

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Jiangsu Lopal Tech. Co., Ltd.** (the “Company”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Jiangsu Lopal Tech. Co., Ltd.
江蘇龍蟠科技股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2465)

**(1) CONNECTED TRANSACTION
CAPITAL INCREASE AGREEMENT;
(2) PROPOSED ADDITION OF
FOREIGN EXCHANGE HEDGING BUSINESS;
(3) REVISED MANAGEMENT MANUAL
FOR THE COMPANY'S CASH PROCEEDS;
(4) PROPOSED AMENDMENTS
TO THE ARTICLES OF ASSOCIATION;
AND
(5) NOTICE OF 2025 THIRD EXTRAORDINARY
GENERAL MEETING**

A letter from the Board is set out on pages 5 to 25 of this circular.

A notice convening an extraordinary general meeting (the “EGM”) to be held at 2nd Floor, Large Conference Room, No. 6 Hengtong Avenue, Nanjing Economic and Technological Development Zone, Nanjing, Jiangsu Province, PRC on Friday, July 18, 2025 at 2 p.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are advised to complete and return the enclosed proxy form in respect of the EGM in accordance with the instructions printed thereon as soon as possible and in any event, not less than 24 hours prior to the commencement of such meeting or any adjournments thereof, (i.e., not later than Thursday, July 17, 2025 at 2 p.m. (Hong Kong time)). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

June 27, 2025

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Appendix I — Valuation Report	26
Appendix II — Revised Management Manual for the Company’s Cash Proceeds	45
Notice of 2025 Third Extraordinary General Meeting	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles of Association”	the articles of association of the Company (as amended from time to time)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Capital Increase”	the capital contribution to Changzhou Liyuan by the Company in the sum of RMB369.71 million according to the Capital Increase Agreement
“Capital Increase Agreement”	the Capital Increase Agreement of Changzhou Liyuan (常州鋰源新能源科技有限公司增資協議) entered into by the Company, Changzhou Liyuan and Changzhou Liyuan’s Shareholders on May 29, 2025 in relation to the Capital Increase
“CATL”	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司), a joint stock company established in the PRC on December 16, 2011, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300750), which was an indirect shareholder controlling (i) 30% equity interest in Lopal Times, through Yichun Times, and (ii) 5.91% equity interest in Changzhou Liyuan New Energy Technology Co., Ltd. (常州鋰源新能源科技有限公司), a subsidiary of the Company, through its wholly-owned subsidiary Ningbo Meishan as of the Latest Practicable Date
“CATL CP Group”	CATL, its subsidiary(ies) and 30%-controlled company(ies) (excluding Lopal Times)
“Changzhou Liyuan”	Changzhou Liyuan New Energy Technology Co., Ltd. (常州鋰源新能源科技有限公司), a limited liability company established in the PRC on May 12, 2021 and a direct non-wholly owned subsidiary of the Company which is owned as to approximately 64.03% by our Company as of the Latest Practicable Date

DEFINITIONS

“Changzhou Liyuan’s Shareholders”	the other existing shareholders of Changzhou Liyuan apart from the Company, including Kunlun Gongrong Green (Beijing) New Industry Investment Fund Partnership (Limited Partnership)* (昆侖工融綠色(北京)新興產業投資基金合夥企業(有限合夥)), Jianxin Financial Asset Investment Co., Ltd.* (建信金融資產投資有限公司), Ningbo Meishan, Fujian Times Mindong New Energy Industry Equity Investment Partnership (Limited Partnership)* (福建時代閩東新能源產業股權投資合夥企業(有限合夥)), BTR New Material Group Co., Ltd.* (貝特瑞新材料集團股份有限公司), Changzhou Youbeili, Nanjing Jinbeili, Changzhou Jintan Hongyuan Venture Capital Partnership (Limited Partnership)* (常州金壇泓遠創業投資合夥企業(有限合夥)) and Nanjing Chaoli
“Changzhou Youbeili”	Changzhou Youbeili Venture Capital Center (Limited Partnership) (常州優貝利創業投資中心(有限合夥)), a limited partnership established in the PRC
“Company”	Jiangsu Lopal Tech. Co., Ltd. (江蘇龍蟠科技股份有限公司), a joint stock company established in the PRC on March 11, 2003 converted from our predecessor Jiangsu Lopal Petrochemical Co., Ltd.* (江蘇龍蟠石化有限公司) into a joint stock company with limited liability under the PRC Company Law on January 23, 2014, the A Shares of which are listed on the Shanghai Stock Exchange with the stock code of 603906 and the H Shares of which are listed on the Stock Exchange with the stock code of 2465
“connected Director(s)”	any Director who is considered to have a material interest in the transaction contemplated under the Capital Increase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the 2025 third extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve, among other things, (i) the connected transaction in relation to the Capital Increase Agreement; (ii) the proposed addition of foreign exchange hedging business; (iii) the revised management manual for the Company’s cash proceeds; and (iv) the proposed amendments to the Articles of Association

DEFINITIONS

“Global Offering”	the global offering of the H Shares, details of which were disclosed in the Prospectus
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign Share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be traded in HK dollars and is/are listed for trading on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	June 26, 2025, being the latest practicable date prior to the despatch of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LMFP”	lithium-ion manganese iron phosphate
“Lopal Times”	Yichun Lopal Times Lithium Industry Technology Co., Ltd. (宜春龍蟠時代鋰業科技有限公司), a limited liability company established in the PRC and a direct non-wholly owned subsidiary of the Company which is owned as to 70% by the Company and 30% by Yichun Times as of the Latest Practicable Date
“Nanjing Chaoli”	Nanjing Chaoli Venture Capital Center (Limited Partnership) (南京超利創業投資中心(有限合夥)), a limited partnership established in the PRC
“Nanjing Jinbeili”	Nanjing Jinbeili Venture Capital Center (Limited Partnership) (南京金貝利創業投資中心(有限合夥)), a limited partnership established in the PRC
“Ningbo Meishan”	Ningbo Meishan Baoshuigang District Wending Investment Co., Ltd. (寧波梅山保稅港區問鼎投資有限公司), a limited liability company established in the PRC
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan Region
“Prospectus”	the prospectus of the Company dated October 22, 2024
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Listing Rules”	Rules of the Shanghai Stock Exchange
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	shall have the meaning ascribed to it under the Listing Rules
“Yichun Times”	Yichun Times New Energy Resources Co., Ltd.* (宜春時代新能源資源有限公司), a limited liability company established in the PRC on November 23, 2021 and a direct wholly owned subsidiary of CATL as of the Latest Practicable Date
“%”	per cent



Lopal
龙蟠科技

Jiangsu Lopal Tech. Co., Ltd.
江蘇龍蟠科技股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2465)

Executive Directors:

SHI Junfeng (*Chairman*)
LU Zhenya
QIN Jian
SHEN Zhiyong
ZHANG Yi

Registered Office:

No. 6 Hengtong Avenue
Nanjing Economic and Technological
Development Zone
PRC

Non-Executive Director:

ZHU Xianglan

Principal Place of Business in Hong Kong:

46/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Independent Non-Executive Directors:

LI Qingwen
YE Xin
GENG Chengxuan
HONG Kam Le

June 27, 2025

To the Shareholders

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION
CAPITAL INCREASE AGREEMENT;
(2) PROPOSED ADDITION OF
FOREIGN EXCHANGE HEDGING BUSINESS;
(3) REVISED MANAGEMENT MANUAL
FOR THE COMPANY'S CASH PROCEEDS;
(4) PROPOSED AMENDMENTS
TO THE ARTICLES OF ASSOCIATION;
AND
(5) NOTICE OF 2025 THIRD EXTRAORDINARY
GENERAL MEETING**

LETTER FROM THE BOARD

I. INTRODUCTION

The purpose of the circular is to provide you with the relevant information for making informed decisions in respect of the resolutions at the EGM in respect of, among other things, (i) the connected transaction in relation to the Capital Increase Agreement; (ii) the proposed addition of foreign exchange hedging business; (iii) the revised management manual for the Company's cash proceeds; and (iv) the proposed amendments to the Articles of Association.

II. CAPITAL INCREASE AGREEMENT

Reference is made to the announcements of the Company dated May 29, 2025 and June 16, 2025 in respect of, among others, the Capital Increase Agreement.

On May 29, 2025, the Company, Changzhou Liyuan (a non-wholly owned subsidiary of the Company) and Changzhou Liyuan's Shareholders entered into the Capital Increase Agreement. The major terms of the Capital Increase Agreement are as follows:

Date

May 29, 2025

Parties

- (1) The Company;
- (2) Changzhou Liyuan; and
- (3) Changzhou Liyuan's Shareholders.

Subject matter

Pursuant to the Capital Increase Agreement, the Company has agreed to make the capital contribution to Changzhou Liyuan in the sum of RMB369.7056 million to Changzhou Liyuan to subscribe for approximately RMB55.51 million of Changzhou Liyuan's registered capital and the remaining part will be booked in the capital reserve of Changzhou Liyuan, and Changzhou Liyuan's Shareholders agreed to waive their pre-emptive rights in respect of the Capital Increase.

LETTER FROM THE BOARD

The amounts of registered capital contributed by, and the shareholding ratios of, each shareholder of Changzhou Liyuan immediately prior to and after the completion of the Capital Increase are set out below:

Name of shareholders	Registered capital prior to the completion of the Capital Increase (RMB'0,000)	Shareholding ratio prior to the completion of the Capital Increase	Newly-added amount in the registered capital (RMB'0,000)	Registered capital after the completion of the Capital Increase (RMB'0,000)	Shareholding ratio after the completion of the Capital Increase
Company	49,851.8475	64.0264%	5,551.29	55,403.1398	66.4205%
Changzhou Youbeili Venture Capital Center (Limited Partnership) (常州優貝利創業投資中心(有限合夥))	3,500.0000	4.4952%	—	3,500.0000	4.1960%
BTR New Material Group Co., Ltd. (貝特瑞新材料集團股份有限公司)	3,150.0000	4.0456%	—	3,150.0000	3.7764%
Nanjing Jinbeili Venture Capital Center (Limited Partnership) (南京金貝利創業投資中心(有限合夥))	1,750.0000	2.2476%	—	1,750.0000	2.0980%
Nanjing Chaoli Venture Capital Center (Limited Partnership) (南京超利創業投資中心(有限合夥))	700.0000	0.8990%	—	700.0000	0.8392%
Changzhou Jintan Hongyuan Venture Capital Partnership (Limited Partnership) (常州金壇泓遠 創業投資合夥企業(有限合夥))	3,500.0000	4.4952%	—	3,500.0000	4.1960%
Ningbo Meishan Baoshuigang District Wending Investment Co., Ltd. (寧波梅山保税港區問鼎投資有限公司)	4,601.9500	5.9104%	—	4,601.9531	5.5171%
Fujian Times Mindong New Energy Industry Equity Investment Partnership (Limited Partnership) (福建時代閩東新能源產業股權投資合夥 企業(有限合夥))	5,020.3125	6.4477%	—	5,020.3125	6.0186%
Kunlun Gongrong Green (Beijing) New Industry Investment Fund Partnership (Limited Partnership) (昆侖工融綠色(北京)新興產業投資基金 合夥企業(有限合夥))	4,285.8091	5.5044%	—	4,285.8091	5.1381%
Jianxin Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司)	1,501.5440	1.9285%	—	1,501.5440	1.8001%
Total	77,861.4662	100.00%	5,551.29	83,412.7585	100.00%

LETTER FROM THE BOARD

Upon completion of the Capital Increase, the shareholding ratio of the Company in Changzhou Liyuan will increase from approximately 64.03% to 66.42%. Accordingly, Changzhou Liyuan will continue to be a subsidiary of the Company upon completion of the Capital Increase and its financial results will continue to be consolidated into the financial statements of the Company.

Basis for determination of the amount of the capital contribution

The total amount of the capital contribution to be made by the Company was determined after arm's length negotiation among the parties to the Capital Increase Agreement with reference to the appraised value of the entire equity interests of Changzhou Liyuan of RMB4,840,266,281.26 as at December 31, 2024 pursuant to the valuation of Changzhou Liyuan carried out by the independent valuer. The independent valuer adopted the discounted cash flow method under the income approach in valuation of Changzhou Liyuan. The valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and the Company published a further announcement dated June 16, 2025 in compliance with Rule 14.60A of the Listing Rules. Further details of the valuation report is set out in Appendix I to this circular.

Basis of using the income approach

Based on the independent valuer's understanding of Changzhou Liyuan's current operations, business plans and development strategies, as well as its research and analysis of the relevant industries and markets, Changzhou Liyuan was profitable in 2022. However, due to the drastic fluctuations in the market price of a key raw material, lithium carbonate, from 2023 to 2024, Changzhou Liyuan incurred losses. As the high-cost inventory accumulated earlier is gradually exhausted, Changzhou Liyuan expects that the gross margin will turn positive starting from 2025. Changzhou Liyuan further states that it is currently in a rapid growth phase, with clear and specific business plans in the future and reasonably predictable cash flows. The independent valuer thus considers that the income approach is suitable for the valuation of Changzhou Liyuan.

Income approach

Based on the current status and development prospects of the industry in which Changzhou Liyuan operates, Changzhou Liyuan's operational conditions, and interviews with the management of Changzhou Liyuan, no significant factors were identified that would cause Changzhou Liyuan to cease operations or affect its going concern in the foreseeable future. Therefore, the valuation assumes that Changzhou Liyuan's income period is indefinite. The independent valuer adopted the segmented method to forecast Changzhou Liyuan's incomes, dividing future incomes into those during the detailed forecast period and those after the detailed forecast period. Considering the industry and Changzhou Liyuan's own development, the year 2029 was deemed appropriate as the cut-off point for the detailed forecast period. Accordingly, incomes from January 1, 2025 to December 31, 2029 are forecasted in detail on an annual basis, and incomes for 2030 and subsequent years are assumed to grow at a perpetual growth rate of 2.00% based on the earnings forecasted for 2029.

LETTER FROM THE BOARD

The valuation value of Changzhou Liyuan using the income approach of RMB4,840,266,281.26 represents an appraisal increment of RMB2,676,533,316.71 over the book value (on an individual basis), with an appreciation rate of 123.70%.

Set forth below the assumptions adopted in the valuation:

(I) Basic assumptions

1. Trading assumptions:

If the subject of valuation is in the course of transaction processes, it is assumed that the valuer will conduct the assessment according to simulated marketplace situation, including transaction conditions of the subject of valuation. The result of the valuation is an estimate of the price at which the subject of valuation is most likely to be transacted.

2. Open market assumptions:

If the subject of valuation and its assets involved are traded in the open market where each of the buyer and the seller is provided with equal opportunity and time to have access to adequate market information, it is assumed that the trading behaviours of both the buyer and the seller are conducted under voluntary, rational, non-mandatory conditions.

3. Enterprise going concern assumptions:

It is assumed that, after the realisation of the valuation purpose (economic behaviour), the assessed entity continues to operate in accordance with the original operation methods and business scope.

(II) General assumptions

1. It is assumed that there are no significant changes in the political, economic and social environment of the countries and regions in which the assessed entity is located after the valuation benchmark date.
2. It is assumed that there are no significant changes in national macroeconomic policies, industrial policies and regional development policies after the valuation benchmark date.
3. It is assumed that there are no substantial changes in such indicators as interest rates, exchange rates, tax bases, tax rates and policy based levies related to the assessed entity after the valuation benchmark date.
4. It is assumed that the management of the assessed entity after the valuation benchmark date is responsible, stable and capable of performing their duties.

LETTER FROM THE BOARD

5. On December 8, 2023, Changzhou Liyuan's subsidiary Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd.* (貝特瑞(天津)納米材料製造有限公司), obtained the High-tech Enterprise Certificate (No. GR202312002316) with a validity period of three years, entitled to the preferential income tax policy as a high-tech enterprise from January 1, 2023 to December 31, 2025. Pursuant to the relevant regulations such as the Corporate Income Tax Law of the People's Republic of China, the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China and the Administrative Measures for the Recognition of High-tech Enterprises (G.K.F.H. [2016] No. 32), the corporate income tax was calculated and paid as per 15% in 2024. Based on the management's estimation, assuming that Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd. continues to meet the requirements of high-tech enterprises after the expiration of the high-tech enterprise certificate, it will continue to be entitled to the income tax rate of 15%.
6. On December 12, 2022, Changzhou Liyuan's subsidiary Jiangsu Beiterui Nano Technology Co., Ltd.* (江蘇貝特瑞納米科技有限公司), obtained the High-tech Enterprise Certificate (No. GR202232011701) with a validity period of three years, entitled to the preferential income tax policy as a high-tech enterprise from January 1, 2022 to December 31, 2024. Pursuant to the relevant regulations such as the Corporate Income Tax Law of the People's Republic of China, the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China and the Administrative Measures for the Recognition of High-tech Enterprises (G.K.F.H. [2016] No. 32), the corporate income tax was calculated and paid as per 15% in 2024. Based on the management's estimation, assuming that Jiangsu Beiterui Nano Technology Co., Ltd. continues to meet the requirements of high-tech enterprises after the expiration of the high-tech enterprise certificate, it will continue to be entitled to the income tax rate of 15%.
7. Changzhou Liyuan's subsidiary Sichuan Liyuan New Material Co., Ltd.* (四川鋰源新材料有限公司), is located in the Jinqiao Industrial Park of Pengxi Economic Development Zone, Sichuan Province. It is entitled to the preferential tax policies stipulated in the Catalogue of Encouraged Industries in Western Regions, which stipulates that from January 1, 2021 to December 31, 2030, enterprises in the encouraged industries in western regions will be subject to a corporate income tax rate of 15%. The corporate income tax was calculated and paid at a rate of 15% in 2024. According to the management's estimation, the preferential income tax rate of 15% would be continued upon expiration of the preferential policies.

LETTER FROM THE BOARD

8. In December 2024, Changzhou Liyuan's subsidiary Shandong Liyuan Technology Co., Ltd.* (山東鋰源科技有限公司), was listed in the High-tech Enterprise (Certificate No. GR202437002797) with a validity period of three years, entitled to the preferential income tax policy as a high-tech enterprise from January 1, 2024 to December 31, 2026. Pursuant to the relevant regulations such as the Corporate Income Tax Law of the People's Republic of China, the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China and the Administrative Measures for the Recognition of High-tech Enterprises (G.K.F.H. [2016] No. 32), the corporate income tax was calculated and paid as per 15% in 2024. Based on the management's estimation, it is predicted that Shandong Liyuan Technology Co., Ltd. will continue to be entitled to the income tax rate of 15% if it can meet the requirements of high-tech enterprises after the expiration of the high-tech enterprise certificate.
9. It is assumed that there will be no force majeure having a material adverse impact on the assessed entity after the valuation benchmark date.
10. It is assumed that the accounting policies to be adopted by the assessed entity after the valuation benchmark date and the accounting policies adopted at the time of preparing the valuation report are consistent in material aspects.
11. It is assumed that all related party transactions of the assessed entity are based on arm's length transactions.
12. It is assumed that the assessed entity is fully in compliance with all relevant laws and regulations.

(III) Assumptions for the state of subject of valuation as of the valuation benchmark date

1. Save for the knowledge as to the valuer, it is assumed that the purchase, acquisition or development processes of the subject of valuation and its assets involved are in compliance with relevant national laws and regulations.
2. Save for the knowledge as to the valuer, it is assumed that the subject of valuation and its assets involved bear no defects of rights, liabilities and restrictive conditions that may affect their value, and it is presumed that considerations, taxes and amounts payable relating to the subject of valuation and its assets involved have been fully settled.
3. Save for the knowledge as to the valuer, it is assumed that the subject of valuation and its tangible assets including property and equipment are free from any major technical failure that may affect their continuous usage, that such assets contain no hazardous substances that may adversely influence their value, and that the places where such assets are located are subject to no hazardous materials and other harmful environmental conditions that may cause detrimental impacts on the value of such assets.

LETTER FROM THE BOARD

(IV) Prediction assumptions

1. It is assumed that the cash inflow of the assessed entity after the valuation benchmark date is the average inflow, and the cash outflow is the average outflow.
2. It is assumed that the products or services of the assessed entity will maintain the current competitive status in the market after the valuation benchmark date.
3. It is assumed that a company related to the subject of valuation will operate as a going concern with the original business purposes and the original mode of operation following the realisation of the valuation purpose (economic behaviour), and its earnings can be predicted.
4. It is assumed that the assets related to the subject of valuation will continue to be developed or operated in accordance with the original operation plan and the original mode of operation following the realisation of the valuation purpose (economic behaviour).
5. There have been no unforeseeable significant changes in the supply and prices of raw materials and auxiliary materials consumed in the production and operation of the assessed entity; there have been no unforeseeable significant changes in the prices of products of the assessed entity.
6. It is assumed that the assessed entity remains at the same management level as at the valuation benchmark date or as those of general market participants in its subsequent operation and disregarding the future ownership management level's influence on the enterprise's prospective revenue.
7. It is assumed that the accounting policies and methods of accounting used in the financial projections of the assessed entity are consistent with those used in its historical financial statements.
8. The valuation benchmark date is December 31, 2024, and the annual calculation of the valuation is based on the period from January 1, 2025 to December 31, 2025 as the first projected year, with subsequent projected periods based on the accounting year.
9. In accordance with the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Improving the Pre-Tax Super Deduction Policy for Research and Development Expenses (Announcement of the General Administration of Taxation of the Ministry of Finance No. 7 of 2023) (《財政部稅務總局關於進一步完善研發費用稅前加計扣除政策的公告》(財政部稅務總局公告2023年第7號)), assuming that the policy of extra

LETTER FROM THE BOARD

deduction of research and development expenses is effective in the long run, the assessed entity calculates its income tax on the basis of 100% consideration of extra deduction for research and development expenses.

10. There are no other unpredictable and force majeure factors that cause significant impacts on the operation of the assessed entity.

(V) Limitation assumptions

1. It is assumed that all evaluation-related materials (including legal documents, technical data, operational information, financial information, etc.) provided by the consignor and the assessed entity are true and reliable. The valuer bears no legal liabilities arising from the assets ownership of the subject of valuation undertaken by them.
2. Unless otherwise stated, it is assumed that the economic service lives estimated through observation of the visible physical appearance of the tangible assets within the scope of the appraisal in the course of on-site investigations are generally consistent with their actual economic service lives. The valuation has not carried out any specialized technical examination of the technical data, technical status, structure, attachments, etc. of these assets.

The valuation conclusion of the valuation report as at the valuation benchmark date is based on the above assumptions. In the event of a substantial change in the above assumptions, the asset appraiser and the appraisal organization shall not be responsible for the derivation of a different valuation conclusion as a result of the change in the assumptions.

Based on the above and having taken into account the reasons as set out in the sub-section headed “Reasons for and benefits of entering into the Capital Increase Agreement” below, the Board considers that the amount of the capital contribution to be made by the Company is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment Schedule and Filings with Relevant Authorities

The Company shall pay the amount of the capital contribution to Changzhou Liyuan in cash within 3 business days after signing the Capital Increase Agreement and the completion of all internal resolutions and information disclosure procedures. All parties shall procure Changzhou Liyuan to complete the necessary industrial and commercial change and filings with the relevant authorities within one month after the effective date of the Capital Increase Agreement. The Capital Increase Agreement will become effective after the Capital Increase Agreement has been executed by all the parties thereto and all approval procedures have been completed.

LETTER FROM THE BOARD

Reasons for and Benefits of Entering into the Capital Increase Agreement

As disclosed in the Prospectus, approximately 40% (or HKD198.0 million) and 40% (or HKD198.0 million) of the net proceeds from the Global Offering is expected to be used to pay partial expenses for the phase II of the Indonesia Plant and for new LMFP production lines at the Company's Xiangyang Plant in Hubei Province. The capital contribution of the Company pursuant to the Capital Increase will be funded by the net proceeds from the Global Offering.

The Directors are of the view that the entering into of the Capital Increase Agreement aligns with the Group's overall strategic development plan and long-term interests and will enable the Group to utilize the proceeds from the Global Offering in the manner disclosed in the Prospectus. Upon the completion of the Capital Increase, the financial position and competitiveness of Changzhou Liyuan will be strengthened. Changzhou Liyuan will be in a better position to support the Group's business plan in relation to the development of phase II of the Indonesia Plant and the new LMFP production lines at the Company's Xiangyang Plant in Hubei Province.

The Directors (excluding the connected Directors, but including the independent non-executive Directors) are of the view that, although the Capital Increase is not conducted in the ordinary and usual course of business of the Company, the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Executive Directors, Mr. Shi Junfeng, Mr. Shen Zhiyong and Mr. Zhang Yi, being the connected Directors by virtue of their interest in Changzhou Liyuan's Shareholders, and non-executive Director Ms. Zhu Xianglan, have abstained from voting on the relevant Board resolution in respect of considering and approving the transaction contemplated under the Capital Increase Agreement at the Board meeting. Save as disclosed above, none of the Directors has any material interest in the transaction contemplated under the Capital Increase Agreement and was required to abstain from voting on the relevant Board resolution.

Listing Rules Implications

As CATL is the sole shareholder of Yichun Times and Yichun Times is the substantial shareholder of Lopal Times (a non-wholly owned subsidiary of the Company), CATL CP Group (comprising CATL, its subsidiaries and 30%-controlled companies (excluding Lopal Times)) are connected persons of the Company at the subsidiary level. Ningbo Meishan, as a wholly-owned subsidiary of CATL, is therefore an associate of CATL and thus a connected person of the Company.

Mr. Shi Junfeng, an executive Director and controlling shareholder of the Company, owns 99.9% of Changzhou Youbeili. Mr. Shen Zhiyong and Mr. Zhang Yi, both executive Directors, own 99% and 1% of Nanjing Jinbeili respectively. Mr. Xue Jie, chairman of the supervisory committee of the Company, owns 80% of Nanjing Chaoli. Changzhou Youbeili, Nanjing Jinbeili and Nanjing Chaoli are therefore connected persons of the Company. Accordingly, the Capital Increase Agreement and the transactions contemplated thereunder constitute connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the highest applicable percentage ratio in respect of the Capital Increase exceeds 0.1% but is less than 5%, the Capital Increase is only subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Capital Increase is subject to Shareholders' approval requirements under the Shanghai Listing Rules. Accordingly, the EGM will be convened for the Shareholders to consider and, if thought fit, to approve, among other things, the Capital Increase Agreement and the transactions contemplated thereunder.

Information of the Company and the Parties

The Company and the Group

The Company a joint stock company established in the PRC, the A shares of which are listed on the Shanghai Stock Exchange (SSE: 603906) and the H Shares of which are listed on the Main Board of the Stock Exchange (HKEX: 2465). The Group is principally engaged in the production and sale of LFP cathode materials and automotive specialty chemicals.

Changzhou Liyuan

Changzhou Liyuan is a limited liability company established in the PRC on May 12, 2021 and a direct non-wholly owned subsidiary of the Company which is owned as to approximately 64.03% by the Company as at the Latest Practicable Date. Changzhou Liyuan is principally engaged in the production and sales of LFP cathode materials.

Set out below is the financial information extracted from the audited financial statements of Changzhou Liyuan for the years ended December 31, 2023 and 2024:

	Year ended December 31, 2023	Year ended December 31, 2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)
Profit/(loss) before tax	(1,775,052)	(743,374)
Profit/(loss) after tax	(1,452,052)	(793,460)

As at December 31, 2024, the audited total asset value and net asset value of Changzhou Liyuan were approximately RMB8,258.93 million and RMB1,284.08 million, respectively.

LETTER FROM THE BOARD

Changzhou Liyuan's Shareholders

Kunlun Gongrong Green (Beijing) New Industry Investment Fund Partnership (Limited Partnership) (昆侖工融綠色(北京)新興產業投資基金合夥企業(有限合夥)) is a limited partnership established in the PRC and is engaged in investment and asset management business. Its general partners are CPC Kunlun (Beijing) Private Equity Fund Management Co., Ltd* (中油昆侖(北京)私募基金管理有限公司) and ICBC Capital Management Co., Ltd* (工銀資本管理有限公司), each of which holds approximately 0.07% and 0.07% interest respectively. Its limited partners include, among others, ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司), holding 70% interest therein. ICBC Financial Asset Investment Co., Ltd. is wholly-owned by Industrial and Commercial Bank of China Limited (stocks of which are listed on the Stock Exchange, stock code: 1398).

Jianxin Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司) is a limited liability company established in the PRC and is engaged in investment and asset management business. It is wholly-owned by China Construction Bank Corporation (shares of which are listed on the Stock Exchange, stock code: 939).

Ningbo Meishan is a limited liability company established in the PRC and is engaged in investment and asset management business. It is wholly-owned by CATL.

Fujian Times Mindong New Energy Industry Equity Investment Partnership (Limited Partnership) (福建時代閩東新能源產業股權投資合夥企業(有限合夥)) is a limited partnership established in the PRC and is engaged in investment and asset management business. Its general partner is Shanghai Hengxu Chuangling Investment Management Co., Ltd.* (上海恒旭創領投資管理有限公司), holding 0.04% interest. It has five limited partners and the single largest limited partner is Qingdao SAIC Innovation and Upgrading Industry Equity Investment Fund Partnership (L.P.)* (青島上汽創新升級產業股權投資基金合夥企業(有限合夥)) holding 40% interest therein. Qingdao SAIC Innovation and Upgrading Industry Equity Investment Fund Partnership (L.P.) is ultimately controlled by SAIC Motor Corporation Limited* (上海汽車集團股份有限公司) (shares of which are listed on the Shanghai Stock Exchange, stock code: 600104). None of the remaining four limited partners hold more than 30% interests therein.

BTR New Material Group Co., Ltd. (貝特瑞新材料集團股份有限公司) is a joint stock company established in the PRC and the shares of which are listed on the Beijing Stock Exchange (stock code: 835185). It is engaged in the manufacturing of graphite and carbon products.

Changzhou Youbeili is a limited partnership established in the PRC and is engaged in investment and asset management business. Mr. Shi Junfeng, an executive Director and controlling shareholder of the Company, is the general partner holding 99.9% interest in Changzhou Youbeili.

LETTER FROM THE BOARD

Nanjing Jinbeili is a limited partnership established in the PRC and is engaged in investment and asset management business. The general partner of Nanjing Jinbeili is Mr. Shen Zhiyong, an executive Director, holding 99% interest therein. The limited partner of Nanjing Jinbeili is Mr. Zhang Yi, an executive Director, holding 1% interest therein.

Changzhou Jintan Hongyuan Venture Capital Partnership (Limited Partnership) (常州金壇泓遠創業投資合夥企業(有限合夥)) is a limited partnership established in the PRC and is engaged in investment and asset management business. Its general partner is Liu Xiuming (劉修明), holding 47% interest therein. It has ten limited partners. The single largest limited partner is Huang Youyuan (黃友元) holding 34.2% therein and none of the remaining limited partners hold more than 30% interest therein.

Nanjing Chaoli is a limited partnership established in the PRC is engaged in investment and asset management business. The general partner of which is Mr. Xue Jie, a supervisor of the Company holding 80% interest therein. The limited partner is Xie Yichao (解一超), holding 20% interest therein.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Kunlun Gongrong Green (Beijing) New Industry Investment Fund Partnership (Limited Partnership) (昆侖工融綠色(北京)新興產業投資基金合夥企業(有限合夥)), Jianxin Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司), Fujian Times Mindong New Energy Industry Equity Investment Partnership (Limited Partnership) (福建時代閩東新能源產業股權投資合夥企業(有限合夥)), BTR New Material Group Co., Ltd. (貝特瑞新材料集團股份有限公司), Changzhou Jintan Hongyuan Venture Capital Partnership (Limited Partnership) (常州金壇泓遠創業投資合夥企業(有限合夥)) and its ultimate beneficial owner(s) are third parties independent from each of the Company and its connected persons (as defined under the Listing Rules).

III. PROPOSED ADDITION OF FOREIGN EXCHANGE HEDGING BUSINESS

I. Basic Information of Hedging Business

(I) Transaction purpose

As the Company's overseas business expands annually, foreign currency settlements have become increasingly frequent. In order to mitigate exchange rate risks and reduce their adverse impact on the Company's operating performance, the Company and its subsidiaries intend to conduct foreign exchange hedging business. Grounded in normal production and business activities and relying on specific business operations, the hedging business is conducted not for speculative or arbitrage trading but to avoid and prevent exchange rate risks. The fund allocation is rational and will not impede the development of the Company's core business.

LETTER FROM THE BOARD

By implementing the foreign exchange hedging business and selecting foreign exchange trading products and instruments that align with the Company's business context, operation model, and business cycle, the Company expects to effectively manage the exposure to exchange rate fluctuations.

(II) Transaction amount

The Company (including its subsidiaries) plans to allocate up to USD50 million or its equivalent in other foreign currencies from its own funds for foreign exchange hedging business. The guarantee deposit payment ratio will be determined according to specific agreements with financial institutions. Within the authorization period approved by the general meeting, the above-mentioned quota can be utilized on a revolving basis, with the funds occupied at any given time not exceeding this limit.

(III) Source of funds

The funds are sourced from the Company's own capital, excluding raised funds.

(IV) Transaction method

The foreign exchange hedging business that the Company plans to implement will be conducted exclusively with qualified financial institutions, such as major banks. The trading platforms include both exchange-traded and over-the-counter markets. The trading scope encompasses foreign exchange rates, including but not limited to currencies like the US Dollar, Euro, Indonesian Rupiah, and Hong Kong Dollar. Foreign exchange hedging instruments include, but are not limited to, spot foreign exchange, forward foreign exchange settlement and sales, forward foreign exchange transactions, foreign exchange swaps, foreign exchange options, interest rate swaps, and other foreign exchange derivatives or combinations thereof.

(V) Transaction period

One year from the date of approval by the general meeting.

(VI) Authorization matters

In order to regulate the foreign exchange hedging business of the Company and its subsidiaries and safeguard the Company's assets, subject to the approval of the general meeting of the Company, the Board authorizes the Company's financial center to implement the business within the specified quota. The management of the Company is authorized to make decisions on specific transactions and sign relevant contracts within the authorized quota and period, without further submission to the Board for approval or the need for separate Board resolutions for individual financial institutions or individual transactions.

LETTER FROM THE BOARD

(VII)Necessity of overseas foreign exchange hedging

With the continuous progress of the Company's internationalization, the Company has legally established subsidiaries in countries and regions such as Singapore and Indonesia. These overseas subsidiaries also face the need for foreign exchange hedging. Hence, it is necessary for the Company to engage in overseas foreign exchange hedging. When conducting such business overseas, the Company will comply with relevant laws and regulations of the countries or regions of residence, fully taking into account factors such as settlement convenience, trading liquidity, and exchange rate fluctuations to protect its legitimate rights and interests.

II. Deliberation Procedures

With an aim to hedge against risks stemming from price fluctuations in the spot markets of the Company's raw materials and products, and to alleviate potential threats posed by these fluctuations to production and business operations, the Company convened the 34th meeting of the 4th session of the Board on March 28, 2025. At this meeting, the Proposal on Conducting Hedging Business was deliberated and approved. The Company and its subsidiaries plan to engage in futures and derivatives hedging activities through various compliant domestic and overseas trading platforms that meet its hedging business requirements. The trading scope is restricted to products and raw materials related to production and business operations, covering but not limited to ethylene glycol, urea, plastic particles, nickel, lithium carbonate, sugar, bottle chips, methanol, soda ash, and crude oil. For the futures and derivatives hedging business that the Company (including its subsidiaries) intends to carry out, the upper limits of margin and premium shall not exceed RMB300 million (excluding the physical delivery amount of the hedged subjects). The maximum contract value held on any trading day shall not exceed RMB1.2 billion, and the funds can be utilized on a revolving basis. At any time during the authorization period granted by the Board, the amount of funds occupied shall not surpass the aforesaid limits.

In order to manage exchange rate risks and minimize the negative impact of exchange rate fluctuations on the Company's operating performance, the Company convened the 37th meeting of the 4th session of the Board on May 29, 2025. During this meeting, the Proposal on Newly-added Foreign Exchange Hedging Business was deliberated and approved. The quota for the foreign exchange hedging business conducted by the Company (including its subsidiaries) shall not exceed USD50 million or its equivalent in other foreign currencies. The guarantee deposit payment ratio will be determined based on specific agreements with financial institutions, and the funds can be utilized on a revolving basis, with the funds occupied at any given time within the authorization period set by the general meeting not exceeding the above-mentioned limit. Since the sum of the newly-added foreign exchange hedging quota and the previous futures and derivatives hedging quota exceeds the review authority of the Board, it must be submitted to the general meeting for deliberation. This proposal has already been deliberated and approved at the 19th meeting of the 4th session of the audit committee of the Board.

III. Risk Analysis and Risk Control Measures for Hedging Business

(I) Transaction risk analysis

The foreign exchange hedging business of the Company (including its subsidiaries) adhere to the principles of legality, prudence, safety, and effectiveness, and are not for speculative purposes. All foreign exchange hedging businesses are grounded in normal production and business operations, based on specific business activities, and aimed at mitigating and preventing exchange rate risks, which is conducive to the Company's stable operation and to safeguard against the adverse impacts of significant exchange rate fluctuations. Nevertheless, certain risks still exist in foreign exchange hedging business:

1. Market risk

Significant volatility in the foreign exchange market may lead to changes in the value of foreign exchange hedging instruments caused by fluctuations in the market prices of underlying exchange rates, thus resulting in losses.

2. Credit risk

Credit risk occurs when the counterparty fails to fulfill its contractual obligations, thereby posing risks to the Company. In order to mitigate credit risks, the Company conducts foreign exchange hedging business only with large-scale banks and other financial institutions with legal business qualifications, aiming to minimize potential default risks.

3. Operational risk

Hedging business is highly specialized and complex. During transactions, if operators fail to observe prescribed procedures or lack a comprehensive understanding of underlying assets, improper operations or transaction failures may occur.

4. Technical risk

Uncontrollable or unforeseen system, network, or communication failures may lead to abnormal operation of the trading system, thereby causing delays or interruptions in trading instructions or resulting in data errors, and bringing corresponding risks and losses.

5. Legal applicability risk

Overseas transactions follow the laws of the country or region of residence. Constrained by the maturity of local laws and the trading parties' familiarity with overseas legal systems, disputes and uncertainties are likely to arise.

6. *Political and policy risk*

The foreign exchange hedging market is affected by the political situation and social security conditions of the country or region of residence. There may be risks in the settlement and recovery of overseas funds. Significant changes in relevant laws, regulations, and policies in the country or region of residence may trigger market fluctuations or impede trading, thus posing risks.

(II) Risk control measures

1. The Company has formulated the Management Policy for Foreign Exchange Hedging Business of Jiangsu Lopal Tech. Co., Ltd., which clearly defines aspects such as personnel allocation, review authority, authorization policy, business processes, risk management, reporting and disclosure mechanisms for foreign exchange hedging business. The Company will operate in strict accordance with this policy, establish a sound authorization and approval system and business processes, regularly review the signing and execution of trading contracts, control business risks, and ensure the effective implementation of the policy.
2. The Company's foreign exchange hedging business is based on normal production and business operations, relying on specific business activities to avoid and prevent exchange rate risks. Such business shall not disrupt the Company's normal production and business operations, and no speculative foreign exchange trading will be conducted.
3. The Company will rationally establish the organizational structure for hedging business, establish a post-responsibility system, clarify the authorities and responsibilities of relevant departments, and continuously enhance the expertise training of relevant personnel to improve their competencies. Meanwhile, an abnormal situation reporting system will be established to form an efficient risk handling mechanism.
4. During business operations, the Company will strictly comply with relevant laws and regulations to mitigate legal risks, and regularly supervise and inspect the compliance of hedging business and the effectiveness of the internal control system.
5. The Company conducts foreign exchange hedging business only with large-scale banks and other financial institutions with legal business qualifications. It will carefully review contract terms and select trading instruments with simple structures, high liquidity, identifiable risks, and wide market recognition for hedging, thereby reducing trading risks.

LETTER FROM THE BOARD

6. Regarding overseas trading risks, the Company's overseas hedging business is mainly targeted to international operations. The trading regions feature relatively low political, economic, and legal risks, and have mature interest-rate and exchange-rate markets with substantial trading volumes. The Company will comprehensively evaluate factors such as settlement convenience, liquidity, and exchange rate fluctuations. For over-the-counter trading risks, the Company will thoroughly assess the necessity of transactions, the complexity of product structures, liquidity risks, and the creditworthiness of counterparties.
7. The Company's financial center will monitor relevant market factors related to foreign exchange hedging contracts and regularly report to the management of the Company to take countermeasures promptly to minimize potential losses to the Company.

IV. Impact on the Company and Related Accounting of Transactions

(I) Impact on the Company

The Company conducts foreign exchange hedging business to enhance its ability to cope with foreign exchange fluctuations, prevent significant exchange rate fluctuations from having an adverse impact on the Company's profits and shareholders' equity, and such business is conducive to strengthening the Company's financial stability. The Company (including its subsidiaries) uses its own funds for foreign exchange hedging business. The scale of capital invested is in line with the Company's own funds, business conditions, and actual needs, and will not affect the normal business operations of the Company and its subsidiaries.

(II) Accounting

The Company will strictly comply with relevant regulations and their guidelines issued by the Ministry of Finance, such as Accounting Standards for Business Enterprises No.22 — Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.24 — Hedging, Accounting Standards for Business Enterprises No.37 — Presentation of Financial Instruments, and Accounting Standards for Business Enterprises No.39 — Fair Value Measurement, to correctly account for, process, present, and disclose the hedging business carried out.

The above proposals have been deliberated and approved at the 37th meeting of the 4th session of the Board. Shareholders and shareholder representatives are hereby requested to deliberate on them.

LETTER FROM THE BOARD

IV. REVISED MANAGEMENT MANUAL FOR THE COMPANY'S CASH PROCEEDS

In order to further enhance the standardized operation level and improve the corporate governance structure, the Company systematically sorted out, revised and improved the management manual for the Company's cash proceeds in accordance with related provisions of laws, regulations and regulatory documents such as the Company Law of the People's Republic of China, the Guidelines for the Articles of Association of Listed Companies, the Rules Governing the Listing of Securities on Shanghai Stock Exchange, the Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 — Standardized Operations, Rules on the Supervision of Funds Raised by Listed Companies, in compliance with the relevant requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange and taking into account the actual conditions of the Company. The above resolution has been deliberated and approved by the 39th meeting of the 4th session of the Board. Full text of the revised management manual for the Company's cash proceeds is set out in Appendix II to this circular.

V. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated June 27, 2025 in relation to, among others, the consideration and approval of the proposed amendments to the Articles of Association by the Board.

Reference is made to the announcements of the Company dated June 4, 2025 and June 12, 2025. The completion of the placing of 20,000,000 new H Shares under the general mandate took place on June 12, 2025. The number of total issued Shares of the Company has increased from 665,078,903 Shares to 685,078,903 Shares as a result of the issue of the placing shares. The registered capital of the Company correspondingly increased from RMB665,078,903 to RMB685,078,903.

The Board proposes to make amendments to the Articles of Association to reflect the changes in the total issued Share capital and the registered capital as a result of the completion of the aforementioned placing of 20,000,000 new H Shares under the general mandate. The proposed amendments to the Articles of Association are as follows:

Before the amendments

Article 6 The registered capital of the Company is RMB665,078,903.

.....

Article 19 The total number of shares of the Company is 665,078,903, all being ordinary shares.

After the amendments

Article 6 The registered capital of the Company is RMB685,078,903.

.....

Article 19 The total number of shares of the Company is 685,078,903, all being ordinary shares.

LETTER FROM THE BOARD

The proposed amendments to the Articles of Association are subject to the consideration and approval by the Shareholders at the EGM through a special resolution and will become effective upon the passing of the relevant special resolution at the EGM. The proposed amendments to the Articles of Association were prepared in the Chinese language. The English translation is for reference only. In the event of any discrepancy between the Chinese and the English version of the proposed amendments to the Articles of Association, the Chinese version shall prevail.

The above resolution has been deliberated and approved by the 39th meeting of the 4th session of the Board.

VI. THE EGM

The EGM will be convened on July 18, 2025 for the Shareholders to consider and, if thought fit, to approve, among other things, (i) the connected transaction in relation to the Capital Increase Agreement; (ii) the proposed addition of foreign exchange hedging business; (iii) the revised management manual for the Company's cash proceeds; and (iv) the proposed amendments to the Articles of Association.

The resolutions put to vote at the EGM will be decided by way of poll as required by the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the Latest Practicable Date, Mr. Shi Junfeng and his spouse Ms. Zhu Xianglan, Mr. Shen Zhiyong, Mr. Zhang Yi and their associate are required to abstain from voting on the resolution to be proposed by the Company at the EGM to approve the Capital Increase Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, save as disclosed herein, no other Shareholders are required to abstain from voting on the resolutions to be proposed by the Company at the EGM.

VII. CONFIRMATION OF THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the Latest Practicable Date, executive Directors, Mr. Shi Junfeng, Mr. Shen Zhiyong and Mr. Zhang Yi, being the connected Directors by virtue of their interest in Changzhou Liyuan's Shareholders, and non-executive Director Ms. Zhu Xianglan have abstained from voting on the relevant Board resolution in respect of considering and approving the transaction contemplated under the Capital Increase Agreement at the Board meeting. Save as disclosed herein, no other Directors has any material interest in or is required to abstain from voting on the Board resolutions in relation to (i) the connected transaction in relation to the Capital Increase Agreement; (ii) the proposed addition of foreign exchange hedging business; (iii) the revised management manual for the Company's cash proceeds; and (iv) the proposed amendments to the Articles of Association.

LETTER FROM THE BOARD

VIII. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility to attend and vote at the EGM, the register of members of the Company will be closed from July 15, 2025 to July 18, 2025, both days inclusive. During such period, no transfer of the Company's H Shares will be registered. Holders of the H Shares of the Company whose names appear on register of members of H Shares of the Company on July 15, 2025 will be entitled to attend the EGM. In order to be eligible to attend and vote at the EGM, holders of H Shares of the Company whose transfers of Shares have not been registered shall deposit the transfer documents together with the relevant share certificates with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on July 14, 2025.

IX. RECOMMENDATION

The Board believes that the abovementioned resolutions are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favor of all resolutions to be proposed at the EGM as set out in the notice of the EGM.

By order of the Board
Jiangsu Lopal Tech. Co., Ltd.
SHI Junfeng
Chairman

The following is a summary of the valuation report and additional disclosures relating to the valuation received from EY Assets Appraisal (Shanghai) Co., Ltd. (安永資產評估(上海)有限公司), an independent valuer, for, amongst other purposes, inclusion in this circular.*

I. EXCERPT FROM SUMMARY OF THE VALUATION REPORT

1. Valuation Approaches Adopted and Rationale for Selection

In accordance with prevailing asset valuation standards and relevant regulations, the fundamental approaches for assessing the value of total equity of shareholders include the income approach, market approach, and asset-based approach.

When assessing the value of total equity of shareholders, the valuer typically analyzes the suitability of these three fundamental valuation approaches based on relevant conditions such as the purpose of valuation, the subject of valuation, value type and data collection, and properly selects one or multiple fundamental valuation approaches.

Based on our understanding of the assessed entity's current operations, business plans and development strategies, as well as our research and analysis of the relevant industries and markets, Changzhou Liyuan was profitable in 2022. However, due to the drastic fluctuations in the market price of a key raw material, lithium carbonate, from 2023 to 2024, Changzhou Liyuan incurred losses. As the high-cost inventory accumulated earlier is gradually exhausted, Changzhou Liyuan expects that the gross margin will turn positive starting from 2025. The management states that Changzhou Liyuan is currently in a rapid growth phase, with clear and specific business plans in the future and reasonably predictable cash flows. Therefore, the income approach is suitable for the valuation of this project.

We also made a research on comparable listed companies and comparable transaction cases and there exist comparable listed companies in the market relative to the assessed entity. Therefore, the market approach is suitable for the valuation of this project.

The asset-based approach is typically used when the principal business activity of a company is investment holding, such as holding real estate or investments; the company has no clear future plans or is in liquidation; the company's earnings or cash flows suggest its value is unlikely to exceed the value of the tangible assets owned by it. The asset-based approach reflects the minimum price an investor would like to pay when acquiring an enterprise but disregards the synergistic profitability of assets. Therefore, the asset-based approach is not suitable for the valuation of this project.

Based on the above analysis, the income approach and market approach are adopted to assess the market value of total equity of shareholders of Changzhou Liyuan.

After comprehensive analysis, this valuation report adopts the valuation results under the income approach as the conclusion.

Detailed calculation process of the applied approach is set out below:

1) Income approach

- Introduction to income approach

The income approach focuses on the assessed entity's earning capacity. It estimates the valuation by discounting the assessed entity's anticipated future earnings to their present value using an appropriate discount rate, thereby deriving the assessed value based on these discounted earnings.

- Income approach calculation process

In line with the purpose of this valuation and the assessed entity, we first employed the discounted cash flow method to determine the value of free cash flow of the assessed entity, as per the following formula:

$$\text{Value of free cash flow for the firm} = \sum_{t=0.5}^n \frac{P_t}{(1+r)^t} + \frac{P_n(1+g)}{(1+r)^n(r-g)}$$

Where:

n	=	definite forecast period;
P _t , P _n	=	cash flow for the firm in the t th year and the n th year;
r	=	weighted average cost of capital;
t	=	definite forecast year;
g	=	perpetual growth rate.

We further analyzed the value of the assessed entity's surplus (or non-operating) assets/liabilities and adjusted the enterprise free cash flow value accordingly to determine the entire enterprise value. On this basis, the interest-bearing debt of the assessed entity was deducted to arrive at the entire equity value of the assessed entity. The formula is as follows:

Total equity of shareholders = entire enterprise value – interest-bearing debts

Of which:

Entire enterprise value = value of free cash flow for the firm
+ value of surplus (or non-operating) assets
– value of surplus (or non-operating) liabilities

2) *Market approach*

- Introduction to market approach

The market approach determines enterprise value by analyzing the transaction prices of comparable companies and comparable transactions. By collecting transaction pricing data and financial metrics of market peers similar to the assessed entity, relevant market multiples, such as the price-to-earnings ratio and price-to-book ratio are derived for valuation.

The listed company comparison method is a method to determine the value of the subject of valuation by acquiring and analyzing the transaction prices and operational and financial data of comparable listed companies to calculate appropriate value ratios and comparing them against those of the assessed entity.

The transaction case comparison method is a method to determine the value of the subject of valuation by acquiring and analyzing information on sale and purchase, acquisition and merger cases of comparable enterprises, including transaction prices and operational and financial data to calculate appropriate value ratios and comparing them against those of the assessed entity.

It should be noted that no two companies are completely identical in terms of risks and growth profile. The differences in market multiples among comparable companies and comparable transactions mainly stem from:

- Differences in asset scale, corporate system, and market status;
- Differences in economic environments in which they operate;
- Differences in stock exchanges where they are listed;
- Differences in the development levels of enterprises;
- Differences in the accounting standards adopted; and
- Differences in management and investor expectations for the development of enterprises.

In this valuation, since it is difficult to collect recent similar transaction case materials and it is impossible to understand whether there are non-market value factors therein, the transaction case comparison method is not suitable. For the listed company comparison method, due to the public availability of the indicator data of listed companies, this method has good operability, and the listed company comparison method is selected and adopted in this valuation.

- Market approach calculation process

This valuation adopts the listed company comparison approach under the market approach. The basic calculation process is as follows:

Step 1 — Analyze the assessed entity: Analyze the basic information of the assessed entity, primarily including corporate nature, business size, scope of business, financial condition, growth potential, etc.;

Step 2 — Select comparable listed companies: Select comparable listed companies in the same industry, with similar business operations, and operating in geographically proximate regions, based on the attributes of the assessed entity and business environment factors;

Step 3 — Analyze financial data and information: Conduct a detailed analysis, research and comparison of key financial metrics between the assessed entity and the comparable listed companies;

Step 4 — Determine market multiples: Collect the information of comparable listed companies from public sources, compare the differences between the assessed entity and the comparable companies in size, growth rate and market environment where they operate, select appropriate market multiples, and correct the market multiples of comparable companies;

Step 5 — Calculate equity value: Select the financial data of the assessed entity matching with market multiples to calculate the equity value of the assessed entity;

Based on the analysis of the industry where the assessed entity operates and its own development status, this valuation adopts the enterprise value/2026 forecasted EBITDA ratio to value the equity value of the assessed entity.

2. Scope of Work, Limitations and Rationale for the Limitations

Subject of valuation: The value of total equity of shareholders of Changzhou Liyuan New Energy Technology Co., Ltd. as at December 31, 2024.

The scope of valuation covers all assets and related liabilities of Changzhou Liyuan as at December 31, 2024, including current assets, non-current assets, current liabilities and non-current liabilities.

3. Nature and Source of the Information Relied upon

Basis of property rights (provided by the management of the company)

- business licenses of corporate legal persons of the assessed entity, capital verification reports;
- real estate certificates;
- trademark registration certificates;
- patent certificates;
- utility model patent certificates;
- other bases of property rights.

Pricing basis

- Asset Valuation Common Data and Parameters Manual* (資產評估常用資料與參數手冊);
- other statistics and technical standards issued by relevant national authorities;
- other price-related information data of the market on the valuation benchmark date;
- the foreign exchange rate table and loan prime rate (LPR) announced and implemented by the People's Bank of China;
- financial information provided by Capital IQ, Oxford Economics, International Monetary Fund, etc.;
- Kroll Cost of Capital Navigator;
- statistics, market development and trend analysis materials of the LFP cathode materials industry, and relevant information of companies with similar business;
- contracts, accounting evidence, books and other accounting information in respect of the acquisitions and uses of assets obtained from the assessed entity;

- the auditor's reports for the years of 2022, 2023 and 2024 obtained from the assessed entity;
- the valuation declarations of all assets and liabilities being appraised;
- the profit forecast statement and relevant explanations of the forecasts from January 1, 2025 to December 31, 2029 provided by the assessed entity;
- other information related to the valuation provided by the assessed entity;
- other pricing basis.

4. Key Inputs and Assumptions

4.1) Key inputs:

In accordance with the disclosure requirements, profit forecast assumptions, discount rates and perpetual growth rate are presented additionally. Please refer to the following: "II. ADDITIONAL DISCLOSURE".

4.2) Key assumptions:

(I) Basic assumptions

1. Trading assumptions:

If the subject of valuation is in the course of transaction processes, it is assumed that the valuer will conduct the assessment according to simulated marketplace situation, including transaction conditions of the subject of valuation. The result of the valuation is an estimate of the price at which the subject of valuation is most likely to be transacted.

2. Open market assumptions:

If the subject of valuation and its assets involved are traded in the open market where each of the buyer and the seller is provided with equal opportunity and time to have access to adequate market information, it is assumed that the trading behaviours of both the buyer and the seller are conducted under voluntary, rational, non-mandatory conditions.

3. Enterprise going concern assumptions:

It is assumed that, after the realisation of the valuation purpose (economic behaviour), the assessed entity continues to operate in accordance with the original operation methods and business scope.

(II) General assumptions

1. It is assumed that there are no significant changes in the political, economic and social environment of the countries and regions in which the assessed entity is located after the valuation benchmark date.
2. It is assumed that there are no significant changes in national macroeconomic policies, industrial policies and regional development policies after the valuation benchmark date.
3. It is assumed that there are no substantial changes in such indicators as interest rates, exchange rates, tax bases, tax rates and policy based levies related to the assessed entity after the valuation benchmark date.
4. It is assumed that the management of the assessed entity after the valuation benchmark date is responsible, stable and capable of performing their duties.
5. On December 8, 2023, Changzhou Liyuan's subsidiary Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd.* (貝特瑞(天津)納米材料製造有限公司), obtained the High-tech Enterprise Certificate (No. GR202312002316) with a validity period of three years, entitled to the preferential income tax policy as a high-tech enterprise from January 1, 2023 to December 31, 2025. Pursuant to the relevant regulations such as the Corporate Income Tax Law of the People's Republic of China, the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China and the Administrative Measures for the Recognition of High-tech Enterprises (G.K.F.H. [2016] No. 32), the corporate income tax was calculated and paid as per 15% in 2024. Based on the management's estimation, assuming that Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd. continues to meet the requirements of high-tech enterprises after the expiration of the high-tech enterprise certificate, it will continue to be entitled to the income tax rate of 15%.
6. On December 12, 2022, Changzhou Liyuan's subsidiary Jiangsu Beiterui Nano Technology Co., Ltd.* (江蘇貝特瑞納米科技有限公司), obtained the High-tech Enterprise Certificate (No. GR202232011701) with a validity period of three years, entitled to the preferential income tax policy as a high-tech enterprise from January 1, 2022 to December 31, 2024. Pursuant to the relevant regulations such as the Corporate Income Tax Law of the People's Republic of China, the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China and the Administrative Measures for the Recognition of High-tech Enterprises (G.K.F.H. [2016] No. 32), the corporate income tax was calculated and paid as per 15% in 2024. Based on the management's estimation, assuming that Jiangsu Beiterui Nano

Technology Co., Ltd. continues to meet the requirements of high-tech enterprises after the expiration of the high-tech enterprise certificate, it will continue to be entitled to the income tax rate of 15%.

7. Changzhou Liyuan's subsidiary Sichuan Liyuan New Material Co., Ltd.* (四川鋰源新材料有限公司), is located in the Jinqiao Industrial Park of Pengxi Economic Development Zone, Sichuan Province. It is entitled to the preferential tax policies stipulated in the Catalogue of Encouraged Industries in Western Regions, which stipulates that from January 1, 2021 to December 31, 2030, enterprises in the encouraged industries in western regions will be subject to a corporate income tax rate of 15%. The corporate income tax was calculated and paid at a rate of 15% in 2024. According to the management's estimation, the preferential income tax rate of 15% would be continued upon expiration of the preferential policies.
8. In December 2024, Changzhou Liyuan's subsidiary Shandong Liyuan Technology Co., Ltd.* (山東鋰源科技有限公司), was listed in the High-tech Enterprise (Certificate No. GR202437002797) with a validity period of three years, entitled to the preferential income tax policy as a high-tech enterprise from January 1, 2024 to December 31, 2026. Pursuant to the relevant regulations such as the Corporate Income Tax Law of the People's Republic of China, the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China and the Administrative Measures for the Recognition of High-tech Enterprises (G.K.F.H. [2016] No. 32), the corporate income tax was calculated and paid as per 15% in 2024. Based on the management's estimation, it is predicted that Shandong Liyuan Technology Co., Ltd. will continue to be entitled to the income tax rate of 15% if it can meet the requirements of high-tech enterprises after the expiration of the high-tech enterprise certificate.
9. It is assumed that there will be no force majeure having a material adverse impact on the assessed entity after the valuation benchmark date.
10. It is assumed that the accounting policies to be adopted by the assessed entity after the valuation benchmark date and the accounting policies adopted at the time of preparing the valuation report are consistent in material aspects.
11. It is assumed that all related party transactions of the assessed entity are conducted on an arm's length basis.
12. It is assumed that the assessed entity is fully in compliance with all relevant laws and regulations.

(III) Assumptions for the state of subject of valuation as of the valuation benchmark date

1. Save for the knowledge as to the valuer, it is assumed that the purchase, acquisition or development processes of the subject of valuation and its assets involved are in compliance with relevant national laws and regulations.
2. Save for the knowledge as to the valuer, it is assumed that the subject of valuation and its assets involved bear no defects of rights, liabilities and restrictive conditions that may affect their value, and it is presumed that considerations, taxes and amounts payable relating to the subject of valuation and its assets involved have been fully settled.
3. Save for the knowledge as to the valuer, it is assumed that the subject of valuation and its tangible assets including property and equipment are free from any major technical failure that may affect their continuous usage, that such assets contain no hazardous substances that may adversely influence their value, and that the places where such assets are located are subject to no hazardous materials and other harmful environmental conditions that may cause detrimental impacts on the value of such assets.

(IV) Prediction assumptions

1. It is assumed that the cash inflow of the assessed entity after the valuation benchmark date is the average inflow, and the cash outflow is the average outflow.
2. It is assumed that the products or services of the assessed entity will maintain the current competitive status in the market after the valuation benchmark date.
3. It is assumed that a company related to the subject of valuation will operate as a going concern with the original business purposes and the original mode of operation following the realisation of the valuation purpose (economic behaviour), and its earnings can be predicted.
4. It is assumed that the assets related to the subject of valuation will continue to be developed or operated in accordance with the original operation plan and the original mode of operation following the realisation of the valuation purpose (economic behaviour).
5. There have been no unforeseeable significant changes in the supply and prices of raw materials and auxiliary materials consumed in the production and operation of the assessed entity; there have been no unforeseeable significant changes in the prices of products of the assessed entity.

6. It is assumed that the assessed entity remains at the same management level as at the valuation benchmark date or as those of general market participants in its subsequent operation and disregarding the future ownership management level's influence on the enterprise's prospective revenue.
7. It is assumed that the accounting policies and methods of accounting used in the financial projections of the assessed entity are consistent with those used in its historical financial statements.
8. The valuation benchmark date is December 31, 2024, and the annual calculation of the valuation is based on the period from January 1, 2025 to December 31, 2025 as the first projected year, with subsequent projected periods based on the accounting year.
9. In accordance with the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Improving the Pre-Tax Super Deduction Policy for Research and Development Expenses (Announcement of the General Administration of Taxation of the Ministry of Finance No. 7 of 2023) (《財政部稅務總局關於進一步完善研發費用稅前加計扣除政策的公告》(財政部稅務總局公告2023年第7號)), assuming that the policy of extra deduction of research and development expenses is effective in the long run, the assessed entity calculates its income tax on the basis of 100% consideration of extra deduction for research and development expenses.
10. There are no other unpredictable and force majeure factors that cause significant impacts on the operation of the assessed entity.

(V) Limitation assumptions

1. It is assumed that all evaluation-related materials (including legal documents, technical data, operational information, financial information, etc.) provided by the consignor and the assessed entity are true and reliable. We bear no legal liabilities arising from the assets ownership of the subject of valuation undertaken by them.
2. Unless otherwise stated, it is assumed that the economic service lives estimated through observation of the visible physical appearance of the tangible assets within the scope of the appraisal in the course of on-site investigations are generally consistent with their actual economic service lives. The valuation has not carried out any specialized technical examination of the technical data, technical status, structure, attachments, etc. of these assets.

The valuation conclusion of the valuation report as at the valuation benchmark date is based on the above assumptions. In the event of a substantial change in the above assumptions, the asset appraiser and the appraisal organization shall not be responsible for the derivation of a different valuation conclusion as a result of the change in the assumptions.

5. Valuation of the Transaction Target and Key Reasons for the Conclusion Selected

This valuation assesses the total equity value of the assessed entity. The income approach yields a valuation of RMB4,840,266,281.26, while the market approach results in a valuation of RMB4,576,936,247.62.

In applying the income approach, it is necessary to analyze the assessed entity's future profitability, taking full account of the operational capability and potential of its overall assets. The valuation result under the income approach not only reflects the value of the assets and liabilities recorded in the assessed entity's balance sheet but also incorporates the value of other factors influencing its profitability (such as brand, management expertise, sales network, and stable customer base). These elements form an integral part of the enterprise value, particularly considering that the assessed entity is a leading domestic supplier of lithium iron phosphate cathode materials for new-energy lithium batteries, with deep expertise in the research and development of LFP cathode materials and emphasis on the research and innovation of LFP, establishing mature production processes. The contribution of these factors to the enterprise value is significant.

Since there are certain differences between the comparable companies and the assessed entity in terms of scale, product portfolio, customer base, etc., and there is also a degree of variation in the market multiples among different comparable companies, coupled with limitations in publicly available market information, adjustments and modifications to market multiples cannot fully account for all factors influencing transaction pricing, the market approach is more suitable for cross-verifying the valuation results derived from the income approach. The future value of the assessed entity primarily stems from its ability to generate returns for investors, and as such, the income approach is relatively more accurate in reflecting the intrinsic value of the enterprise.

Therefore, this valuation report is based on the income approach, with the total equity value of the assessed entity assessed at RMB4,840,266,281.26.

6. Effective Date of the Valuation

The valuation conclusion is valid only as of the valuation bench date of December 31, 2024, and shall remain effective for one year from this date (i.e., from December 31, 2024, to December 30, 2025).

7. Capacity, Qualification and Independence of the Asset Valuer

Asset Valuation Firm: EY Assets Appraisal (Shanghai) Co., Ltd.* (安永資產評估(上海)有限公司)

Qualifications: certified asset appraiser in the PRC

Independence: The independent valuer confirms that it does not, directly or indirectly, hold any equity interest in any member of the Group, nor does it hold any rights (whether legally enforceable or not) to subscribe for or nominate others to subscribe for securities in any member of the Group.

II. ADDITIONAL DISCLOSURE

1. Key specific assumptions related to financial projections, in particular quantitative assumptions

According to the valuation report, as at the valuation benchmark date, the value of the entire equity of Changzhou Liyuan was RMB4,840,266,281.26. The key inputs to the value of the entire equity of Changzhou Liyuan are set out below:

Unit: RMB

Items	January 2025 December 2025	January 2026 December 2026	January 2027 December 2027	January 2028 December 2028	January 2029 December 2029	Perpetual period
Operating revenue	4,468,122,329.13	6,646,244,897.96	9,267,044,897.96	9,267,044,897.96	9,267,044,897.96	9,452,385,795.92
Earnings before interest and tax (EBIT)	-51,277,089.54	441,298,169.77	897,537,119.96	916,342,001.00	905,684,465.90	923,798,155.21
Less: Income tax expenses	0.00	0.00	75,417,230.50	93,929,519.97	92,297,988.20	94,143,947.96
Earnings before interest and after tax (EBIAT)	-51,277,089.54	441,298,169.77	822,119,889.46	822,412,481.03	813,386,477.70	829,654,207.25
Add: Depreciation and amortisation	388,024,255.89	394,052,841.25	379,202,520.34	371,499,578.84	349,729,532.94	356,724,123.60
Less: Capital expenditure	290,932,087.59	7,194,212.72	3,150,458.70	23,809,875.65	27,662,655.72	356,724,123.60
Less: Changes in working capital	-469,205,118.30	377,634,508.06	225,828,939.63	5,186,702.98	580,974.09	34,317,364.19
Free Cash Flow (FCF)	515,020,197.06	450,522,290.24	972,343,011.46	1,164,915,481.23	1,134,872,380.83	795,336,843.06
Discount rate	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%
Perpetual growth rate						2.00%
Discount period	0.51	1.51	2.51	3.50	4.51	4.51
Discount factor	0.9476	0.8518	0.7658	0.6886	0.6188	6.6973
Present value of FCF	488,019,038.73	383,767,159.32	744,577,727.76	802,144,266.25	702,288,586.68	5,326,570,917.80

LFP cathode material is the most widely used cathode material in lithium-ion batteries, playing a crucial role in the electrochemical performance of lithium batteries. According to Gaogong Industry Research Institute (GGII), China's lithium battery shipments reached 1,175 GWh in 2024, marking a 32.6% year-on-year growth. Cathode material shipments reached 3.35 million tons, representing a 35% year-on-year growth, among these, LFP material shipments surged to 2.46 million tons, representing a 49% year-on-year increase, accounting for nearly 74% of total cathode material shipments, with increasing penetration rate. In general, despite short-term pricing pressure, the LFP cathode materials industry continues to enjoy promising growth prospects, underpinned by the ongoing expansion of the new energy and energy storage markets.

The projected revenue for future years from Changzhou Liyuan's main business is forecasted based on the execution of existing contracts of Changzhou Liyuan, new contract intentions, future annual plans, production capacity, and industry development. The CAGR of operating income from 2024 to 2029 is 9.3%, and increase at a perpetual growth rate of 2.0% during the perpetual period starting from 2029. In terms of sales volume, Changzhou Liyuan currently has five production bases in China with the total designed capacity reached 232,000 tonnes as of the end of 2024. In addition, the first phase of the Indonesia Plant has a designed capacity of approximately 30,000 tonnes, which began production in the first quarter of 2025. The management of Changzhou Liyuan expects that

the annual shipment volume will reach 198,000 tonnes in 2025, representing a year-on-year increase of approximately 10.8% as compared to 2024. According to information provided by the management, Changzhou Liyuan has entered into framework cooperation agreements with key customers, with sufficient orders on hands. It is expected that the shipment volume from 2025 to 2026 will increase by 10.8% to 33.2% respectively, and will be stable after reaching the total designed capacity. In terms of sales prices, following the market price of lithium carbonate, a key raw material for LFP, continued to rocket in 2022, it has dropped significantly from its high in 2023, resulting a substantial fluctuation on market price of downstream LFP. The management stated that the price of lithium carbonate has been relatively stable currently. Therefore, it is prudently predicted that the unit price of products will be stable during the forecast period, and the actual sales price around the benchmark date will be used as the estimated sales price for the future period.

The costs of Changzhou Liyuan's main business consist of the production costs of LFP cathode materials, which are primarily composed of material costs, labor costs, and manufacturing expenses, with material costs accounting for the bulk of total costs. For this profit forecast, the management determined the forecasted profit for future years based on the Changzhou Liyuan's scale and development direction and with reference to the actual cost structure, material price and other factors. Due to the sharp fluctuations in the market price of lithium carbonate, a key raw material, during the historical period, especially in 2022 and 2023, Changzhou Liyuan incurred a significant negative gross profit in 2023. As the high-priced lithium carbonate inventory accumulated was gradually depleted and lithium carbonate prices stabilized, the gross profit margin rebounded in 2024. To minimize the impact of market price fluctuations of raw materials and ensure the stability of the raw material supply chain in future production and operations, Changzhou Liyuan has strengthened cooperation with suppliers and extended upstream in the industrial chain to maximize self-supply of key raw materials. This not only further ensures the stability of upstream raw material supply, but also enables Changzhou Liyuan to obtain a relative price advantage for raw materials, thereby further reducing material costs. Benefiting from the above and the growth in sales scale, the gross profit margin is expected to gradually increase from 7.5% to 14.9% from 2025 to 2029 and stabilize thereafter. Changzhou Liyuan's capital expenditures during the forecast period mainly include maintenance and expansion capital expenditures. Maintenance expenditures are mainly for the replacement and renewal of existing equipment, while expansion expenditures are for the follow-up investment in uncompleted production lines, primarily the supporting equipment investment for the third-phase capacity of the Shandong plant's iron phosphate production.

2. Key Inputs

1) *Discount rate*

The discount rate was determined with reference to the “Guideline for Asset Appraisal Experts No. 12 — Measurement of Discount Rate in the Assessment of Enterprise Value by Income Approach” (Zhong Ping Xie [2020] 38).

In corporate value valuation, the appraised value corresponds to the value of owners’ equity and the value of creditors’ equity, and the corresponding discount rate is the weighted average cost of capital (WACC) of the enterprise’s capital.

$$WACC = K_e \times \frac{E}{E+D} + K_d \times (1-T) \times \frac{D}{E+D}$$

Where: WACC — Weighted average cost of capital;
 Ke — Cost of equity capital;
 Kd — Debt capital costs;
 T — Income tax rate;
 D/E — Capital structure.

a) *Ke — Cost of equity capital;*

The cost of equity capital is calculated by adopting the international generally accepted capital asset pricing model (CAPM model), with the formula shown below:

$$K_e = R_f + Beta \times MRP + R_c = R_f + Beta \times (R_m - R_f) + R_c$$

Ke: Cost of equity capital

Rf: Risk-free rate of return prevailing, the rate of return of treasury bonds is generally considered to be risk-free, therefore, the report used the rate of return to maturity of the 10-year Chinese government bonds as at the valuation benchmark date of 1.69% as the risk-free rate of return.

Beta: Systematic risk factor for equity, which is calculated as follows:

$$\text{Beta} = \text{Unlevered Beta} * (1 + \text{Corporate Capital Structure} * (1 - \text{Income Tax Rate}))$$

- The appraiser selected 8 A-share listed companies (on the Shanghai Stock Exchange or Shenzhen Stock Exchange) in the relevant Chinese industry as comparable companies through enquiries on “Capital IQ”, and used the average value of 1.03 of the unlevered Betas of these 8 companies as the Unlevered Beta, as detailed in the following table.

No.	Stock Code	Stock Name	Capital Structure (D/E)	Beta (excluding leverage)	Beta coefficient
1	SHSE:688779	Hunan Changyuan Lico Co., Ltd.	31.02%	1.09	1.34
2	SZSE:300769	Shenzhen Dynanonic Co., Ltd.	52.43%	1.09	1.51
3	SHSE:688275	Hubei Wanrun New Energy Technology Co., Ltd.	125.40%	0.80	1.55
4	SHSE:603906	Jiangsu Lopal Tech. Co., Ltd.	121.04%	0.76	1.45
5	SZSE:301358	Hunan Yuneng New Energy Battery Material Co., Ltd.	21.92%	1.04	1.24
6	SZSE:300438	Guangzhou Great Power Energy and Technology Co., Ltd.	24.22%	1.06	1.25
7	SZSE:002709	Guangzhou Tinci Materials Technology Co., Ltd.	16.97%	1.23	1.38
8	SZSE:002518	Shenzhen Kstar Science & Technology Co., Ltd.	2.25%	1.21	1.23
		Average	49.41%	1.03	1.37

- The average of 49.41% of the capital structures of comparable listed companies was taken as corporate capital structure (D/E). For details, please see D/E — Corporate capital structure below.
- The consolidated income tax rate is calculated as a weighted average based on the production capacities of the major subsidiaries of Changzhou Liyuan, and is 14.8%.

That is, $\text{Beta} = \text{Beta (excluding leverage)} * (1 + \text{corporate capital structure} * (1 - \text{income tax rate}))$

$$= 1.03 * (1 + 49.41\% * (1 - 14.78\%))$$

$$= 1.47$$

MRP: Market risk premium is derived as the difference between the market investment return rate and the risk-free rate. The market investment return rate is calculated based on the weekly index points of Chinese mainland securities indices up to the benchmark date, while the risk-free rate is the 10-year government bond yield on the benchmark date. The market risk premium of the Chinese mainland market on the evaluation benchmark date is 6.71%.

Rc: Corporate-specific risk adjustment coefficient is determined based on a comprehensive analysis of the entity's scale risk, operational risk, market risk, management risk, financial risk, and corresponding countermeasures. After comprehensively considering the impact of business scale, historical operating performance, industry status, operational capabilities, competitiveness, and internal control on Changzhou Liyuan, the corporate specific risk adjustment coefficient for Changzhou Liyuan is finally determined to be 3.73%.

By substituting the above parameters into the forementioned formula, the cost of equity capital is calculated as:

$$\begin{aligned} K_e &= R_f + Beta \times MRP + R_c \\ &= 1.69\% + 1.47 \times 6.71\% + 3.73\% \\ &= 15.28\% \end{aligned}$$

b) *Kd — Cost of debt capital;*

The cost of debt capital is based on the loan prime rate for loans with a maturity of over five years, as published by the People's Bank of China on the benchmark date, which is 3.6%.

c) *T — Income tax rate;*

As of valuation benchmark date, the valuer calculated the effective consolidated income tax rate to be 14.8%, based on a weighted average of the applicable income tax rates of Changzhou Liyuan's major subsidiaries, using their respective production capacities as weights.

d) *D/E — Corporate capital structure.*

The valuer obtained the debt and equity market values of comparable listed companies on the valuation benchmark date through “Capital IQ” and adopted the average capital structure of comparable listed companies as the capital structure of the evaluated entity. The specific data are as follows in the table:

No.	Stock Code	Stock Name	Total Debt	Equity Market Value	Capital Structure (D/E)
1	SHSE:688779	Hunan Changyuan Lico Co., Ltd.	3,184	10,263	31.02%
2	SZSE:300769	Shenzhen Dynanonic Co., Ltd.	6,065	11,719	52.43%
3	SHSE:688275	Hubei Wanrun New Energy Technology Co., Ltd.	7,429	5,933	125.40%
4	SHSE:603906	Jiangsu Lopal Tech. Co., Ltd.	8,650	7,251	121.04%
5	SZSE:301358	Hunan Yuneng New Energy Battery Material Co., Ltd.	7,534	34,353	21.92%
6	SZSE:300438	Guangzhou Great Power Energy&Technology Co., Ltd.	3,466	14,348	24.22%
7	SZSE:002709	Guangzhou Tinci Materials Technology Co., Ltd.	6,426	37,876	16.97%
8	SZSE:002518	Shenzhen Kstar Science and Technology Co Ltd.	297	13,200	2.25%
Average					49.41%

By substituting the aforementioned determined parameters into the weighted average cost of capital formula, the discount rate of WACC is calculated as follows:

$$\begin{aligned}
 WACC &= K_e \times \frac{E}{E+D} + K_d \times (1-T) \times \frac{D}{E+D} \\
 &= K_e \times (1/(1+D/E)) + K_d \times (1-T) \times ((D/E)/(1+D/E)) \\
 &= 15.28\% \times (1/(1+49.41\%)) + 3.6\% \times (1-14.8\%) \times (49.41\%/(1+49.41\%)) \\
 &= 11.24\%
 \end{aligned}$$

2) *Perpetual Growth Rate*

The perpetual growth rate is determined with reference to the forward-looking average Consumer Price Index data for China published by the International Monetary Fund in the fourth quarter of 2024.

**Source: International Monetary Fund, World Economic Outlook Database, October 2024*

**JIANGSU LOPAL TECH. CO., LTD.
MANAGEMENT RULES FOR THE FUNDS RAISED**

CHAPTER I GENERAL PROVISIONS

Article 1 In order to regulate the use and management of proceeds by Jiangsu Lopal Tech. Co., Ltd. (the “Company”), increase utilizing efficiency of funds raised, prevent risks of fund use, ensure safety of fund use, and protect the interests of investors, the Company has formulated these measures in accordance with the requirements of relevant laws, administrative regulations, departmental rules and regulatory documents such as the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Registration and Administrative Measures of Initial Public Offering of Stocks, the Administration Measures for Securities Issuance Registration of Listed Companies, the Administrative Measures for Information Disclosure of Listed Companies, the Rules on the Supervision of Funds Raised by Listed Companies, the Application of Regulatory Rules — Issuance No. 7, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 — Standardized Operations, as well as the Articles of Association of Jiangsu Lopal Tech. Co., Ltd. (the “Articles of Association”) and taking into account the actual situation of the Company.

Article 2 For the purpose of these measures, “proceeds” refer to funds raised by the Company from investors for specific purposes through the issuance of shares or other securities with an equity nature, excluding funds raised by the Company for the implementation of stock incentive plans.

Article 3 The Board of the Company shall be liable to establish a sound management system for proceeds of the Company, and ensure the effective implementation of the system.

Article 4 The Company shall use the proceeds prudently, ensuring that their use is consistent with those promised in the application documents for issuance, and the intended use of proceeds shall not be changed arbitrarily. The Company shall make true, accurate and complete disclosure of the actual use of proceeds.

Article 5 If any proceeds-financed project (the “Proceeds-financed Project”) is implemented by a subsidiary of the Company or any other company controlled by the Company, the Company shall ensure such subsidiary or other company comply with these measures.

CHAPTER II DEPOSITORY OF PROCEEDS

Article 6 The Company shall adhere to the principle of centralized deposit of proceeds to facilitate supervision.

Article 7 The Company shall prudently select commercial banks and open special accounts for proceeds (the “Special Accounts”). Proceeds shall be deposited and centrally managed through the Special Accounts established upon approval by the Board of Directors.

If the Company conducts more than two rounds of financing, separate Special Accounts shall be established for each round of proceeds. Any proceeds raised in excess of the intended amount shall also be deposited in and managed through the Special Accounts.

Article 8 The proceeds of the Company shall be deposited into the Special Accounts established with the approval of the Board of Directors for centralized management and use. Within one month after the proceeds are in place, the Company shall enter into a tripartite supervision agreement (the “Agreement”) with the sponsor institution and the commercial bank where the proceeds are deposited. The Company may begin using the proceeds only after the Agreement is executed. The Special Accounts for proceeds shall not hold non-proceeds funds or be used for any other purposes.

For proceeds invested in overseas projects, in addition to compliance with the first paragraph of this Article, the Company and the sponsor institution shall also take effective measures to ensure the safety and proper use of the proceeds for investment in overseas projects, and shall disclose relevant specific measures and actual results in the Special Report on the Depository, Management and Actual Use of Proceeds.

Article 9 The Agreement referred to in Article 7 of these measures shall include at least the following contents:

- (1) The Company shall deposit proceeds in a centralized manner into the Special Accounts;
- (2) The account numbers of the Special Accounts, the proceeds projects involved, and the amounts deposited;
- (3) If a single withdrawal or cumulative withdrawals within 12 months from a Special Account exceed RMB50 million and account for 20% or more of the net proceeds, the Company shall promptly notify the sponsor institution;
- (4) The commercial bank shall provide monthly bank statements of the Special Accounts to the Company, and send a copy to the sponsor institution;
- (5) The sponsor institution shall have the right to access information on the Special Accounts at the commercial bank at any time;
- (6) The supervision duties of the sponsor institution, the notification and cooperation obligations of the commercial bank, and the supervision methods of the sponsor institution and the commercial bank regarding the Company's use of proceeds;

- (7) The liability for breach of contract by the Company, the commercial bank and the sponsor institution;
- (8) If the commercial bank fails to provide bank statements to the sponsor institution in a timely manner three times, or refuses to cooperate with the sponsor institution in accessing or investigating the Special Account, the Company may terminate the Agreement and close the Special Account.

The Company shall promptly disclose the key terms of the Agreement after its execution.

If the Agreement is terminated before the expiration of its validity period, the Company shall enter into a new agreement with the relevant parties within two weeks from the date of termination and promptly disclose it.

CHAPTER III USE OF PROCEEDS

Article 10 The Company shall make true, accurate and complete disclosure of the actual use of proceeds. In the event of any circumstances severely affecting the normal implementation of the plan for the use of proceeds, the Company shall make an announcement in a timely manner.

Article 11 The proceeds raised by the Company shall be used for specific purposes. The Company's use of proceeds shall comply with national industrial policies and relevant laws and regulations, practice the concept of sustainable development, and fulfill its social responsibilities. In principle, the proceeds shall be used for its principal business, which will help enhance the Company's competitiveness and innovation capabilities. Except for financial enterprises, the proceeds may not be used to hold financial investments, and may not be invested directly or indirectly in companies that principally engage in the trading of marketable securities.

Article 12 The Company may use the proceeds which are temporarily idle for cash management, and the cash management shall be implemented through a special account for raised proceeds or a publicly disclosed product-specific settlement account. If cash management is implemented through a product-specific settlement account, the account shall not be used to deposit non-raised proceeds or for other purposes. The implementation of cash management shall not affect the normal implementation of the proceeds investment plan.

Cash management products shall meet the following conditions:

- (1) Products with high security, such as structured deposits and certificates of large amount deposit, must not be non-principal-guaranteed products;
- (2) Good liquidity, with the product term not exceeding twelve months;
- (3) Cash management products may not be pledged.

When the Company uses the proceeds which are temporarily idle for cash management, it shall do so after obtaining approval from the Board of Directors, with explicit opinions provided by the sponsor, and the Company shall announce the following contents in a timely manner:

- (1) basic information on the proceeds, including, among others, the time of raising, the amount and net amount of the proceeds and investment plans;
- (2) information on the use of the proceeds;
- (3) quota and duration for cash management, whether there are any disguised changes in the purposes of the proceeds and the measures for ensuring the smooth progress of projects financed with proceeds;
- (4) income distribution manner, investment scope and safety of the cash management products;
- (5) opinions issued by the sponsor.

Article 13 Where the Company uses temporarily idle raised funds for cash management and circumstances may arise that may damage the interests of the listed company and investors, it shall promptly disclose the relevant circumstances and proposed countermeasures to be taken.

Article 14 The Company may use idle raised funds for temporary replenishment of working capital. The maximum term for a single temporary replenishment of working capital shall not exceed twelve months. For temporary replenishment of working capital, it shall be implemented through a special account for raised funds and shall be limited to production and operation activities related to the main business.

Where the Company temporarily uses temporarily idle raised funds to replenish working capital, matters such as the amount and term shall be approved by the Board of Directors, the sponsor institution shall express a clear opinion, and the Company shall promptly disclose relevant information.

Article 15 The Company shall, in accordance with the Company's development plan and actual production and operation needs, properly arrange the use plan for the part of the actual net raised funds exceeding the planned raised funds ("excess raised funds"). Excess raised funds shall be used for ongoing projects and new projects, and repurchasing the Company's shares and legally canceling them. The Company shall clarify the specific use plan for the excess raised funds no later than when the overall batch of raised fund investment projects is completed, and invest them in accordance with the plan. The use of excess raised funds shall be resolved by the Board of Directors in accordance with the law, the sponsor institution shall express a clear opinion, and submitted to the shareholders' meeting for deliberation. The Company shall promptly and fully disclose the necessity and rationality of using excess raised funds and other relevant information. When the Company

uses excess raised funds to invest in ongoing projects and new projects, it shall also fully disclose the construction plan, investment cycle, rate of return and other information of the relevant projects.

Where it is indeed necessary to use temporarily idle excess raised funds for cash management or temporary replenishment of working capital, the necessity and rationality shall be explained. Where the Company uses temporarily idle excess raised funds for cash management or temporary replenishment of working capital, matters such as the amount and term shall be approved by the Board of Directors, the sponsor institution shall express a clear opinion, and the Company shall promptly disclose relevant information.

Article 16 The Company shall ensure the authenticity and fairness of the use of proceeds, preventing the occupation or misappropriation of proceeds by the related parties. The Company shall adopt effective measures to prevent related parties from using the Proceeds-financed Project to gain improper benefits.

Article 17 Where any of the following circumstances occur to the Proceeds-financed Project, the Company shall timely review the feasibility and expected return of the Proceeds-financed Project, and decide whether to proceed with the implementation of the project:

- (1) where the market environment in relation to the Proceeds-financed Project has undergone material changes;
- (2) where the Proceeds-financed Project has been put on hold for over 1 year after the proceeds have been received;
- (3) where the deadline of the proceeds investment plan has expired and the amount of proceeds invested has not reached 50% of the amount as set out in the relevant plan;
- (4) where other abnormal situations occur in relation to the Proceeds-financed Project.

Where the Company encounters any of the circumstances set forth in the preceding paragraph, it shall make a timely disclosure. Where an adjustment to the proceeds investment plan is required, the adjusted proceeds investment plan should be disclosed simultaneously; where a change in the Proceeds-financed Project is involved, the relevant deliberation procedures for the change in the use of the proceeds shall apply.

The Company shall disclose in its latest periodic report the specific circumstances under which the Proceeds-financed Project was re-demonstrated during the reporting period.

Article 18 In case the Company has made investment with its self-raised funds into the Proceeds-financed Project prior to receiving the proceeds, the proceeds may be used to replace such investment within 6 months from the receipt thereof.

In the course of the implementation of the Proceeds-financed Project, in principle, the proceeds should be used to make direct payment. If there are difficulties in using the proceeds to make direct payment for matters such as payment of staff remuneration and purchase of products and equipment outside the PRC, the replacement can be implemented within six months after the payment is made by self-raised funds.

The replacement of proceeds should be considered and approved by the board of directors of the Company, the sponsoring organization should express a firm opinion, and the Company should disclose the relevant information in a timely manner.

CHAPTER IV CHANGES IN THE USE OF RAISED FUNDS

Article 19 The raised funds of the Company shall be used in accordance with the purposes listed in the Prospectus or other public offering documents for raised funds, and the purposes shall not be changed at will.

In case of any of the following circumstances, it shall be deemed as a change in the use of raised funds. The Board shall make a resolution in accordance with the law, the sponsor institution shall express a clear opinion, and submit it to the general meeting for consideration, and the Company shall disclose relevant information in a timely manner:

- (1) Cancel or terminate the original Proceeds-financed Project, and implement a new project or permanently supplement working capital;
- (2) Change the main entity for the implementation of the Proceeds-financed Project;
- (3) Change the implementation method of the Proceeds-financed Project;
- (4) Other circumstances recognized by the China Securities Regulatory Commission and the Shanghai Stock Exchange.

In case the Company is in the circumstance specified in item (1) of the preceding paragraph, the sponsor institution shall, in combination with the previously disclosed documents related to raised funds, specifically explain the main reasons for the changes in the Proceeds-financed Project and the rationality of the previous sponsor opinions.

If the main entity for the implementation of the Proceeds-financed Project is changed between the Company and its wholly-owned subsidiaries, or only the implementation location of the Proceeds-financed Project is changed, it shall not be deemed as a change in the use of raised funds. Relevant changes shall be resolved by the Board, and there is no need to go through the consideration procedure of the general meeting. The sponsor institution shall express a clear opinion, and the Company shall disclose relevant information in a timely manner.

Article 20 If it is expected that the Proceeds-financed Project cannot be completed within the original scheduled time limit and the Company intends to postpone the implementation, it shall be reviewed and approved by the Board in a timely manner, and the sponsor institution shall express a clear opinion. The Company shall disclose in a timely manner the specific reasons for not completing it on schedule, explain the current depository and in-account situation of the proceeds, whether there are circumstances affecting the normal progress of the utilization plan of proceeds, the expected completion time and phased investment plan, and the measures to ensure the completion on schedule after the postponement, etc.

Article 21 In respect of proposed changes to the Proceeds-financed Project, an announcement shall be promptly made after approval by the Board with following contents:

- (1) general profile of the original Proceeds-financed Project and detailed reasons for the proposed changes;
- (2) general profile, feasibility study and risk factors of the new Proceeds-financed Project;
- (3) investment plan of the new Proceeds-financed Project;
- (4) statement that any approval from relevant authorities for the new Proceeds-financed Project has been received or pending (if applicable);
- (5) opinions of the sponsor on the proposed changes to the Proceeds-financed Project;
- (6) statement that the proposed changes to the Proceeds-financed Project shall be subject to the consideration of the general meeting;
- (7) other contents required by the Shanghai Stock Exchange.

In respect of any new Proceeds-financed Project involving a related transaction, asset acquisition or external investment, the Company shall make disclosures required by the relevant rules.

Article 22 The Proceeds-financed Project after the changes shall be invested in the principal business. The Company shall conduct a scientific and prudent feasibility study of the proposed new Proceeds-financed Project, ensuring that the project is inductive to improving the Company's competitiveness and innovation capabilities, effectively mitigating investment risks, and enhancing the efficiency of proceeds utilization.

Article 23 In respect of any changes made to the Proceeds-financed Project to acquire the assets (including interests) from a controlling shareholder or de-facto controller, the Company shall ensure that, subsequent to the acquisition, competition between competing business is effectively avoided and related transactions are minimized.

Article 24 In respect of any proposed external transfer or swap of the Proceeds-financed Project (save for the complete external transfer or swap during the substantial asset restructuring of the Company), the Company shall promptly make an announcement in accordance with relevant rules after approval by the Board.

Article 25 Where the Company proposes to use remaining proceeds (including interest income) upon completion of an individual Proceeds-financed Project for the purpose of other Proceeds-financed Project, the proposal shall be subject to consideration and approval by the Board and the opinions on explicit consent given by the sponsor. The Company shall promptly make an announcement after approval by the Board.

The remaining proceeds (including interest income) that are less than RMB1 million or 5% of the committed investment amount of such project can be exempted from the procedures in the preceding paragraph and the use of these proceeds shall be disclosed in the annual report.

For any use of the remaining proceeds (including interest income) for any purposes other than the Proceeds-financed Project (including replenishment of working capital), the Company shall fulfil the relevant procedures and disclosure obligations as required for any changes made to the Proceeds-financed Project.

Article 26 Upon completion of all the Proceeds-financed Projects, any proposed use of the remaining proceeds (including interest income) shall be subject to the consideration and approval of the Board and the opinions on explicit consent given by the sponsor. The Company shall promptly make an announcement after approval by the Board. Any proposed use of the remaining proceeds (including interest income) in excess of 10% of the net proceeds shall also be subject to approval of the general meeting.

The remaining proceeds (including interest income) that are less than RMB5 million or 5% of the net proceeds can be exempted from the procedures in the preceding paragraph and the use of these proceeds shall be disclosed in the latest annual report.

CHAPTER V SUPERVISION AND ACCOUNTABILITY

Article 27 The Company shall make true, accurate and complete disclosure of the actual use of proceeds. The Board shall comprehensively check the progress of the Proceeds-financed Projects, and prepare and disclose the Special Report on the Depository, Management and Actual Use of Proceeds semi-annually. Such special report shall include basis information on the proceeds, and the deposit, management and use of the proceeds as stipulated in these measures. If there is a discrepancy between the actual investment progress and the investment plan of the Proceeds-financed Project, the Company shall explain the specific reasons.

Article 28 The sponsor shall perform continuous supervision on the deposit, management and use of proceeds of the Company according to the requirements of the Administrative Measures on Sponsorship for Securities Issuance and Listing. If any abnormal situation is found during the continuous supervision, on-site verification shall be carried out in a timely manner. The sponsor shall conduct on-site verification of the Company's deposit, management and use of proceeds at least semi-annually. If the sponsor finds any abnormal situation during continuous supervision and on-site verification, it shall promptly report it to the competent authorities of the China Securities Regulatory Commission and the stock exchange.

After the end of each accounting year, the sponsor shall issue and disclose a special verification report on the Company's deposit, management and use of proceeds during the year.

When conducting annual audits, the accounting firm shall issue an assurance report on the Company's deposit, management and use of proceeds.

The Company shall cooperate with the sponsor's continuous supervision, on-site verification, and the accounting firm's audit work, and shall promptly provide or apply to the bank for necessary information related to the deposit, management and use of proceeds.

Article 29 The Directors and senior management of the Company shall be diligent and responsible to ensure the safety of the Company's proceeds, and shall not manipulate the Company to alter the use of proceeds without authorization or in disguise.

Article 30 The controlling shareholders, de facto controllers and other related parties of the Company shall not directly or indirectly appropriate the Company's proceeds, and shall not use the Company's proceeds and fundraising investment projects to obtain undue benefits.

Article 31 The Company's finance department shall maintain a ledger for the use of proceeds, recording in detail all expenditures of proceeds and investment activities related to the proceeds-financed projects. The Company's internal audit department shall conduct examinations of the deposit and use of proceeds at least semi-annually and shall promptly report the examination results to the audit committee. Where the audit committee identifies any non-compliance in the management of the Company's proceeds, material risks, or failure by the internal audit department to submit the examination report as required in the preceding paragraph, it shall promptly report such matters to the Board. The Board shall, upon receipt of such report, promptly submit the same to the Shanghai Stock Exchange and make an announcement.

Article 32 Where any relevant personnel accountable violates the provisions of these measures by unlawfully utilizing the Company's proceeds, thereby causing losses to the Company, the Company shall be entitled to claim compensation for such losses in accordance with the law.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 33 Any matter not covered in these measures shall follow the relevant laws, regulations and regulatory documents, the requirements of the listing rules of the place where the Company's shares are listed and the Articles of Association.

Article 34 Where these measures are in conflict with the laws, regulations, and regulatory documents to be promulgated by the state in the future, the listing rules of the place where the Company's shares are listed, and the Articles of Association as amended by legal procedures, they shall be implemented in accordance with the state's relevant laws, regulations and regulatory documents, the requirements of the listing rules of the place where the Company's shares are listed and the Articles of Association.

Article 35 These measures shall not apply to the use and management of proceeds raised by the Company from the issuance of overseas listed shares. The use of proceeds raised from the issuance of overseas listed shares shall be in accordance with the relevant laws, regulations, regulatory documents of the place where such shares are listed, and as well as the listing rules of the stock exchange.

Article 36 These measures are subject to the interpretation and amendment by the Board of the Company and shall come into effect from the date on which it is considered and approved at the general meeting of shareholders of the Company.



Jiangsu Lopal Tech. Co., Ltd.
江蘇龍蟠科技股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2465)

**NOTICE OF 2025 THIRD EXTRAORDINARY
GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 2025 third extraordinary general meeting (the “**EGM**”) of Jiangsu Lopal Tech. Co., Ltd. (“**Company**”, together with its subsidiaries, the “**Group**”) will be held at 2nd Floor, Large Conference Room, No. 6 Hengtong Avenue, Nanjing Economic and Technological Development Zone, Nanjing, Jiangsu Province, PRC on Friday, July 18, 2025 at 2:00 p.m. for the purpose of considering, and it thought fit, approving the following resolutions. Unless otherwise stated, the capitalized terms used herein shall have the same meanings as defined in the circular of the Company dated June 27, 2025 (the “**Circular**”), of which the notice convening the EGM shall form part.

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass, with or without modifications, the following resolutions as ordinary resolutions:

- (1) To consider and approve the entering into of the Capital Increase Agreement and the transactions contemplated thereunder.
- (2) To consider and approve the proposed addition of foreign exchange hedging business.
- (3) To consider and approve the revised management manual for the Company's cash proceeds.

SPECIAL RESOLUTION

- (4) To consider and approve the proposed amendments to the Articles of Association.

By order of the Board
Jiangsu Lopal Tech. Co., Ltd.
SHI Junfeng
Chairman

Nanjing, PRC
June 27, 2025

NOTICE OF 2025 THIRD EXTRAORDINARY GENERAL MEETING

Notes:

- (1) In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM, the registers of members of the Company will be closed from July 15, 2025 to July 18, 2025 (both days inclusive), during which no transfer of H Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollar and listed on the Hong Kong Stock Exchange (the “**H Shares**”), will be effected. Holders of H Shares whose names appear on the registers of members of the Company on July 15, 2025 shall be entitled to attend and vote at the EGM. In order for the holders of H Shares to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on July 14, 2025 for registration.
- (2) Each holder of H Shares may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM (or any adjournment thereof) on his behalf. A proxy need not be a Shareholder.
- (3) Holders of H Shares must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder of the Company or by a person duly authorized by the relevant shareholder of the Company in writing (a “**power of attorney**”). If the form of proxy is signed by the person authorized by the relevant shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate shareholder of the Company appoints a person other than its legal representative to attend the EGM (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate shareholder of the Company or duly signed by the chairman of the board of directors or any other person duly authorized by that corporate shareholder of the Company as required by the articles of association of the Company.
- (4) To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in note (3) above must be delivered to the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if he/she so wishes.
- (5) A Shareholder or his proxy should produce proof of identity when attending the EGM (or any adjournment thereof). If a corporate shareholder’s legal representative or any other person duly authorized by such corporate shareholder attends the EGM (or any adjournment thereof), such legal representative or other person shall produce his proof of identity, proof of designation as legal representative and/or the valid authorization document (as the case may be).
- (6) The EGM (or any adjournment thereof) is expected to last for one day. Shareholders who attend the EGM (or any adjournment thereof) shall bear their own travelling and accommodation expenses.

As at the date of this notice, the Board comprises Mr. SHI Junfeng, Mr. LU Zhenya, Mr. QIN Jian, Mr. SHEN Zhiyong and Mr. ZHANG Yi as executive Directors; Ms. ZHU Xianglan as non-executive Director; and Mr. LI Qingwen, Mr. YE Xin, Ms. GENG Chengxuan and Mr. HONG Kam Le as independent non-executive Directors.