

Report of Ningbo Shanshan Co., Ltd.

on Use of Proceeds from Previous Offering

In accordance with the Provisions on the Report on the Use of Proceeds Raised in the Previous Issue of Shares (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission (“the CSRC”), Ningbo Shanshan Co., Ltd. (the “Company” or “Shanshan”) hereby provides the report on the use of proceeds from previous offering as of September 30, 2022, as detailed below:

I. Basic Information on Proceeds from Previous Offering

On November 9, 2021, the CSRC approved the private placement of not more than 488,402,766 new shares by Shanshan through the Approval on the Private Placement of Shares by Ningbo Shanshan Co., Ltd. (Zheng Jian Xu Ke [2021] No. 3560). As of December 28, 2021, Shanshan issued 488,402,766 shares through private placement, including 205,264,756 shares of RMB ordinary shares (A-shares) issued to Shanshan Group Co., Ltd., 205,264,756 shares of RMB ordinary shares (A-shares) issued to Ningbo Pengze Trading Co., Ltd., and 77,873,254 shares of RMB ordinary shares (A-shares) issued to Ningbo Yinzhou Jielun Investment Co., Ltd. Such shares had a par value of RMB 1.00, and the offering price was RMB 6.25. The total proceeds was RMB 3,052,517,287.50. After deducting the underwriting and sponsoring expenses of RMB18,020,000.00 (tax inclusive), the net proceeds was RMB 3,034,497,287.50, which was deposited into the special account for proceeds of the Company by ZTF Securities, the lead underwriter, on December 28, 2021. After deducting the audit and capital verification fee, legal fee, evaluation fee and other relevant offering expenses of RMB 6,630,568.65 (tax exclusive), the actual net proceeds was RMB 3,028,886,718.85. The receipt of the above funds has been verified by BDO China Shu Lun Pan Certified Public Accountants LLP, which has issued capital verification report (Xin Kuai Shi Bao Zi [2021] No. ZA16003) to confirm the capital verification. The Company adopts a special account deposit system for the proceeds.

(I) Deposit of proceeds from the previous offering

(In RMB)

No.	Opening bank	Account No.	Initial deposit amount	Balance as of
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				September 30, 2022
1	Yinzhou Branch of INDUSTRIAL BANK CO.,LTD.	382010100100267420	2,044,497,287.50	The proceeds has been used up, and the special account has been closed
2	Ningbo Branch of China Merchants Bank Co., Ltd.	731902021410421	100,000,000.00	
3	Ningbo Branch of Zhejiang Chouzhou Commercial Bank Co. LTD	19601012010090021972	490,000,000.00	
4	Ningbo Branch of CHINA ZHESHANG BANK CO., LTD.	3320020010120100530851	400,000,000.00	
Total			3,034,497,287.50	

(II) The use and balance of the proceeds as of September 30, 2022 are as follows:

Item	Amount (RMB)
Total proceeds	3,052,517,287.50
Less: offering expenses	23,630,568.65
Net proceeds	3,028,886,718.85
Plus: Net accumulated interest income and service charge	2,120,190.33
Less: Accumulated amount of investment into projects from the proceeds	3,028,886,718.85
Less: Balance of permanent supplement to working capital	2,120,190.33
Balance of proceeds	-

II. Actual use of proceeds from previous offering

For the comparison table of use of proceeds from previous offering, please refer to Schedule 1.

According to the Plan for 2022 Private Placement of Shares of Ningbo Shanshan Co., Ltd. (Revision), the net proceeds after deducting the offering expenses will be totally used to

increase the capital of Shanjin Optoelectronics (Suzhou) Co., Ltd. (“Suzhou Shanjin”) and acquire 70% equity of Suzhou Shanjin, and indirectly purchase 70% equity of the LCD polarizer business and the related assets of LG Chem in Mainland China, Taiwan and Korea (“the Underlying Assets”) through Suzhou Shanjin.

Prior to the receipt of the proceeds, in order not to affect the progress of the acquisition of the Underlying Assets, the Company used the self-raised funds to increase the capital of Suzhou Shanjin by \$770 million, and paid RMB 4.984 billion, as calculated according to the exchange rate of the capital increase day. In late January 2021, the Company paid through Suzhou Shanjin and its subsidiary the initial transfer price of the Underlying Assets in Mainland China and completed the closing in Mainland China on February 1, 2021. The Company plans to replace the self-raised funds invested in the early stage with the proceeds from the private placement when it is available. If the capital invested in advance by the Company is greater than the actual net proceeds, the net proceeds will be totally used for replacement, with the balance settled by the self-raised funds of the Company.

On January 4, 2022, the 23rd Meeting of the Tenth Board of Directors of the Company deliberated and approved the Proposal on Replacing the Self-raised Funds Invested In Advance with the Proceeds from Private Placement, approving the Company to use all the available proceeds from the private placement for the replacement (As of January 4, 2022, the balance in the special account was RMB 3,034,497,287.50). The independent directors of the Company and the 14th meeting of the Tenth Supervisory Committee issued a clear consent to this. The Sponsor issued a verification opinion on use of the above-mentioned proceeds to replace the self-raised funds invested in advance. BDO China Shu Lun Pan Certified Public Accountants LLP carried out special audit on the replacement of the self-raised funds invested into projects in advance with the proceeds and the self-raised funds for which the offering expenses have been paid, and issued the Special Verification Report on the Replacement of the Self-raised Funds Invested into Projects in Advance with the Proceeds from Private Placement by Ningbo Shanshan Co., Ltd. and the Self-raised Funds for Which the Offering Expenses Have Been Paid (Xin Kuai Shi Bao Zi [2022] No. ZA10002) on January 4, 2022.

As of February 11, 2022, the above-mentioned proceeds replacement was completed, and the proceeds from the private placement was used up. The Company has closed the relevant special account for proceeds and completed the closing procedures. The Agreement on Tripartite Supervision of Proceeds Deposited in Special Account signed by

the Company, the bank and the Sponsor has been terminated correspondingly.

(For details, please refer to the relevant announcements of the Company published at the website of Shanghai Stock Exchange)

III. Change in the proceeds from the previous offering

There is no change in the projects actually invested with the proceeds from the previous offering.

IV. Transfer and replacement of the projects invested with the proceeds from the previous offering

There is no external transfer or replacement of the projects invested with the proceeds from the previous offering.

V. Economic Benefits generated by the projects invested with proceeds from previous offering

(I) Comparison table of benefits achieved by the projects invested with proceeds from previous offering

The comparison table of benefits achieved by the projects invested with proceeds from previous offering is as shown in Schedule 2.

(II) Why the benefits could not be separately accounted for the projects invested with the proceeds from previous offering and the details

The Company did not have such situations that the benefits could not be separately accounted for the projects invested with the proceeds from previous offering.

(III) Difference between the cumulative actual benefits and committed benefits from the projects invested with the proceeds from the previous offering

No commitments have been made for the projects invested with the proceeds from the previous offering which had made profit or loss.

VI. Operation of the Underlying Assets involved in the purchase of assets with shares under the previous offering

The previous offering did not involve the purchase of assets with shares.

VII. Use of the idle proceeds

With regard to the proceeds from previous offering, no idle proceeds was used for other purposes.

VIII. Balance of proceeds from previous offering and use of the balance

As of February 11, 2022, the proceeds from previous offering was used up as planned, the net interest income generated prior to the closing of the special account for proceeds (in total RMB 2,120,190.33) was transferred into the Company's account for self-owned capital. The special account for proceeds will no longer be used, and the account closing procedures have been completed.

IX. Comparison of information disclosure for the actual use of proceeds from previous offering

There is no difference in the actual use of the proceeds from the previous offering with the relevant contents disclosed in regular reports and other information disclosure documents of the Company.

X. Other offering matters

On April 18, 2022, the Company held the 27th meeting of the tenth board of directors, which deliberated and approved the Resolution on Offering GDR and Getting Listed on SIX Swiss Exchange and Converting the Company into an Overseas Stock Offering Limited Company and other relevant proposals for the offering and listing.

On May 10, 2022, the Company held the 2021 Annual General Meeting, which deliberated and approved the Proposal on Offering GDR and Getting Listed on SIX Swiss Exchange and Converting the Company into an Overseas Stock Offering Limited Company and other relevant proposals for the offering and listing.

On July 12, 2022, the CSRC approved the increase of Underlying Shares of A-shares for not more than 321,437,900 shares by Shanshan by offering global depository receipts (GDR) through the Approval on the Initial Public Offering of GDRs by Ningbo Shanshan Co., Ltd and Its Listing SIX Swiss Exchange (Zheng Jian Xu Ke [2022] No. 1475). According to the conversion ratio determined by the Company, no more than 64,287,580 GDRs will be issued.

On July 28, 2022, the Company actually issued 15,442,300 GDRs at the final offering price of \$20.64 per GDR, representing 77,211,500 shares of A-shares. The total proceeds was \$318,729,072.00, equivalent to RMB 2,149,413,242.85, as calculated based on the central parity rate of RMB 6.7437 per US dollar in the interbank foreign exchange market published by the China Foreign Exchange Trade System under the authorization of the People's Bank of China on July 29, 2022. After deducting the offering expenses (exclusive of VAT) of RMB47,006,156.42, the actual net proceeds was RMB 2,102,407,086.43,

including new share capital of RMB77,211,500.00 and share premium of RMB2,025,195,586.43.

According to the GDR prospectus, the Company intends to use the net proceeds from the offering for the following purposes:

Approximately 85% of the net proceeds will be used to enhance the R&D, manufacturing and sales of our lithium-ion battery material and polarizer businesses; approximately 15% of the net proceeds will be used to repay debts, supplement the working capital and for general corporate purposes.

The Company will have broad discretion regarding the use of the net proceeds from the offering. The intended use of the proceeds described above is our intention based on current plans and business conditions, subject to change based on business plans, circumstances, regulatory requirements and prevailing market conditions in a manner consistent with our business strategy and the applicable laws.

(I) Deposit of proceeds from GDR offering

opening bank	Account No.	Record date	Amount remitted (USD)	Amount recorded (USD)
Citibank	1062786007	July 29, 2022	314,725,874.00	314,725,856.00

Note: A handling fee of USD18 was deducted before the remittance was recorded.

(II) Use of proceeds from GDR offering

As of September 30, 2022, the proceeds raised by GDR has settled \$314,700,000, and the actual settlement of foreign exchange is RMB2,183,490,230, of which RMB312,610,500 has been converted into supplementary working capital, accounting for 14.32%, and the remaining 85.68% of RMB 1,870,879,730 has been used for the capital expenditure of lithium-ion battery materials and polarizer related projects (including the initial investment in replacement).

After the resolution of the General Meeting of Shareholders, the major new investment projects in the business of lithium-ion battery materials and polarizers are as follows::

Project name	Newly added fixed investment payment (RMB)
Phase I of 200,000-ton anode material project in Meishan	1,683,747,392.63

No.3 and No.4 extension production lines of Polarizer in Guangzhou	394,538,946.53
Phase II of 100,000-ton anode material graphitization project in Inner Mongolia	95,998,669.65
Total	2,174,285,008.81

In conclusion, as of September 30, 2022, 85.68% of the proceeds from the GDR issuance has been used for the new capital expenditure (including the initial investment in replacement) of lithium-ion battery materials and polarizer related projects agreed in the prospectus, and 14.32% of the proceeds has been used to supplement working capital.

This announcement is hereby made.

Board of Directors of Ningbo Shanshan Co., Ltd.

October 17, 2022

- **Online announcement document**

Authentication report issued by accounting firm

Schedule 1

Comparison Table of Use of Proceeds from Previous Offering

(In RMB 10 thousand)

Investment projects		Total investment amount from proceeds			Accumulated investment amount from proceeds as of the Closing Date			Difference between actual investment amount and committed investment amount after the offering	The date on which the project reaches its intended usable status (or the completion degree of the project as of the Closing Date)	
No.	Committed investment projects	Actual investment projects	Committed investment amount before the offering	Committed investment amount after the offering	Actual investment amount	Committed investment amount before the offering	Committed investment amount after the offering	Actual investment amount		
	Total proceeds: Note 1		302,888.67			Total proceeds used in aggregate:			302,888.67	
						Total proceeds used during the year:			302,888.67	
	Total proceeds with change in use:		/			2019:			Not applicable	
	Proportion of total proceeds with change in use:		/			2020:			Not applicable	
						2021:			302,888.67	
1	Acquisition of LCD polarizer business and the related assets from LG Chem	Acquisition of LCD polarizer business and the related assets from LG Chem	302,888.67	302,888.67	302,888.67	302,888.67	302,888.67	302,888.67	/	February 1, 2021

Note 1: The “total proceeds” is the net amount of proceeds after deducting the offering expenses.

Schedule 2

Comparison Table of Benefits Achieved by the Projects Invested with Proceeds from Previous Offering

(In RMB 10 thousand)

Actual investment projects		Cumulative capacity utilization rate of investment projects as of the Closing Date	Benefit commitment	Actual benefits in the last 3 years			Closing date	Reach expected benefits or not
No.	Project name			2020	2021	January to September 2022 Unaudited	Cumulative realized benefits	
1	Acquisition of LCD polarizer business and the related assets from LG Chem	Not applicable	Not applicable	Not applicable	119,720.06	112,197.27	231,917.33	Not applicable

Note 1: The annual project benefit of 2021 covered the period from February 1, 2021 (the Closing Date in Mainland China) to December 31, 2021.

Note 2: Shanshan obtained 70% equity of Suzhou Shanjin through closing in Mainland China, and LG Chem held the remaining 30% equity. In addition, they agreed that Shanshan would purchase the remaining 30% of the holding company by stages in the next 3 years to realize 100% shareholding over the holding

company, and all the realizable income of the polarizer business in the next three years would be owned by Shanshan, and the subsequent transaction price of the 30% equity held by LG Chem has been fixed and irrevocable. Therefore, 100% equity of the polarizer business was owned by Shanshan, and the 30% equity held by LG Chem was reflected as liabilities.

Note 3: The closing in Taiwan was completed on June 30, 2022. Taiwan Shanjin Optoelectronics Co., Ltd has been included into the project since July 1, 2022.