2023).

4. Closing date: 31 December 2022. From the closing date, Yongquan Investment and Sunyes Manufacturing will enjoy the equity of Quzhou Shanshan in the proportion of 31.25% and 51%, respectively. The retained earnings of previous years accumulated before the closing date will be jointly enjoyed by the new and old shareholders.

5. Transfer schedule: Quzhou Shanshan shall complete the registration of the change of equity corresponding to this equity transfer within 45 days from the closing date.

6. Loans and guarantees: As of the signing date of the Agreement, the loan amount of Ningbo Shanshan to Quzhou Shanshan's existing shareholders amounted to RMB100 million. Quzhou Shanshan shall repay the above-mentioned shareholder loans and the interest on the loan in 2022 before the closing date.

As of 30 November 2022, the total amount of guarantee contracted by Ningbo Shanshan for Quzhou Shanshan's loans was RMB255,719,860. After the signing of the Agreement, Ningbo Shanshan agrees to continue to provide the above guarantee amount for Quzhou Shanshan, provided that (1) Quzhou Shanshan continues to pay the corresponding guarantee fee as agreed; (2) Sunyes Manufacturing undertakes that, after the effective date of the Agreement until the 2022 Annual General Meeting of Ningbo Shanshan, it shall make every commercial effort to change the guarantor of Quzhou Shanshan's loans to Sunyes Manufacturing or a third party designated by it

and recognized by creditors, so as to release Ningbo Shanshan from the aforesaid guarantee liability. At the same time, Sunyes Manufacturing shall ensure that Ningbo Shanshan shall be released from the liability under the above guarantee as agreed before the 2022 Annual General Meeting. (3) During the existence of the guarantee provided by Ningbo Shanshan, Sunyes Manufacturing shall provide full counter-guarantee to Ningbo Shanshan for the above guarantee amount, and the period of the counter-guarantee shall be two years from the date when Ningbo Shanshan actually assumes the guarantee liability.

7. Non-competition undertaking: Ningbo Shanshan and Yongquan Investment (collectively as "Shanshan") have issued a Non-Competition Undertaking Letter, the details of which are as follows: (1) From the date of this letter, neither Shanshan nor any entity controlled by Shanshan shall be engaged in any business that competes with the business conducted by Quzhou Shanshan as of the date of this letter, including but not limited to the production and sale of electrolyte and lithium hexafluorophosphate, as well as the research and development, transfer and promotion of related technologies (hereinafter collectively referred to as "non-competition business") in mainland China by any means, directly or indirectly. However, Dongguan Shanshan Battery Material Co., Ltd. ("Dongguan Shanshan"), a controlling subsidiary of Ningbo Shanshan, may continue to engage in the non-competition business and gradually shrink the non-competition business within six months from the date of issuance of this letter to the closing date as agreed under the Equity Transfer Agreement (the "Non-competition Transition Period") until the complete termination of all non-competition business during the Non-competition Transition Period. Or, Dongguan Shanshan continues to engage in the non-competition business within 30 days prior to the end of the Non-competition Transition Period in accordance with the manner, scope and period approved by Sunyes Manufacturing in writing at that time. (2) Except with the written consent of Sunyes Manufacturing, neither Shanshan nor any entity controlled by Shanshan shall directly or indirectly operate or participate in any non-competition business. (3) Except with the written consent of Sunyes Manufacturing, neither Shanshan nor any entity controlled by Shanshan shall participate in investments in companies engaged in non-competition business. (4) Shanshan shall not hinder or attempt to hinder customers or business partners or any potential customers of Sunyes Manufacturing from doing business with or approaching Sunyes Manufacturing. This undertaking letter shall come into

force from the effective date of the Equity Transfer Agreement and shall remain valid for five years from the effective date.

8. Entry into force: The Agreement shall enter into force on the latest of (1) the date on which it is signed by the legal representatives or authorized representatives of the parties and stamped with the official seals of the parties; (2) approval by the Board of Directors of the Yongquan Investment (if required); or (3) consideration and approval by the shareholders' general meeting of the Sunyes Manufacturing. The date on which the Agreement enters into force shall be the "Effective Date".

## **(II) Analysis of the capacity to fulfill the Agreement**

According to the periodic report disclosed by Sunyes Manufacturing, it achieved operating income of RMB1.310 billion in the first three quarters of 2022, and had a balance of cash at bank and on hand for RMB810 million at the end of September 2022, capable of fulfilling the Agreement.

## **V. Impact of the Transaction on the Company**

The disposal of equity interest aligns with the Company's development strategy of focusing on its core business, which is conducive to the Company's commitment to its two core businesses of lithium battery cathode materials and polarizers through resource pooling. The efforts also help further optimize the allocation of resources for strengthening its core competitiveness, which is in the interest of the Company and all shareholders.

After the completion of the transaction, the shareholding ratio of the Company in Quzhou Shanshan will be reduced from 82.25% to 31.25%, which means that the Company will no longer exercise control over Quzhou Shanshan, and thus Quzhou Shanshan will not be included in the scope of the Company's consolidated statements any more. After the completion of the transaction, the Company will implement relevant agreements pursuant to the Non-Competition Undertaking Letter.

As of the signing date of the agreement, the balance of loans provided by the Company to shareholders of Quzhou Shanshan was RMB100 million. As agreed, Quzhou Shanshan shall repay the above shareholder loans and interests before the closing date.

According to the agreement, as for the matter that the Company intends to continue to provide guarantee for Quzhou Shanshan after the completion of the

transaction, the Company will hold a separate Board of Directors and the shareholders' general meeting to perform the corresponding approval procedures.

This announcement is hereby made.

Board of Directors of Ningbo Shanshan Co., Ltd.

8 December 2022