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)

FURTHER ANNOUNCEMENT

CONNECTED TRANSACTION
CAPITAL INCREASE AGREEMENT

Reference is made to the announcement of Jiangsu Lopal Tech. Co., Ltd. (the "**Company**") dated May 29, 2025 (the "**Announcement**") in relation to the entering of the Capital Increase Agreement with Changzhou Liyuan (a non-wholly owned subsidiary of the Company) and Changzhou Liyuan's Shareholders. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

COMPLIANCE WITH THE LISTING RULES

As disclosed in the Announcement, as the income approach has been adopted in the valuation report, such valuations constitute a profit forecast under Rule 14.61 of the Listing Rules (the "**Profit Forecast**"). This announcement sets out the information required under Rule 14.60A of the Listing Rules in relation to the Profit Forecast.

VALUATION REPORT

Further details of the valuation report is set out in Appendix I to this announcement.

PROFIT FORECAST — CONFIRMATIONS

Pursuant to Rule 14.60A(2) of the Listing Rules, the Company has engaged Moore CPA Limited as the reporting accountant (the "**Reporting Accountant**") to report on the calculation of the discounted cash flows used in the valuation report. The Reporting Accountant have reported that they have reviewed the accounting policies and calculations for the forecast. The text of the report issued by the Reporting Accountant is set out in Appendix II to this announcement for the purpose under Rule 14.60A(2) of the Listing Rules. The Board confirms that the Profit Forecast in respect of the Target Company as set out in the valuation report has been made after due and careful enquiries. The letter from the Board is set out in Appendix III to this announcement in accordance with Rule 14.60A(3) of the Listing Rules.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	Qualification
Moore CPA Limited	Certified Public Accountants Registered Public Interest Entity Auditor
EY Assets Appraisal (Shanghai) Co., Ltd.* (安永資產評估(上海)有限公司)	Independent professional valuer

Each of the valuer and Reporting Accountant has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its independent report/letter in this announcement and the references to its name (including its qualifications) in the form and context of this announcement in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the valuer and Reporting Accountant is a third party independent of the Company and is not a connected person of the Company. As at the date of this announcement, neither the valuer nor the Reporting Accountant has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

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

Nanjing, PRC
June 16, 2025

As at the date of this announcement, 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; Mr. LI Qingwen, Mr. YE Xin, Ms. GENG Chengxuan and Mr. HONG Kam Le as independent non-executive Directors.

* *For identification purpose only*

APPENDIX I SUMMARY OF VALUATION REPORT

The following is a summary of the valuation report and additional disclosures relating to the valuation, for, amongst other purposes, inclusion in this announcement.

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:

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

  Where: n = definite forecast period;
  Pt、Pn = 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:

Beta = Unlevered Beta * (1 + Corporate Capital Structure * (1 – 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, Beta = Beta (excluding leverage)* (1 + corporate capital structure * (1 – 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:

$$K_e = R_f + Beta \times MRP + R_c$$

$$= 1.69\% + 1.47 \times 6.71\% + 3.73\%$$

$$= 15.28\%$$

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:

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

$$= Ke \times (1/(1 + D/E)) + Kd \times (1–T) \times ((D/E)/(1 + D/E))$$

$$= 15.28\% \times (1/(1 + 49.41\%)) + 3.6\% \times (1–14.8\%) \times (49.41\%/(1 + 49.41\%))$$

$$= 11.24\%$$

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*

3. Others

(1) A narrative description of the DCF model, explaining how the key input parameter values are applied in the financial forecast to derive the benchmark value of the transaction target. If the final valuation differs from the benchmark value, the report shall also include a detailed calculation of such differences.

Model of income approach

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:

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

Where:	n	=	definite forecast period;
	Pt, Pn	=	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) Sensitivity analysis

The table below summarizes the total equity of shareholders derived based on changes in the discount rate:

Discount rate *(%)*	**Total equity of shareholders** *(Unit: RMB million)*
+1.0%	4,053.79
+0.5%	4,427.19
+0.0%	4,840.27
–0.5%	5,299.79
–1.0%	5,814.19

The following is the text of a letter from the Company's reporting accountants, Moore CPA Limited, Certified Public Accountants, Hong Kong, relating to the valuation, for, amongst other purposes, inclusion in this announcement.

16 June 2025

The Board of Directors
Jiangsu Lopal Tech. Co., Ltd.
No. 6 Hengtong Avenue
Nanjing Economic and Technological
Development Zone
Nanjing, Jiangsu
PRC

Dear Sirs,

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTEREST IN THE TARGET COMPANY (AS DEFINED BELOW)

To the Board of Directors of Jiangsu Lopal Tech. Co., Ltd.

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by EY Assets Appraisal (Shanghai) Co., Ltd. dated 23 May 2025 in respect of the equity interests in Changzhou Liyuan New Energy Technology Co., Ltd. (referred to as the "**Target Company**"), as at 31 December 2024 (the "**Valuation**") is based. The Valuation, prepared in connection with the Target Company is set out in the announcement dated 16 June 2025 (the "**Announcement**") to be issued by Jiangsu Lopal Tech. Co., Ltd. (the "**Company**"). The Valuation which is based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of the Company (the "**Directors**") are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the Announcement (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation are based and to report solely to you, as a body, as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with the terms of our engagement letter dated 30 May 2025 and Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Moore CPA Limited
Certified Public Accountants

Hong Kong, 16 June 2025

The following is the text of a letter from the Board, relating to the valuation, for, amongst other purposes, inclusion in this announcement.

June 16, 2025

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sir or Madam,

CONNECTED TRANSACTION
CAPITAL INCREASE AGREEMENT

We refer to the announcement of Jiangsu Lopal Tech. Co., Ltd. (the "**Company**") dated May 29, 2025 in relation to the captioned transaction (the "**Announcement**"). Unless the context otherwise requires, terms defined in the announcement shall have the same meanings in this letter when used herein.

We refer to the valuation report dated May 23, 2025 prepared by the valuer, EY Assets Appraisal (Shanghai) Co., Ltd.* (安永資產評估(上海)有限公司), in relation to the valuation of the entire equity interests of Changzhou Liyuan. The independent valuer adopted the discounted cash flow method under the income approach in valuation of Changzhou Liyuan. Such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Board has reviewed and prepared the information and documents relating to the basis and assumptions on which the discounted cash flows in the valuation are based and the calculation method used, and reviewed the valuation (for which the valuer is responsible) prepared by the valuer. The Board has also considered the report from Moore CPA Limited, the Reporting Accountant of the Company, dated June 16, 2025 regarding the calculations of the discounted cash flows in the valuation.

On the basis of the foregoing, in accordance with the requirements under Rule 14.60A(3) of the Listing Rules, the Board confirms that the valuations prepared by the valuer has been made after due and careful enquiry.

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

* *For identification purpose only*