
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **CALB Group Co., Ltd.**, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CALB

CALB Group Co., Ltd.

中創新航科技集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3931)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING**

*Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders*

 **SOMERLEY CAPITAL LIMITED**

A letter from the Board is set out on pages 7 to 17 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 18 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 of this circular.

Notice convening the EGM of the Company to be held on Wednesday, January 31, 2024 at 2:00 p.m., at Conference Room VIP1, CALB Group Co., Ltd., No. 1, Jiangdong Avenue, Jintan District, Changzhou, PRC is set out on pages 44 to 45 of this circular.

Shareholders who intend to appoint a proxy to attend the EGM are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the H Share Registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (i.e. 2:00 p.m. on Tuesday, January 30, 2024) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

January 11, 2024

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DEFINITIONS

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

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|---------------------------------------|---|
| “Articles of Association” | the Articles of Association of the Company currently in force |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “AVIC” | Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司), a company established under the laws of the PRC with limited liability on November 6, 2008 and wholly owned by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), an Independent Third Party |
| “Board” | the board of directors of the Company |
| “Chengfei Integration” | Sichuan Chengfei Integration Technology Co., Ltd* (四川成飛集成科技股份有限公司), a company established under the laws of the PRC with limited liability on December 6, 2000, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002190) |
| “Company”, “we” or “us” | CALB Group Co., Ltd. (中創新航科技集團股份有限公司), H Shares of which are listed on the Stock Exchange with stock code of 3931 |
| “connected person(s)” | has the same meaning ascribed to it under the Listing Rules |
| “connected transaction(s)” | has the same meaning ascribed to it under the Listing Rules |
| “continuing connected transaction(s)” | has the same meaning ascribed to it under the Listing Rules |
| “controlling shareholder(s)” | has the same meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |

DEFINITIONS

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| “Domestic Share(s)” | ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi |
| “EGM” | the 2024 first extraordinary general meeting of the Company to be held on Wednesday, January 31, 2024, at 2:00 p.m., at Conference Room VIP1, CALB Group Co., Ltd., No. 1, Jiangdong Avenue, Jintan District, Changzhou, the People’s Republic of China or any adjournment thereof |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | the overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange |
| “H Share Shareholder(s)” | holder(s) of H Shares |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Huake Engineering” | Changzhou Huake Engineering Construction Co., Ltd.* (常州華科工程建設有限公司), a company established under the laws of the PRC with limited liability on April 14, 2015 and is wholly owned by Jintan Hualuogeng |
| “Huake Investment” | Changzhou Huake Technology Investment Co., Ltd.* (常州華科科技投資有限公司), a company established under the laws of the PRC with limited liability on August 5, 2015 and wholly owned by Jintan Hualuogeng |
| “Independent Board Committee” | the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the 2024 Sales Framework Agreement, the 2024 Entrusted Processing Framework Agreement and the annual caps of the transactions contemplated thereunder |

DEFINITIONS

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| “Independent Financial Adviser” or “Somerley Capital” | Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement |
| “Independent Shareholders” | Shareholders other than the controlling shareholders of the Company and any other persons who are required to abstain from voting on resolutions to approve the adoption of its annual cap at the EGM pursuant to the Listing Rules |
| “Independent Third Party(ies)” | any entity(ies) or person(s) who, to the best of the knowledge, information and belief of the Directors, is/are not a connected person(s) of the Company within the meaning ascribed thereto under the Listing Rules |
| “Jincheng Technology” | Jiangsu Jintan Jincheng Technology Industry Development Co., Ltd.* (江蘇金壇金城科技產業發展有限公司), a company established under the laws of the PRC with limited liability on December 7, 2015 and wholly owned by Jintan Holding, a connected person of the Company |
| “Jinhang Holding” | Jiangsu Jinhang Holding Co., Ltd.* (江蘇金航控股有限公司), a company established under the laws of the PRC with limited liability on March 2, 2022, which is owned as to 40% by Jincheng Technology, 30% by Cai Dongze (蔡東澤), an Independent Third Party, 12.5% by Nanjing Ruiguan Enterprise Management Centre (Limited Partnership)* (南京瑞冠企業管理中心(有限合伙)), 12.5% by Wuxi Fengshenghui Enterprise Management Partnership Business (Limited Partnership)* (無錫豐晟匯企業管理合夥企業(有限合伙)) and 5% by Jiangsu Fengchuang Environmental Energy Co., Ltd* (江蘇楓創環保能源有限公司), an Independent Third Party. Jinhang Holding is a connected person of the Company |

DEFINITIONS

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| “Jinsha Investment” | Changzhou Jinsha Technology Investment Co., Ltd.* (常州金沙科技投資有限公司), a company established under the laws of the PRC with limited liability on May 4, 2008 and wholly owned by Jintan Holding. Jinsha Investment is a connected person of the Company |
| “Jintan Group” | namely Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng and Jintan Holding |
| “Jintan Holding” | Jiangsu Jintan Investment Holding Co., Ltd.* (江蘇金壇投資控股有限公司), a company established under the laws of the PRC with limited liability on September 16, 2014 and wholly owned by the Government of Jintan District, a connected person of the Company |
| “Jintan Hualuogeng” | Jiangsu Jintan Hualuogeng Technology Industry Development Co., Ltd.* (江蘇金壇華羅庚科技產業發展有限公司), a company established under the laws of the PRC with limited liability on December 12, 2014 and owned as to 90% by Jintan Holding and 10% by Changzhou Investment Group Co., Ltd.* (常州投資集團有限公司), respectively, a connected person of the Company |
| “Jintan International” | Jiangsu Jintan National Development International Investment Development Co., Ltd.* (江蘇金壇國發國際投資發展有限公司), a company established under the laws of the PRC with limited liability on December 16, 2010 and exercising its voting rights attaching to the Shares in accordance with the instructions of Jintan Holding, a connected person of the Company |
| “Jinyuan Industry” | Xiamen Jinyuan Industry Development Company Limited* (廈門金圓產業發展有限公司), a company established under the laws of the PRC with limited liability on August 13, 2014 and wholly owned by Jinyuan Investment, one of the substantial Shareholders of the Company |
| “Jinyuan Investment” | Xiamen Jinyuan Investment Group Co., Ltd.* (廈門金圓投資集團有限公司), a company established under the laws of the PRC with limited liability on July 13, 2011 and wholly owned by the Finance Bureau of Xiamen City* (廈門市財政局), one of the substantial Shareholders of the Company |

DEFINITIONS

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|---------------------------|---|
| “Latest Practicable Date” | January 5, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its printing |
| “Lihang Jinzhi” | Xiamen Lihang Jinzhi Equity Investment Partnership (Limited Partnership)* (廈門鋰航金智股權投資合夥企業 (有限合夥)), a limited liability partnership established under the laws of the PRC on July 29, 2019 whose general partner is Xiamen Lihang Equity Investment Management Co., Ltd.* (廈門鋰航股權投資管理有限公司), one of our Pre-IPO Investors, a connected person of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Luoyang Company” | China Lithium Battery Technology (Luoyang) Co., Ltd.* (中航鋰電(洛陽)有限公司), a company established under the laws of the PRC with limited liability on September 14, 2009 and formerly our controlling Shareholder and subsequently became a subsidiary of our Company. As of the Latest Practicable Date, Luoyang Company is owned as to 51% by Jincheng Technology and 49% by Jinhang Holding, and a connected person of the Company |
| “Luoyang Group” | Luoyang Company and its subsidiaries |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers |
| “PRC” or “China” | the People’s Republic of China |
| “Prospectus” | the prospectus of the Company dated September 23, 2022 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) in the issued capital of the Company with a nominal value of RMB1.00 each, comprising Domestic Share(s) and H Share(s) |

DEFINITIONS

| | |
|-------------------|---|
| “Shareholder(s)” | shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the same meaning ascribed to it under the Listing Rules |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “%” | percent |

* *for identification purposes only*

LETTER FROM THE BOARD

CALB

CALB Group Co., Ltd.

中創新航科技集團股份有限公司

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

(Stock Code: 3931)

Executive Directors:

Ms. Liu Jingyu (*Chairwoman of the Board,
executive Director and president*)

Mr. Dai Ying (*Executive Director,
senior vice president and company secretary*)

Non-executive Directors:

Mr. Zhou Sheng

Mr. Zhang Guoqing

Mr. Li Yunxiang

Independent Non-executive Directors:

Mr. Wu Guangquan

Mr. Wang Susheng

Mr. Chen Zetong

Registered Office:

No. 1

Jiangdong Avenue

Jintan District

Changzhou City

Jiangsu Province

PRC

*Headquarters and Principal Place of
Business in the PRC:*

No. 1

Jiangdong Avenue

Jintan District

Changzhou City

Jiangsu Province

PRC

Principal Place of Business in

Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East, Wanchai

Hong Kong

January 11, 2024

To Shareholders:

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with the notice of EGM and information on the proposals to be put forward at the EGM for, among others, (i) details of the 2024 Sales Framework Agreement, 2024 Entrusted Processing Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in respect of the 2024 Sales Framework Agreement, 2024 Entrusted Processing Framework

LETTER FROM THE BOARD

Agreement and the transactions contemplated thereunder; and (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Sales Framework Agreement, 2024 Entrusted Processing Framework Agreement and the transactions contemplated thereunder.

2024 SALES FRAMEWORK AGREEMENT

(1) *Parties*

- i. Company (for itself and on behalf of the Group); and
- ii. Luoyang Company (for itself and on behalf of its associates).

(2) *Term*

One year commencing from January 1, 2024 (subject to the approval of the 2024 Sales Framework Agreement by the Independent Shareholders at the EGM) to December 31, 2024 (both days inclusive).

(3) *Nature of transaction*

The Group will sell Lithium Batteries and related products (such as raw materials, semi-finished products, finished products) to the Luoyang Company and its associates.

(4) *Pricing policy*

The prices of Lithium Batteries and related products sold by the Group to the Luoyang Company and its associates will be determined after arm's length negotiations mainly by reference to market prices and the sales prices of similar products supplied by the Group to other Independent Third Party customers, having taken into account the costs plus a reasonable profit margin. Specifically, the prices of Lithium Batteries and related products are determined after arm's length negotiations based on the manufacturing costs of the Group's Lithium Batteries and related products and a profit margin of approximately 2% to 10%. The profit margin is determined after arm's-length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period.

(5) *Payment arrangement*

Details of the scope of the relevant products, the calculation of fees, payment methods and other service arrangements will be separately agreed by the relevant parties.

Historical Amount

The existing annual cap under the sales framework agreements in 2023 is RMB260 million. For the ten months ended October 31, 2023, the total amount received by the Group from Luoyang Company and its associates in respect of the sales of Lithium Batteries and related products was approximately RMB27.79 million, representing a utilisation rate of approximately 12.8% (on pro-rata basis) of the existing annual cap. Based on the current market conditions and product delivery schedule, the utilization rate of annual cap is expected

LETTER FROM THE BOARD

to reach over 70%. As at the Latest Practicable Date, the amounts received by the Company from Luoyang Company and its associates in respect of the sales of Lithium Batteries and related products does not exceed the annual cap under the sales framework agreements in 2023.

Annual cap and basis for annual cap

It is estimated that the maximum aggregate annual amounts of fees to be received by the Company from the transactions with Luoyang Company and its associates under the 2024 Sales Framework Agreement will not exceed RMB1,400 million for the year ending December 31, 2024.

In determining the above proposed annual caps, the Directors have considered (1) the historical amount of the sales of Lithium Batteries and related products by the Group to Luoyang Company and its associates for the year of 2023; (2) the estimated demands of Lithium Batteries and related products in 2024 provided by Luoyang Company; (3) types of the related products procured by Luoyang Company from the Group increased as compared with that in 2023; (4) the expected selling prices of the Lithium Batteries and related products under the 2024 Sales Framework Agreement; and (5) approximately 3% buffer set for price changes of related products and possible market changes.

As mentioned above, the types of the related products procured by Luoyang Company in the Group increased as compared with that in 2023. The Lithium Batteries and related products planned to be sold to the Luoyang Company for the year ending December 31, 2024 are mainly (i) raw materials; (ii) electrode coils; and (iii) lithium battery cell products. For raw materials, it is expected the sales of raw materials, mainly battery cathode materials, will be approximately RMB380 million. For electrode coils, it is expected the sales will be approximately RMB830 million. For lithium battery cell products, the estimated demands provided by Luoyang Company will be approximately RMB130 million in 2024.

Reasons for and benefits of entering into the 2024 Sales Framework Agreement

The Directors are of the view that the transactions under the 2024 Sales Framework Agreement will benefit the Company, mainly because the Company's principal business includes the sale of Lithium Batteries and related products. The sale of Lithium Batteries and related products to Luoyang Company and its associates at fair, reasonable and competitive prices is part of the Company's ordinary and usual course of business, which helps to enhance the Group's revenue in the sale of Lithium Batteries and related products and promote the Group's business development. Luoyang Company has a thorough understanding of the Company's product range, product quality and cooperation model, and it is cost effective and mutually beneficial for both parties to continue the cooperation.

2024 ENTRUSTED PROCESSING FRAMEWORK AGREEMENT

Reference is made to the announcement dated December 18, 2023, the Company (for itself and on behalf of the Group) and Luoyang Company (for itself and on behalf of the Luoyang Group) entered into the entrusted processing framework agreement (the "**2024 Entrusted Processing Framework Agreement**"), for a term of one year commencing from January 1, 2024 (subject to the approval of the 2024 Entrusted Processing Framework Agreement by the Independent Shareholders at the EGM) to December 31, 2024 (both days inclusive).

LETTER FROM THE BOARD

Principal terms of the 2024 Entrusted Processing Framework Agreement

(1) *Parties*

- i. Company (for itself and on behalf of the Group); and
- ii. Luoyang Company (for itself and on behalf of the Luoyang Group).

(2) *Term*

One year commencing from January 1, 2024 (subject to the approval of the 2024 Entrusted Processing Framework Agreement by the Independent Shareholders at the EGM) to December 31, 2024 (both days inclusive).

(3) *Nature of transaction*

The Group entrusts Luoyang Group for the provision of processing service of EV battery products for civil use and energy storage system (ESS) products (collectively the “**Lithium Batteries**”). The Luoyang Group will be responsible for the raw materials, front line workers and technicians and completing the production and processing. Front line workers in special positions shall obtain qualifications such as special equipment operating certificates or certificates for operators of special equipment granted by the government and technicians in special positions shall obtain the IATF16949 quality system internal auditor qualification certified by a certification body with certification qualification.

(4) *Pricing policy*

The prices of processing service of Lithium Batteries entrusted by the Group to Luoyang Group are determined with reference to the cost of processing and producing Lithium Batteries and the prevailing market price of processing services in the same or proximity areas charged by Independent Third Parties, which mainly comprise (i) the costs to be incurred by Luoyang Group for processing and producing Lithium Batteries; and (ii) a reasonable profit margin of around 2% to 3% of the above mentioned costs for the processing services. The profit margin is determined after arm’s-length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period. The Company would normally review at least two quotations from and/or agreements entered into with the Independent Third Parties for providing similar services as comparison in determining the fees to be paid for processing services under 2024 Entrusted Processing Framework Agreement. Having considered the aforesaid, the Board is of the view that the pricing basis and the percentage of profit margin are fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as whole.

Upon receiving the pricing terms of the transactions under the 2024 Entrusted Processing Framework Agreement from Luoyang Group, the Company will normally compare it with (i) the Company’s expected cost of manufacturing the same categories of products; and (ii) the

LETTER FROM THE BOARD

quotation from and/or agreements entered into with the Independent Third Parties providing similar services, to ensure that the prices and terms offered in 2024 Entrusted Processing Framework Agreement is fair and reasonable to the Company.

(5) *Terms of payment*

Details of the payment methods and other service arrangements will be separately agreed by the relevant parties.

(6) *Quality control*

Luoyang Company has the obligation to inspect the finished goods according to the quality control standards requirements.

(7) *Licensing of patent*

The Company grants Luoyang Company the right to use certain specified patents of the Company (“**Authorized Patents**”) which are necessary for its provision of Lithium Batteries processing services. In this connection, Luoyang Company undertakes to only use the Authorized Patents for the purpose of the Lithium Batteries processing services under the 2024 Entrusted Processing Framework Agreement and that it shall not be entitled to use the Authorized Patents for other purposes unless prior written consent is obtained from us.

(8) *Ownership of intellectual property rights*

The intellectual property right(s) and the right(s) to apply for patents in relation to all documents, certificates, drawings and information provided by the Company and arising from performing the specific entrusted processing agreement shall belong to the Company.

(9) *Conditions*

The 2024 Entrusted Processing Framework Agreement will take effect upon the fulfilment of the following conditions:

- The Company has complied with the relevant requirements of the Listing Rules in relation to the 2024 Entrusted Processing Framework Agreement and the transactions contemplated thereunder, including but not limited to reporting to the Stock Exchange with respect to the 2024 Entrusted Processing Framework Agreement, publishing announcements and obtaining Independent Shareholders’ approval.

LETTER FROM THE BOARD

Quality control over the products of Luoyang Company

Before Luoyang Company starts production, the Company will provide Luoyang Company with the quality and technical requirements, such as the manufacturing process, examination standards on raw materials and quality standards. Before accepting Luoyang Company as an entrusted manufacturer, the Company has checked the quality assurance certificates of Luoyang Company granted by national-level qualification accretion centers and reviewed the equipment and production sites of Luoyang Company to ensure its qualifications. In addition, the Company has checked the professional certifications of front-line workers and technicians of Luoyang Company to make sure the workers maintains necessary working qualification. When accepting products, the Company will review and check the finished products. Luoyang Company is required to label each product batch with the producing factory, name, number of product, type of product, quantity, production lot, date of production and QR code so that the Company can track each product if any quality issue rises. Each time when Luoyang Company delivers the products, it should provide the labels together with a testing result that should be consistent with the goods received by the Company. Luoyang Company should also identify, confirm and control the key and special processes during manufacturing and record such processes. If Luoyang Company failed to exhibit the records, the Company can refuse to accept the products. Further, Luoyang Company should retain equipment to conduct examinations of the products and keep the examination records. Such equipment should be maintained regularly to ensure good operation. If Luoyang Company cannot perform the examination on the products, the Company will designate a national examination center to examine the products at the cost of Luoyang Company.

Historical amount

For the ten months ended October 31, 2023, the total fees incurred from entrusted processing services provided by Luoyang Company were approximately RMB1,666.27 million, representing a utilisation rate of approximately 47.6% (on pro-rata basis) of the existing annual cap.

The proposed annual cap and basis for the proposed annual cap

It is estimated that the fees to be incurred under the 2024 Entrusted Processing Framework Agreement will not exceed RMB3,000 million for the year ending December 31, 2024.

In determining such proposed annual cap, the Directors have considered (i) the historical amount incurred in 2023; (ii) the cost of processing and producing the Lithium Batteries; (iii) the prevailing market price for the provision of processing service in the same or proximity areas; (iv) the expected approximately 5GWh per year production capacity of Luoyang Company; (v) the compound annual growth rate of 126% from 2020 to 2022 of sales volume of EV batteries and ESS products respectively; and (vi) the expected production capacity and utilization. Due to the non-competing undertakings, all the civil use production lines will be used for meeting the demands of the Company.

LETTER FROM THE BOARD

Reasons for and benefits of entering into the 2024 Entrusted Processing Framework Agreement

The Directors are of the view that the transactions under the 2024 Entrusted Processing Framework Agreement are to the benefit of the Company because (i) Luoyang Company has obtained a mature and stable production line, and is able to serve the Company's existing customers nearby. The use of the Luoyang Company's existing production capacity is more economical than the construction of new production lines by the Company, which can ensure the stability of products of relevant models and the continuity of orders so as to meet customer needs; (ii) Luoyang Company as well as the shareholders of Luoyang Company have already entered into a non-compete undertaking in favour of each member of the Group and undertook that Luoyang Company cannot engage in the business of manufacturing, research and development and sales of the Lithium Batteries, unless the Company's demands for entrusted processing services for the Lithium Batteries have been satisfied and an expressed consent have been obtained from the Company. Such undertaking can effectively avoid potential competition from Luoyang Company; and (iii) it is not easy to find a substitute for provision of processing service of Lithium Batteries in the market with similar quality, price, production capacity and cultivated trust and understanding.

OPINION OF THE BOARD

In relation to the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement, the Company has reviewed at least two quotations and/or agreements from Independent Third Parties providing similar services or purchasing similar products as comparisons and identified no material difference in major terms between them, and internal control department of the Company has reviewed the transaction volume, pricing and annual cap of the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement. The Board is therefore of the view that the price and terms under the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement are no less favourable to the Group than the quotations or the terms to or from Independent Third Parties. The Company will review the pricing of the transactions under the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement and compare them with the agreements entered into between the Company and Independent Third Parties to ensure that the prices and terms offered in 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement are fair and reasonable to the Company. In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement and provide annual confirmation in accordance with the Listing Rules to make sure the abovementioned procedures have been complied with throughout the year.

The Directors (excluding the independent non-executive Directors whose view has been disclosed in the section headed "Letter from the Independent Board Committee" of this circular) are of the view that (i) each of the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement and the transactions contemplated thereunder

LETTER FROM THE BOARD

have been entered into in the ordinary and usual course of business of the Group and are based on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) each of the proposed annual cap for the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement is fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Zhou Sheng and Mr. Zhang Guoqing, as non-executive Directors, hold important positions in Jintan Holding and its associates, they have therefore abstained from voting on the relevant Board resolutions approving the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated thereunder.

INTERNAL CONTROL MEASURES

The Company will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

- (1) the Company will adopt and implement a management system on connected transactions and the Board and various internal departments of the Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) the Board and various other internal departments of the Company (including but not limited to the finance department and legal department) will be jointly responsible for evaluating the terms under the relevant agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (3) the Board and the finance department of the Group will monitor the connected transactions (including but not limited to transaction amounts and annual caps under the relevant agreements) every month and management of the Company will review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements through the following review procedures every half year;
 - i. they will compare the proposed price with the market price to ensure that the proposed price is equivalent to or no less favorable to us than the price offered to or by the Independent Third Parties in relation to the similar services or products. The Company will make enquiries from at least two Independent Third Parties for their quotations and conduct internal assessments; and

LETTER FROM THE BOARD

- ii. review the proposed price to ensure it is consistent with the pricing terms under the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement, and that the terms offered by the connected persons to the Group are no less favorable than those offered by the Independent Third Parties.

- (4) the Company shall engage the auditors of the Company to, and the independent non-executive Directors will, conduct annual review on the continuing connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements;

- (5) the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions; and

- (6) when considering any renewal or revisions to the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings and general meetings (as the case may be).

INFORMATION RELATING TO PARTIES

The Group is a leading new energy technology company mainly engaged in the design, R&D, production and sales of Electric Vehicle (“EV”) batteries and Energy Storage System (“ESS”) products.

Luoyang Company is an other limited liability company established in the PRC, principally engaged in research, production, sales and market application development of Lithium Batteries, battery management systems (BMS), energy storage batteries and related integrated products and Lithium Battery-related materials and sales of new energy vehicles and parts. To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiry, the ultimate beneficial owner of Luoyang Company is the People’s Government of Jintan District, Changzhou.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Jintan Holding held approximately 25.54% issued Shares of the Company and is one of the substantial Shareholders of the Company, and thus Jintan Holding and its associates are connected persons of the Company. Luoyang Company is owned as to 49% by Jinhang Holding and 51% by Jincheng Technology, respectively. Jincheng Technology is wholly owned by Jintan Holding, and hence an associate of Jintan Holding and a connected person of the Company. Therefore, the transactions contemplated under 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement will constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules. As each of the highest applicable percentage ratios of the annual cap under the

LETTER FROM THE BOARD

2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement is expected to be more than 5%, the transactions contemplated thereunder are therefore subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in respect of the 2024 Sales Framework Agreement, the 2024 Entrusted Processing Framework Agreement and the transactions contemplated thereunder. Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, January 26, 2024 to Wednesday, January 31, 2024 (both days inclusive), during which period no transfer of Shares will be registered. To be eligible 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, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, January 25, 2024.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Set out on pages 44 to 45 of this circular is the notice of the EGM at which, inter alia, ordinary resolutions will be proposed to Shareholders to consider and approve the 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement, the transactions contemplated thereunder and the annual caps as separately set out in the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement.

FORM OF PROXY

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Tuesday, January 30, 2024) or any adjournment thereof. Completion and return of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM if they so wish and in such event the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

VOTING BY POLL

In accordance with the Listing Rules, any Shareholder with a material interest in the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement, and its/his/her associates will be required to abstain from voting on the resolutions approving the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement, the transactions contemplated thereunder and the annual caps as separately set out in the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement at the EGM.

As at the Latest Practicable Date, Jintan Group hold 452,573,757 Domestic Shares, directly and indirectly, representing 25.54% of the total issued share capital of the Company. As such, each of the company in Jintan Group will abstain from voting on resolutions in the EGM. Save for Jintan Group, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting on resolutions in the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules and article 82 of the Articles of Association, any resolution put to the vote of the Shareholders at a general meeting shall be decided on a poll except where the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions put to vote at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

On a poll, every Shareholder presents in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote need not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

RECOMMENDATION

The Board considers that the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement, the transactions contemplated thereunder and the annual cap as separately set out in the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement are in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Board

By order of the Board

CALB Group Co., Ltd.

Liu Jingyu

Chairwoman of the Board, executive Director and president

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

CALB

CALB Group Co., Ltd.

中創新航科技集團股份有限公司

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

(Stock Code: 3931)

To the Independent Shareholders

January 11, 2024

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated January 11, 2024 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders as to whether the terms of the 2024 Sales Framework Agreement, 2024 Entrusted Processing Framework Agreement, the transactions contemplated thereunder and the annual caps separately set out in the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the “Letter from Independent Financial Adviser” as set out on pages 19 to 35 of the Circular. We have considered the terms and conditions of the transactions, the advice of the Independent Financial Adviser and the other factors contained in the “Letter from the Board” as set out on pages 7 to 17 of the Circular.

Having considered the advice given by Somerley Capital Limited, in particular the principal factors, reasons and recommendation as set out in this letter, we consider that (i) the enter into the 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement are in ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms and conditions of the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement are normal commercial terms whilst the annual caps as separately set out in the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend you vote in favor of the relevant ordinary resolutions to be proposed at the EGM to approve the 2024 Sales Framework Agreement, 2024 Entrusted Processing Framework Agreement, the transactions contemplated thereunder and the annual caps separately set out in the 2024 Sales Framework Agreement and 2024 Entrusted Processing Framework Agreement.

Yours faithfully
For and on behalf of
Independent Board Committee

Mr. Wu Guangquan

Mr. Wang Susheng

Mr. Chen Zetong

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

January 11, 2024

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the 2024 Sales Framework Agreement; and (ii) the 2024 Entrusted Processing Framework Agreement, and each of the transactions contemplated thereunder (including the proposed annual caps), details of which are set out in the letter from the Board ("**Letter from the Board**") of the circular of the Company dated January 11, 2024 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Company (for itself and on behalf of the Group) entered into (i) the sales framework agreement (the "**2023 Annual Sales Framework Agreement**") on March 28, 2023 with Luoyang Company (for itself and on behalf of its subsidiaries); (ii) the sales framework agreement (the "**2023 Sales Framework Agreement**") on November 10, 2023 with CALB USA; and (iii) the entrusted processing framework agreement (the "**2023 Entrusted Processing Framework Agreement**") on November 10, 2022 with Luoyang Company (for itself and on behalf of its Group).

As the 2023 Annual Sales Framework Agreement, 2023 Sales Framework Agreement and the 2023 Entrusted Processing Framework Agreement have expired on December 31, 2023, the Company and Luoyang Company entered into (i) the 2024 Sales Framework Agreement, pursuant to which the Company will sell Lithium Batteries and related products (such as raw materials, semi-finished products, finished products) to Luoyang Company and its associates; and (ii) the 2024 Entrusted Processing Framework Agreement, pursuant to which the Company agrees to entrust Luoyang Company to provide processing services of Lithium Batteries for the Company, for a term of one year commencing from January 1, 2024 (subject to the approval

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement by the Independent Shareholders at EGM) to December 31, 2024 (both days inclusive).

As at the Latest Practicable Date, Jintan Holding held approximately 25.54% issued Shares of the Company and is one of the substantial Shareholders of the Company, and thus Jintan Holding and its associates are connected persons of the Company. Luoyang Company is owned as to 49% by Jinhang Holding and 51% by Jincheng Technology, respectively. Jincheng Technology is wholly owned by Jintan Holding, and hence an associate of Jintan Holding and a connected person of the Company. Accordingly, the transactions contemplated under each of the 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under the Listing Rules in respect of the highest annual cap for the transactions contemplated under each of the 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement exceeds 5%, the transactions contemplated under each of the 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wu Guangquan, Mr. Wang Susheng, and Mr. Chen Zetong, has been established to advise the Independent Shareholders in relation to the 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement and each of the transactions contemplated thereunder and the proposed annual cap (the “**Non-exempt CCTs**”). We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, Luoyang Company or their respective core connected persons or associates. In the past two years prior to this appointment, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Luoyang or their respective core connected persons or associates. Accordingly, we are considered eligible to give independent advice on the Non-exempt CCTs and the proposed annual caps.

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company, which we have assumed to be true, accurate and complete in all material aspects. We have reviewed the information of the Company, among other things, (i) the annual report of the Company for the year ended December 31, 2022 (the “**2022 Annual Report**”) and the interim report of the Company for the six months ended June 30, 2023 (the “**2023 Interim Report**”); (ii) the announcement of the Company dated December 18, 2023 in relation to, among others, the Non-exempt CCTs (the “**Announcement**”); and (iii) other information contained in the Circular. We also have sought and received confirmation from the Company that no material

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

facts have been omitted from the information supplied and opinions expressed to us were not misleading in any material aspects. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Company, Luoyang Company or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the time of the EGM, and Shareholders will be informed of any material change as soon as possible.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Information of the parties

1.1 Information of the Company

The Company and its subsidiaries have been engaging in the design, research and development, production and sales of EV batteries and ESS products. The Group has established a comprehensive energy operation system, providing comprehensive product solutions and life-cycle management for the new energy full-scenario application market represented by power and energy storage industries. The Group was listed on the main board of the Stock Exchange on October 6, 2022.

Set out below is the summary of the financial information of the Group for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2022 and 2023 as extracted from the 2022 Annual Report and the 2023 Interim Report:

| | For the six months ended June 30, | | For the year ended December 31, | |
|--|--------------------------------------|------------------|------------------------------------|------------------|
| | 2023 | 2022 | 2022 | 2021 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Audited) | (Audited) |
| Revenue | | | | |
| – Sales of EV battery | 10,377,467 | 8,646,346 | 18,323,505 | 6,065,200 |
| – Sales of ESS products and others | 1,917,245 | 520,854 | 2,051,437 | 751,915 |
| | <u>12,294,712</u> | <u>9,167,200</u> | <u>20,374,942</u> | <u>6,817,115</u> |
| Gross profit | 1,179,065 | 870,479 | 2,103,520 | 510,950 |
| Profit for the year/period attributable to owners of the Company | 146,517 | 166,719 | 691,626 | 140,029 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the two years ended December 31, 2021 and 2022

For the years ended December 31, 2021 and 2022, the Group recorded a revenue of approximately RMB6,817.1 million and RMB20,374.9 million respectively, representing an increase of approximately 198.9%. Nearly 90% of the revenue are generated from sales of EV batteries. As disclosed in the 2022 Annual Report, the strong growth in sales of EV batteries was mainly attributable to the release of the Company's production capacity and the increased customer demands, as well as the rapid growth of the passenger vehicle and commercial vehicle businesses.

The Group's gross profit for the year ended December 31, 2021 and 2022 amounted to approximately RMB511.0 million and RMB2,103.5 million respectively, representing an increase of approximately 311.7%. As disclosed in the 2022 Annual Report, the gross margin in 2022 was approximately 10.3%, up by about 2.8 percentage point from 2021, mainly due to the gradual release of the Group's production capacity during 2022, resulting in more significant economies of scale.

The Group's profit attributable to owners of the Company for the year ended December 31, 2021 and 2022 amounted to approximately RMB140.0 million and RMB691.6 million respectively, representing an increase of approximately 393.9%. Such increase was mainly attributable to (i) the increase in revenue as well as the gross profit; and (ii) the absence of impairment loss on investment in associates in 2022.

For the six months ended June 30, 2022 and 2023

For the six months ended June 30, 2022 and 2023, the Group recorded a revenue of approximately RMB9,167.2 million and RMB12,294.7 million respectively, representing an increase of approximately 34.1%. As disclosed in the 2023 Interim Report, the increase was mainly due to the gradual release of the Group's production capacity, continuously enriched product lines, market expansion and the increasing customer demands.

The Group's gross profit for the six months ended June 30, 2022 and 2023 amounted to approximately RMB870.5 million and RMB1,179.1 million respectively, representing an increase of approximately 35.5%. The gross margin in the first half of 2023 was approximately 9.6%, up by about 0.1 percentage point from the same period in 2022, which is relatively stable.

The Group's profit attributable to Shareholders for the six months ended June 30, 2022 and 2023 amounted to approximately RMB166.7 million and RMB146.5 million respectively, representing a decrease of approximately 12.1%. Such decrease was mainly attributable to (i) increase of allowance for inventories; and (ii) the increase in finance costs due to the increase in financing scale, and partially offset by the increase of gross profit.

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Set out below is the summary of the financial position of the Group as at December 31, 2021, 2022 and June 30, 2023 as extracted from the 2022 Annual Report and the 2023 Interim Report:

| | As at June 30, 2023 | As at December 31, | |
|-------------------|------------------------------------|---------------------------|------------------|
| | RMB'000 | 2022 | 2021 |
| | <i>(Unaudited)</i> | <i>(Audited)</i> | <i>(Audited)</i> |
| Total assets | 100,280,715 | 90,460,618 | 38,620,485 |
| Total liabilities | 55,374,690 | 48,885,159 | 13,634,361 |
| Net assets | 44,906,025 | 41,575,459 | 24,986,124 |

As at June 30, 2023, the Group's total assets amounted to approximately RMB100.3 billion, mainly comprised of (i) property, plant and equipment of approximately RMB60.5 billion; (ii) inventories of approximately RMB10.0 billion; (iii) bank and cash balances of approximately RMB8.4 billion; and (iv) prepayments, deposits and other receivables of approximately RMB7.4 billion.

As at June 30, 2023, the Group's total liabilities amounted to approximately RMB55.4 billion, mainly comprised of (i) bank borrowings of approximately RMB26.8 billion; (ii) trade and bills payable of approximately RMB18.0 billion; and (iii) accruals and other payables of approximately RMB8.6 billion.

As at June 30, 2023 and December 31, 2022, the Group's net assets remained relatively stable at approximately RMB44.9 billion and RMB41.6 billion respectively. The significant increase of net assets as at December 31, 2022 compared to December 31, 2021 is mainly attributable to (i) the proceeds from the issue of H shares of the Company; (ii) capital contribution from non-controlling interests; and (iii) the profit earned during the year ended 31 December 2022.

In our view, based on the above analysis, the Group has financed its growth and retained a satisfactory financial position.

1.2 Information of Luoyang Company

Luoyang Company is an other limited liability company established in the PRC, principally engaged in research, production, sales and market application development of Lithium Batteries, battery management systems (BMS), energy storage batteries and related integrated products and Lithium Battery-related materials and sales of new energy vehicles and parts. The ultimate beneficial owner of Luoyang Company is the People's Government of Jintan District, Changzhou.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of the Non-exempt CCTs

2.1 *The 2024 Sales Framework Agreement*

As stated in the Letter from the Board of the Circular, the transactions under the 2024 Sales Framework Agreement will benefit the Company, mainly because the Company's principal business includes the sale of Lithium Batteries and related products. The sale of Lithium Batteries and related products to Luoyang Company and its associates at fair, reasonable and competitive prices is part of the Company's ordinary and usual course of business, which helps to enhance the Group's revenue in the sale of Lithium Batteries and related products and promote the Group's business development. Luoyang Company has a thorough understanding of the Company's product range, product quality and cooperation model, and it is cost effective and mutually beneficial for both parties to continue the cooperation.

2.2 *The 2024 Entrusted Processing Framework Agreement*

As stated in the Letter from the Board of the Circular, the transactions under the 2024 Entrusted Processing Framework Agreement are to the benefit of the Company because (i) Luoyang Company has obtained a mature and stable production line, and is able to serve the Company's existing customers nearby. The use of the Luoyang Company's existing production capacity is more economical than the construction of new production lines by the Company, which can ensure the stability of products of relevant models and the continuity of orders so as to meet customer needs; (ii) Luoyang Company as well as the shareholders of Luoyang Company have already entered into a non-compete undertaking in favour of each member of the Group and undertook that Luoyang Company cannot engage in the business of manufacturing, research and development and sales of Lithium Batteries unless the Company's demands for entrusted processing services for the Lithium Batteries have been satisfied and an expressed consent have been obtained from the Company. Such undertaking can effectively avoid potential competition from Luoyang Company; and (iii) it is not easy to find a substitute for provision of processing service of Lithium Batteries in the market with similar quality, price, production capacity and cultivated trust and understanding.

Taking into account the above and the fact that (i) the principal terms of the Non-exempt CCTs are on normal commercial terms (as discussed in the sections below); (ii) the transactions under the 2024 Sales Framework Agreement could generate revenue to the Group and Luoyang Company is a reliable long-term business partner of the Group; (iii) the transactions under the 2024 Entrusted Processing Framework Agreement provide the Group with stable and reliable long-term service provider; (iv) the 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement do not restrict the Group from selling/procuring goods/services to/from other customers/suppliers and offered the Group with flexibilities to conduct business with Luoyang Company; and (v) the internal control measures in place to ensure that the Non-exempt CCTs are conducted in accordance with their terms and conditions (as discussed in the section headed "5. *Internal control measure*" below), we concur with the Directors that the Non-exempt CCTs, which are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The 2024 Sales Framework Agreement

3.1 *Principal terms of the 2024 Sales Framework Agreement*

The following sets forth the principal terms of the 2024 Sales Framework Agreement. For detailed terms of the 2024 Sales Framework Agreement, please refer to the section headed “2024 Sales Framework Agreement” in the Letter from the Board.

| | |
|-------------------------------|---|
| Parties: | (i) the Company (for itself and on behalf of the Group); and (ii) Luoyang Company (for itself and on behalf of its associates). |
| Term: | One year commencing from January 1, 2024 (subject to the approval of the 2024 Sales Framework Agreement by the Independent Shareholders at the EGM) to December 31, 2024 (both days inclusive) |
| Nature of transaction: | The Group will sell Lithium Batteries and related products (such as raw materials, semi-finished products, finished products) to the Luoyang Company and its associates |
| Pricing: | The prices of Lithium Batteries and related products sold by the Group to the Luoyang Company and its associates will be determined after arm’s length negotiations mainly by reference to market prices and the sales prices of similar products supplied by the Group to other Independent Third Party customers, having taken into account the costs plus a reasonable profit margin. Specifically, the prices of Lithium Batteries and related products are determined after arm’s length negotiations based on the manufacturing costs of the Group’s Lithium Batteries and related products and a profit margin of approximately 2% to 10%. The profit margin is determined after arm’s-length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period. |

3.2 *Our assessment of the terms of the 2024 Sales Framework Agreement*

As set out in the paragraphs headed “2. *Reasons for and benefits of the Non-exempt CCTs*” above, the entering into of the 2024 Sales Framework Agreement is to extend the terms of 2023 Annual Sales Framework Agreement and 2023 Sales Framework Agreement, which have expired on December 31, 2023, to allow the Group to continue its long-standing business relationship with Luoyang Company. Based on our discussion with the management of the Company and the review of the 2024 Sales Framework Agreement and the 2023 Annual Sales Framework Agreement and the 2023 Sales Framework Agreement, no material changes were made to the principal terms of the 2024 Sales Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the prices of Lithium Batteries and related products sold by the Group to the Luoyang Company and its subsidiaries will be determined after arm's length negotiations mainly by reference to market prices and the sales prices of similar products supplied by the Group to other Independent Third Party customers, having taken into account the costs plus a reasonable profit margin.

In assessing the terms of the 2024 Sales Framework Agreement, we have obtained and reviewed five largest sample contracts during the ten months ended October 31, 2023 (the "**Relevant Period**") pursuant to the 2023 Annual Sales Framework Agreement and the 2023 Sales Framework Agreement and comparable transactions entered into between the Group and Independent Third Party customers for the provision of same products. We have obtained and compared the unit price for each of the sample contracts and the respective comparable contracts. From our view, we noted that the unit price for products sold by the Group to the Luoyang Company and its subsidiaries are not less than those offered by the Group to the Independent Third Party customers. As we have obtained the five largest sample contracts covering approximately 10% of the historical transaction amounts during the ten months ended October 31, 2023, we are of the view the selected samples are a fair and reasonable representation. In addition, we have discussed with and understood from the management of the Company that as certain products may tailored for individual order in accordance with the specific requirements of the customers, prices might not be comparable across orders for similar type of products, where no such tailor-made products were sold by the Group to the Luoyang Company and its subsidiaries during the ten months ended October 31, 2023. However, the Group shall, as the case maybe, negotiate the terms for each contract, including those with Luoyang Company and other Independent Third Party customers, on arm's length basis and on normal commercial terms according to the same pricing principal of the Company, which was mainly determined based on a cost-plus basis with a reasonable profit margin level maintained by the Group. Based on the above, we are of the view that the principal terms of the 2024 Sales Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3.3 Proposed annual caps for the 2024 Sales Framework Agreement

As stated in the announcement of the Company dated March 28, 2023, as the counterparties of the Company under the 2023 Annual Sales Framework Agreement and the 2023 Sales Framework Agreement were all associates of Jintan Holding and the transactions were of the same nature, 2023 Annual Sales Framework Agreement and the 2023 Sales Framework Agreement shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. The table below sets forth the historical transaction amounts and the respective annual cap for the sales of Lithium Batteries and related products (such as raw materials, semi-finished products, finished products) received by the Group from Luoyang Company and its associates under the 2023 Annual Sales Framework Agreement and the 2023 Sales Framework Agreement for the ten months ended October 31, 2023:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**For the year ended
December 31, 2023**
RMB'000

| | |
|--------------------------------|--------------------------|
| Historical transaction amounts | 27,790 ^(Note) |
| Existing annual cap amounts | 260,000 |

Note: The actual transaction amounts for the year ended December 31, 2023 represent the amounts for the ten months ended October 31, 2023.

The following table sets forth the proposed annual caps for the fees to be received by the Company from the transactions with Luoyang Company and its associates under the 2024 Sales Framework Agreement:

**For the year ending
December 31, 2024**
RMB'000

| | |
|----------------------|-----------|
| Proposed annual caps | 1,400,000 |
|----------------------|-----------|

As set out in the Letter from the Board, the proposed annual caps under the 2024 Sales Framework Agreement were determined after having taken into account the following factors:

- (a) the historical and expected amount of the sales of Lithium Batteries and related products by the Group to Luoyang Company and its associates for the year of 2023;
- (b) the estimated demands of Lithium Batteries and related products in 2024 provided by Luoyang Company;
- (c) types of the related products procured by Luoyang Company from the Group increased as compared with that in 2023;
- (d) the expected selling prices of the Lithium Batteries and related products under the 2024 Sales Framework Agreement; and
- (e) approximately 3% buffer set for price changes of related products and possible market changes.

As set out in the table above, the historical transaction amounts of the sales of Lithium Batteries and related products during the ten months ended October 31, 2023 amounted to approximately RMB27.79 million, representing a utilisation rate of approximately 12.8% (on pro-rata basis) of the existing annual caps. As advised by the management of the Company, based on the current market conditions and product delivery schedule, the utilization rate of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

annual cap is expected to reach over 70%. As at the Latest Practicable Date, the amounts received by the Company from Luoyang Company and its associates in respect of the sales of Lithium Batteries and related products does not exceed the annual cap under the sales framework agreements in 2023.

As advised by the management of the Company, the Lithium Batteries and related products planned to be sold to the Luoyang Company for the year ending December 31, 2024 are mainly (i) raw materials; (ii) electrode coils; and (iii) lithium battery cell products. For raw materials, it is expected the sales of raw materials, mainly battery cathode materials, will be approximately RMB380 million. We have understood from the Company that Luoyang Company have gradually switched their cathode material suppliers from other vendors to the Company. The forecasted amount is based on the specific cell models planned to be sold to Luoyang Company in 2024, which have already begun in November 2023.

For electrode coils, it is expected the sales will be approximately RMB830 million. We understand from the Company that Luoyang Company currently do not have corresponding electrode coils production lines, which they are relying the Company to provide them the electrode coils for further processing. For lithium battery cell products, the estimated demands provided by Luoyang Company will be approximately RMB130 million in 2024.

We further understood from the Company that the demands on Lithium Batteries and related products have increased due to (i) favourable government regulations and policies; and (ii) the increase in general demand of lithium batteries in PRC. As disclosed in the 2023 Interim Report, we have noted that in June 2023, the Ministry of Finance and other two departments jointly issued the Announcement on Continuing and Optimizing the Vehicle Purchase Tax Reduction and Exemption Policy for New Energy Vehicles, extending the tax reduction and exemption policy for another four years to 2027, facilitating to stabilize market expectations for new energy vehicles and optimize the market environment. In terms of China's market, according to the statistics of China Automotive Battery Innovation Alliance, the installed capacity of domestic EV batteries from January to June 2023 was 152.1GWh, representing a cumulative year-on-year increase of 38.1%, of which the cumulative installed capacity of LFP batteries was 103.9GWh, accounting for 68.3% of the total installed capacity, representing a cumulative year-on-year increase of 61.5%; and the cumulative installed capacity of NCM batteries was 48.0GWh, accounting for 31.5% of the total installed capacity, representing a year-on-year increase of 5.2%, as disclosed in the 2023 Interim Report.

Given that (i) there is a long term and reliable business relationship between the Group and Luoyang Company; (ii) the anticipated growing demand for Lithium Batteries and related products, driven by the estimated demands provided by Luoyang Company and its associates; (iii) the favourable government regulations and policies and the increase in market demand of lithium batteries in PRC; and (iv) the fact that the proposed annual caps provide the Group with flexibility to conduct business with Luoyang Company to generate additional revenue, we are of the view that such proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The 2024 Entrusted Processing Framework Agreement

4.1 *Principal terms of the 2024 Entrusted Processing Framework Agreement*

The following sets forth the principal terms of the 2024 Entrusted Processing Framework Agreement. For detailed terms of the 2024 Entrusted Processing Framework Agreement, please refer to the section headed “*2024 Entrusted Processing Framework Agreement*” in the Letter from the Board.

| | |
|-------------------------------|---|
| Parties: | (i) the Company; and (ii) Luoyang Company (for itself and on behalf of the Luoyang Group) |
| Term: | One year commencing from January 1, 2024 (subject to the approval of the 2024 Entrusted Processing Framework Agreement by the Independent Shareholders at the EGM) to December 31, 2024 (both days inclusive) |
| Nature of transaction: | The Group entrusts Luoyang Group for the provision of processing service of Lithium Batteries. The Luoyang Group will be responsible for the raw materials, front line workers and technicians whose licenses and qualifications are approved by the Group and completing the production and processing. Front line workers in special positions shall obtain qualifications such as special equipment operating certificates or certificates for operators of special equipment granted by the government and certain technicians in special positions shall obtain the IATF16949 quality system internal auditor qualification issued by the qualified external professional organizations. |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing: The prices of processing service of Lithium Batteries entrusted by the Group to Luoyang Group are determined with reference to the cost of processing and producing Lithium Batteries and the prevailing market price of processing services in the same or proximity areas charged by Independent Third Parties, which mainly comprise (i) the costs to be incurred by Luoyang Group for processing and producing Lithium Batteries; and (ii) a reasonable profit margin of around 2% to 3% of the above mentioned costs for the processing services. The profit margin is determined after arm's-length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period. The profit margin applied in the processing service provided by Luoyang Group is comparable to that of the processing service provided by the Independent Third Party. The Company would normally review at least two quotations from and/or agreements entered into with the Independent Third Parties for providing similar services as comparison in determining the fees to be paid for processing services under 2024 Entrusted Processing Framework Agreement. Having considered the aforesaid, the Board is of the view that the pricing basis and the percentage of profit margin are fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as whole.

Upon receiving the pricing terms of the transactions under the 2024 Entrusted Processing Framework Agreement from Luoyang Group, the Company will normally compare it with (i) the Company's expected cost of manufacturing the same categories of products; and (ii) the quotation from and/or agreements entered into with the Independent Third Parties providing similar services, to ensure that the prices and terms offered in 2024 Entrusted Processing Framework Agreement are fair and reasonable to the Company.

Licensing of patent: The Company grants Luoyang Company the right to use certain specified patents of the Company ("**Authorized Patents**") which are necessary for its provision of Lithium Batteries processing services. In this connection, Luoyang Company undertakes to only use the Authorized Patents for the purpose of the Lithium Batteries processing services under the 2024 Entrusted Processing Framework Agreement and that it shall not be entitled to use the Authorized Patents for other purposes unless prior written consent is obtained from the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Our assessment of the terms of the 2024 Entrusted Processing Framework Agreement

As set out in the paragraphs headed “2. *Reasons for and benefits of the Non-exempt CCTs*” above, the entering into of the 2024 Entrusted Processing Framework Agreement is to extend the term of 2023 Entrusted Processing Framework Agreement, which has expired on December 31, 2023, to allow the Group to continue entrust Luoyang Company for the provision of services. Based on our discussion with the management of the Company and the review of the 2024 Entrusted Processing Framework Agreement and the 2023 Entrusted Processing Framework Agreement, no material changes were made to the principal terms of the 2024 Entrusted Processing Framework Agreement.

As discussed with the management of the Company, upon receiving the pricing terms of the transactions under the 2024 Entrusted Processing Framework Agreement from Luoyang Company, the Company will normally compare it with (i) the Company’s expected cost of manufacturing the same categories of products; and (ii) the quotation from and/or agreements entered into with the Independent Third Parties for providing similar services, to ensure that the prices and terms offered in 2024 Entrusted Processing Framework Agreement are fair and reasonable to the Company.

In assessing the terms of the 2024 Entrusted Processing Framework Agreement, we have obtained and reviewed the contract entered between the Company and Luoyang Company pursuant to the 2023 Entrusted Processing Framework Agreement and compared with relevant three quotations obtained by the Group from other Independent Third Party suppliers for entrusted processing services. As advised by the Company, these three suppliers represent more than half of all the independent third parties currently providing entrusted processing services to the Group, we are of the view that the selected sample are a fair and reasonable representation. From our review, we noted that the reasonable profit charged by Luoyang Company was not less favourable to the Group than those offered by the Independent Third Parties for the entrusted processing service of Lithium Batteries. In addition, as discussed with the management of the Company, the Company conduct cross check of cost incurred by Luoyang Company for processing and producing Lithium Batteries on a monthly basis. For our due diligence purpose, we requested the Company to provide us supporting for their cross check on cost incurred by Luoyang Company under 2023 Entrusted Processing Framework Agreement. The Company provided us supporting information showing the cross-check procedures conducted between the Company and Luoyang Company during the year of 2023. We have also obtained and reviewed three underlying monthly calculation of the costs incurred by Luoyang Group for processing and producing Lithium Batteries and the profit margin as stated in the contract. As such, we are of the view that the pricing policies of the 2024 Entrusted Processing Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.3 Proposed annual caps for the 2024 Entrusted Processing Framework Agreement

The table below sets forth the historical transaction amounts for the fees incurred from entrusted processing services provided by Luoyang Company for the ten months ended October 31, 2023:

| | For the year ended December 31, 2023 <i>RMB' 000</i> |
|--------------------------------|--|
| Historical transaction amounts | 1,666,270 ^(Note) |
| Existing annual cap amounts | 4,200,000 |

Note: The actual transaction amounts for the year ended December 31, 2023 represent the amounts for the ten months ended October 31, 2023.

The following table sets forth the proposed annual caps for the fees to be incurred under the 2024 Entrusted Processing Framework Agreement for the year ending December 31, 2024:

| | For the year ending December 31, 2024 <i>RMB' 000</i> |
|----------------------|---|
| Proposed annual caps | 3,000,000 |

As set out in the Letter from the Board, the proposed annual caps under the 2024 Entrusted Processing Framework Agreement were determined after having taken into account the following factors:

- (a) the historical amount incurred in 2023;
- (b) the cost of processing and producing the Lithium Batteries;
- (c) the prevailing market price for the provision of processing services in the same or proximity areas;
- (d) the expected approximately 5GWh per year production capacity of Luoyang Company;
- (e) the compound annual growth rate of 126% from 2020 to 2022 of sales volume of EV batteries and ESS products respectively; and
- (f) the expected production capacity and utilization.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the table above, the historical transaction amounts of the fees incurred from entrusted processing services provided by Luoyang Company for the ten months ended October 31, 2023 amounted to approximately RMB1,666.27 million, representing the utilisation rate of approximately 47.6% (on pro-rata basis) of the existing annual caps. As discussed with the management of the Company, the low utilisation rates were mainly due to (i) the decrease in price of raw materials during 2023 which led to the decrease in transaction value as it is determined based on a cost-plus basis; and (ii) the reduced cost of entrusted processing service from the Group on some of the battery models as the Group is able to provide electrode coils internally for some of the battery models.

As advised by the management of the Company, it is expected Luoyang Company would provide entrusted processing service to the Group for eight battery models in 2024. We have obtained and reviewed the calculation from the Company and noted that the components of the proposed annual cap were (a) the effective production capacity of the Luoyang Company; and (b) the estimated unit cost of entrusted processing service of Lithium Batteries to be provided by Luoyang Company. We further understood from the Company that the demands on Lithium Batteries and related products have increased due to (i) favourable government regulations and policies; and (ii) the increase in general demand of lithium batteries in PRC as mentioned in the section headed “3.3 Proposed annual caps for the 2024 Sales Framework Agreement”.

In addition, as disclosed in the Letter from the Board, before Luoyang Company can start production, they must meet the quality and technical requirements set by the Company. The Company will verify Luoyang Company’s qualifications by checking their quality assurance certificates, reviewing their equipment and production sites, and ensuring that their workers have the necessary certifications. Luoyang Company is required to label each product batch with specific information and provide testing results consistent with the delivered goods. They must also maintain records of key processes and possess equipment for product examinations. Failure to comply may result in product rejection or examination by a designated national examination center at Luoyang Company’s expense.

Based on the above, we are of the view that such proposed annual caps under the 2024 Entrusted Processing Framework Agreement were determined based on reasonable estimation and after due and careful consideration. Taking into account the fact that the proposed annual caps provide the Group with flexibility to conduct business with the Luoyang Company, we are of the view that such proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

5. Internal control measures

The Company has established a comprehensive internal control system and adopted various internal control measures, including a management system on connected transactions and procurement and tender administration measures, to ensure that the Non-exempt CCTs are conducted in accordance with their terms and conditions. Details of the internal control measures of the Group are set out in the sections headed “INTERNAL CONTROL MEASURES” in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Non-exempt CCTs are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Non-exempt CCTs every year and confirm in the annual report that the transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Non-exempt CCTs:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing them; and
 - (iv) have exceeded the relevant annual caps;
- (c) the Company must allow, and ensure that the counterparties to the Non-exempt CCTs allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Non-exempt CCTs; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements attached to the Non-exempt CCTs, in particular, (i) the restriction of the transaction value by way of annual caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the relevant agreements in relation to the Non-exempt CCTs and the respective proposed annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Non-exempt CCTs and assist in safeguarding the interests of the Company and the independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that the entering into of 2024 Sales Framework Agreement and the 2024 Entrusted Processing Framework Agreement, including their respective proposed annual caps, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Non-exempt CCTs and their respective annual caps to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 19 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors, Supervisors, and the Chief Executives of the Company

As at the Latest Practicable Date, the following Directors, Supervisors and chief executives of the Company were interested, or were deemed or taken to be interested in the following long and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to (a) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors):

| Name of Director, Supervisor or chief executive | Position | Nature of interest | Type of Shares | Number of Shares held ⁽¹⁾ | Percentage in the respective type of share capital ⁽²⁾ | Percentage of total share capital ⁽³⁾ |
|---|-----------------------|-----------------------|--------------------|---|--|--|
| Liu Jingyu | Executive director | Beneficial owner | Domestic Shares | 1,640,913 | 0.10% | 0.09% |
| Dai Ying | Executive director | Beneficial owner | Domestic Shares | 1,151,168 | 0.08% | 0.06% |

Notes:

- (1) All the interests stated above represent long positions.
- (2) The percentages are calculated based on the Company's total number in the respective type of shares, being 1,506,456,558 Domestic Shares and 265,845,300 H Shares, as at the Latest Practicable Date.
- (3) The percentages are calculated based on the Company's total number of the issued shares, being 1,772,301,858 Shares, as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable date, none of the Directors, Supervisors and chief executives of the Company were interested, or were deemed or taken to be interested in the following long and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to (a) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

(ii) Substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than the Directors, Supervisors, or chief executives of the Company) had interests or short positions in the Shares or underlying Shares, which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or to be recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name of Shareholder | Nature of interest | Class of Shares | Number of Shares held ⁽¹⁾ | Percentage in the respective class of share capital ⁽²⁾ | Percentage of total share capital ⁽³⁾ |
|--|------------------------------------|-----------------|--------------------------------------|--|--|
| Jinsha Investment ⁽⁷⁾ | Beneficial owner | Domestic Shares | 252,130,281(L) | 16.74% | 14.23% |
| | Interest in controlled corporation | Domestic Shares | 8,642,400(L) | 0.57% | 0.49% |
| Huake Engineering ⁽⁷⁾ | Beneficial owner | Domestic Shares | 98,658,313(L) | 6.55% | 5.57% |
| Huake Investment ⁽⁷⁾ | Beneficial owner | Domestic Shares | 77,785,163(L) | 5.16% | 4.39% |
| Jintan Hualuogeng ^{(4)&(7)} | Interest in controlled corporation | Domestic Shares | 176,443,476(L) | 11.71% | 9.96% |
| Jintan Holding ^{(5)&(6)&(7)} | Interest in controlled corporation | Domestic Shares | 428,573,757(L) | 28.45% | 24.18% |
| | Other | Domestic Shares | 24,000,000(L) | 1.59% | 1.35% |
| Xiamen Lihang Equity Investment Management Co., Ltd.* ⁽⁸⁾ | Interest in controlled corporation | Domestic Shares | 141,866,141(L) | 9.42% | 8.00% |
| Lihang Jinzhi ⁽⁸⁾ | Beneficial owner | Domestic Shares | 141,866,141(L) | 9.42% | 8.00% |
| Jinyuan Industry ⁽⁹⁾ | Beneficial owner | Domestic Shares | 37,580,435(L) | 2.49% | 2.12% |
| | Interest in controlled corporation | Domestic Shares | 141,866,141(L) | 9.42% | 8.00% |

APPENDIX I
GENERAL INFORMATION

| Name of Shareholder | Nature of interest | Class of Shares | Number of Shares held ⁽¹⁾ | Percentage in the respective class of share capital ⁽²⁾ | Percentage of total share capital ⁽³⁾ |
|---|---|-----------------|--------------------------------------|--|--|
| Jinyuan Investment ⁽⁹⁾ | Beneficial owner | Domestic Shares | 37,580,435(L) | 2.49% | 2.12% |
| | Interest in controlled corporation | Domestic Shares | 216,229,145(L) | 14.35% | 12.20% |
| Chengfei Integration ⁽¹⁰⁾ AVIC ⁽¹⁰⁾ | Beneficial owner | Domestic Shares | 151,145,867(L) | 10.03% | 8.53% |
| | Interest in controlled corporation | Domestic Shares | 163,970,995(L) | 10.88% | 9.25% |
| Guotai Junan Securities Co., Ltd. ⁽¹¹⁾ | Interest in controlled corporation | H Shares | 46,772,900(L) | 17.59% | 2.64% |
| HuaAn Fund Management Co., Ltd representing HUAAN-XJ7-QDII, HUAAN-XJ8-QDII, HUAAN-XJ10-QDII and HUAAN-XJ12-QDII ⁽¹¹⁾ | Other | H Shares | 42,831,600(L) | 16.11% | 2.42% |
| Huatai Securities Co., Ltd ⁽¹³⁾ | Interest in controlled corporation | H Shares | 31,931,800(L) | 12.01% | 1.80% |
| | | | 5,486,200(S) | 2.06% | 0.31% |
| J.P. MORGAN SECURITIES PLC | Interest in controlled corporation | H Shares | 4,333,400(L) | 1.63% | 0.24% |
| | Interest in controlled corporation | H Shares | 1,260,400(S) | 0.47% | 0.07% |
| | Person having a security interest in shares | H Shares | 25,236,700(L) | 9.49% | 1.42% |
| HUAAN-XJ8-QDII-SINGLE ASSET MANAGEMENT PLAN ⁽¹¹⁾ | Beneficial owner | H Shares | 20,449,400(L) | 7.69% | 1.15% |
| HUAAN-XJ12-QDII-SINGLE ASSET MANAGEMENT PLAN ⁽¹¹⁾ | Beneficial owner | H Shares | 20,285,900(L) | 7.63% | 1.14% |
| Tianqi Lithium HK Co., Ltd | Beneficial owner | H Shares | 20,217,200(L) | 7.60% | 1.14% |

| Name of Shareholder | Nature of interest | Class of Shares | Number of Shares held ⁽¹⁾ | Percentage in the respective class of share capital ⁽²⁾ | Percentage of total share capital ⁽³⁾ |
|--|------------------------------------|-----------------|--------------------------------------|--|--|
| CCB Fund Management Co., Ltd. (On behalf of CCB Overseas Nuggets No. 92 Single Asset Management Plan) (建信基金管理有限責任公司(代建信海外掘金92號單一資產管理計劃)) | Investment Manager | H Shares | 16,696,500(L) | 6.28% | 0.94% |
| Zijin Mining Group Co., Ltd. (紫金礦業集團股份有限公司) ⁽¹²⁾ | Interest in controlled corporation | H Shares | 16,525,800(L) | 6.22% | 0.93% |
| Gold Mountains (H.K.) International Mining Company Limited (金山(香港)國際礦業有限公司) ⁽¹²⁾ | Beneficial owner | H Shares | 16,525,800(L) | 6.21% | 0.93% |
| WANG SING INTERNATIONAL RESOURCES LIMITED | Beneficial owner | H Shares | 16,359,500(L) | 6.15% | 0.92% |
| Sunshine Insurance Group Co., Ltd. (陽光保險集團股份有限公司) | Interest in controlled corporation | H Shares | 14,885,700(L) | 5.60% | 0.84% |
| Hefei North City Construction Investment (合肥北城建設投資(集團)有限公司) | Beneficial owner | H Shares | 13,718,100(L) | 5.16% | 0.77% |

Notes:

- (1) (L), (S) and (P) represent long position, short position and lending pool respectively.
- (2) The percentages are calculated based on the Company's total number in the respective type of shares, being 1,506,456,558 Domestic Shares and 265,845,300 H Shares, as at the Latest Practicable Date.
- (3) The percentages are calculated based on the Company's total number of the issued shares, being 1,772,301,858 Shares, as at the Latest Practicable Date.
- (4) Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng. Jintan Hualuogeng is deemed to be interested in the Shares held by each of Huake Engineering and Huake Investment under the SFO.
- (5) Jinsha Investment is wholly owned by Jintan Holding. Jintan Hualuogeng is owned as to 90% by Jintan Holding. Jintan Holding is a state-owned enterprise and controlled by the Government of Jintan District. Jintan Holding is deemed to be interested in the Shares held by each of Jinsha Investment, Huake Engineering and Huake Investment under the SFO.

- (6) The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.
- (7) Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng and Jintan Holding are a group of largest Shareholders and directly or indirectly control an aggregate of approximately 25.54% of our Company's voting rights.
- (8) Lihang Jinzhi is a limited partnership established under the laws of the PRC with Xiamen Lihang Equity Investment Management Co., Ltd.* (廈門鋸航股權投資管理有限公司) being its general partner and Jinyuan Industry being its limited partner. According to the partnership agreement of Lihang Jinzhi which provides, among other things, that the investment decision committee of Lihang Jinzhi shall comprise three members of which Jinyuan Industry shall be entitled to nominate two members, Jinyuan Industry exercises de facto control of Lihang Jinzhi. As such, Jinyuan Industry is deemed to be interested in the Shares held by Lihang Jinzhi under the SFO. Jinyuan Industry directly owns approximately 2.49% interests in our Company and therefore Jinyuan Industry directly and indirectly controls an aggregate of approximately 10.12% of our Company's voting rights.
- (9) Jinyuan Industry is a wholly owned subsidiary of Jinyuan Investment and as such Jinyuan Investment is deemed to be interested in all the Shares held by Lihang Jinzhi and Jinyuan Industry under the SFO. Moreover, each of Xiamen Jinli No. 2 and Jinli Investment owns approximately 1.59% and 0.85% interests in our Company respectively. Xiamen Jinli No. 2 is a limited partnership with Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) being its general partner. Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) is ultimately controlled by Jinyuan Investment. Jinli Investment is a limited partnership with Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本管理(廈門)有限公司) being its general partner. Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本管理(廈門)有限公司) is ultimately controlled by Jinyuan Investment. As such, Jinyuan Investment is also deemed to be interested in the Shares held by each of Xiamen Jinli No.2 and Jinli Investment under the SFO. Jinyuan Investment directly owns approximately 2.49% interests in our Company and therefore Jinyuan Investment directly and indirectly controls an aggregate of approximately 14.32% of our Company's voting rights.
- (10) Chengfei Integration is a joint stock limited company whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002190) and ultimately controlled by AVIC. As such, AVIC is deemed to be interested in the Shares held by Chengfei Integration under the SFO. Moreover, each of Aviation Industry Integration Fund, Missile Academy, Aviation Investment and Hongdu Airline owns approximately 0.80%, 0.65%, 0.11% and 0.09% interests in our Company respectively, and each of the above companies and partnerships is ultimately controlled by AVIC, which is also deemed to be interested in the Shares held by such companies and partnerships under the SFO. Therefore, AVIC indirectly controls an aggregate of approximately 9.25% of our Company's voting rights.
- (11) HuaAn Fund Management Co., Ltd is the asset manager (資產管理人) of (1) HUAAN-XJ7-QDII- SINGLE ASSET MANAGEMENT PLAN, (2) HUAAN-XJ8-QDII-SINGLE ASSET MANAGEMENT PLAN, (3) HUAAN-XJ10-QDII-SINGLE ASSET MANAGEMENT PLAN and (4) HUAAN-XJ12-QDII-SINGLE ASSET MANAGEMENT PLAN and is deemed to be interested in the Shares held by abovementioned four assets management plans under the SFO. Guotai Junan Securities Co., Ltd. held 43% of the equity interest in HuaAn Fund Management Co., Ltd and is deemed to be interested in the Shares held by HuaAn Fund Management Co. under the SFO.
- (12) Gold Mountains (H.K.) International Mining Company Limited is held as to 100% interests by Zijin Mining Group Co., Ltd. Therefore, Zijin Mining Group Co., Ltd. is deemed to be interested in 16,525,800 H Shares in long position under the SFO.
- (13) Huatai Securities Co., Ltd. held 100% interests in Huatai International Financial Holdings Company Limited. Huatai International Financial Holdings Company Limited held 100% interests in Huatai Financial Holdings (Hong Kong) Limited and Huatai Capital Investment Limited. Huatai Financial Holdings (Hong Kong) Limited held 7,043,100 H Shares in long position. Huatai Capital Investment Limited held 24,888,700 H Shares in long position and 5,486,200 H Shares in short position. Therefore, Huatai International Financial Holdings Company Limited is deemed to be interested in 31,931,800 H Shares in long position and 5,486,200 H Shares in short position and Huatai Securities Co., Ltd. is deemed to be interested in 31,931,800 H Shares in long position and 5,486,200 H Shares in short position under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors, Supervisors or chief executives of the Company were not aware of any persons (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Director, Supervisor or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors confirmed that there were no material adverse changes to the financial or trading position of the Group since December 31, 2022 (being the date to which the latest published audited accounts of the Company were made up).

4. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and Supervisors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and Supervisors had any direct or indirect interest in any assets which had been acquired by or disposed of or leased to any member of the Group since December 31, 2022 (being the date to which the latest published audited financial statements of the Group were made up) or were proposed to be acquired by or disposed of or leased to any member of the Group; and none of the Directors and Supervisors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of the Directors and Supervisors has entered into a contract with the Company on September 19, 2022 in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have any service contracts with the Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

| Name | Qualification |
|------------------|--|
| Somerley Capital | a licensed corporation to carry out Type 1 (dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, Somerley Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated January 11, 2024 (as set out on pages 19 to 35 of this circular) and references to its name, in the form and context in which it respectively appears.

As at the Latest Practicable Date, Somerley Capital:

- i. did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group; or
- ii. did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e., December 31, 2022), acquired by or disposed of or leased to or are proposed to be acquired by or disposed of or leased to any member of the Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (www.calb-tech.com) for a period of 14 days from the date of this circular:

- i. 2024 Sales Framework Agreement;
- ii. 2024 Entrusted Processing Framework Agreement;

- iii. the letter from the Independent Board Committee, the text of which is set out on pages 18 of the circular;
- iv. the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 35 of the circular;
- v. the written consent of the Independent Financial Adviser referred to under the paragraph headed “7. Expert and Consent” in this Appendix; and
- vi. this circular.

9. MISCELLANEOUS

- i. The registered office of the Company is located at No. 1, Jiangdong Avenue, Jintan District, Changzhou City, Jiangsu Province, PRC.
- ii. The H Share registrar of the Company is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- iii. The joint company secretaries of the Company are Mr. Dai Ying and Mr. Cheung Kai Cheong Willie.

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

CALB

CALB Group Co., Ltd.

中創新航科技集團股份有限公司

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

(Stock Code: 3931)

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

A NOTICE IS HEREBY GIVEN THAT the 2024 first extraordinary general meeting (the “EGM”) of CALB Group Co., Ltd. (the “Company”) will be held on January 31, 2024, at 2:00 p.m., at Conference Room VIP1, CALB Group Co., Ltd., No.1, Jiangdong Avenue, Jintan District, Changzhou, People's Republic of China, at which, the following ordinary resolutions will be considered and approved.

ORDINARY RESOLUTIONS

1. To consider and approve:
 - (i) the 2024 Sales Framework Agreement, the transactions contemplated thereunder and the proposed annual cap for the year ending December 31, 2024; and
 - (ii) the authorization of the Board or its authorized person to make adjustments, amendments, officially sign the connected transaction agreement considered and approved at the EGM and to complete other requisite procedures and processes pursuant to the relevant requirements as it/he/she considers appropriate in its/his/her discretion, according to provisions in domestic and foreign laws and regulations, requirements and advices from the relevant domestic and foreign governmental authorities and regulatory institutions (including but not limited to the Stock Exchange) and the Company's actual listing situation on the Stock Exchange.

2. To consider and approve:
 - (i) the 2024 Entrusted Processing Framework Agreement, the transactions contemplated thereunder and the proposed annual cap for the year ending December 31, 2024; and
 - (ii) the authorization of the Board or its authorized person to make adjustments, amendments, officially sign the connected transaction agreement considered and approved at the EGM and to complete other requisite procedures and processes pursuant to the relevant requirements as it/he/she considers appropriate in its/his/her discretion, according to provisions in domestic and foreign laws and regulations, requirements and advices from the relevant domestic and foreign governmental authorities and regulatory institutions (including but not limited to the Stock Exchange) and the Company's actual listing situation on the Stock Exchange.

By order of the Board
CALB Group Co., Ltd.
Liu Jingyu

Chairwoman of the Board, executive Director and president

Changzhou, PRC
January 11, 2024

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

Notes:

1. For the purpose of determining the entitlement of the shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, January 26, 2024 to Wednesday, January 31, 2024 (both days inclusive), during which period no transfer of shares will be registered. To be eligible 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, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, January 25, 2024.
2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is appointed.
3. Form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Tuesday, January 30, 2024) or any adjournment thereof. Completion and return of the proxy form will not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be), should he/she so wishes and in such event, the form of proxy shall be deemed to be revoked.
4. Pursuant to Rule 13.39(4) of the Listing Rules, the ordinary resolutions set out above will be voted by poll. Where the chairperson of the Company in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by a show of hands.
5. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding of such share.
6. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.
7. Unless otherwise specified, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated January 11, 2024.