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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in Ganfeng Lithium Co., Ltd., you should at once hand this circular, together with the accompanying form of proxy, 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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*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1772)**

- (1) PROPOSED ISSUANCE OF H SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION;**
- (2) PROPOSED GRANT OF SPECIFIC MANDATE;**
- (3) PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND GRANT OF SPECIFIC MANDATE TO ISSUE A SHARES UPON THE CONVERSION OF CONVERTIBLE BONDS;**
- (4) POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS BY CONNECTED PERSONS;**
- (5) NOTICE OF THE EXTRAORDINARY GENERAL MEETING; AND**
- (6) NOTICE OF THE H SHARE CLASS MEETING**

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



**Zhongtai International Capital Limited**

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A letter from the Board is set out on pages 1 to 41 of this circular. A letter from the Independent Board Committee is set out on pages 42 to 43 of this circular. A letter from Zhongtai Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 73 of this circular.

The notice of the EGM and the notice of the H Share Class Meeting are set out on pages 175 to 183 in this circular. The EGM of the Company will be held at the conference room of the Company at 4th Floor, R&D Building at the Company's Headquarter, Longteng Road, Economic Development Zone, Xinyu, Jiangxi Province, PRC on August 13, 2019 at 2:00 p.m.; The H Share Class Meeting of the Company will be held at the conference room of the Company at 4th Floor, R&D Building at the Company's Headquarter, Longteng Road, Economic Development Zone, Xinyu, Jiangxi Province, PRC on Tuesday, August 13, 2019, immediately after the conclusion or adjournment of the A Share Class Meeting to be held on the same day at the same venue.

Whether or not you intend to attend the EGM and the H Share Class Meeting, you are advised to complete and return the enclosed proxy form in respect of the EGM and the H Share Class Meeting in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours prior to the commencement of such meeting or any adjournments thereof, (i.e., not later than Monday, August 12, 2019 at 2:00 p.m. (Hong Kong time)). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and the H Share Class Meeting or any adjournment thereof should you so wish.

June 28, 2019

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## DEFINITIONS

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

“Annual Interest”	the interest accrued to the A Share Convertible Bonds Holders in each year on each anniversary of the date of the issuance, calculated based on the aggregate nominal value of the A Share Convertible Bonds held by such holders
“A Share(s)”	the RMB denominated ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shenzhen Stock Exchange (Stock code: 002460)
“A Shareholder(s)”	holders of A Shares
“A Share Class Meeting”	the class meeting of A Shareholders
“A Share Convertible Bonds”	the convertible corporate bonds in the total amount of not more than RMB2.15 billion which are convertible into new A Shares and proposed to be issued by the Company within the PRC
“A Share Convertible Bond Holder(s)”	holder(s) of A Share Convertible Bonds proposed to be issued of the Company
“A Share Convertible Bond Issuance Plan”	the A Share Convertible Bonds issuance plan of the Company, to be considered and, if though fit, approved at the EGM and the Class Meetings, details of which are set out in this circular
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribe thereto under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“Class Meetings”	the class meeting of A Shareholders and the class meeting of H Shareholders

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## DEFINITIONS

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“Company”	Ganfeng Lithium Co., Ltd. (江西贛鋒鋰業股份有限公司), a joint stock company established in the PRC on March 2, 2000 and converted from our predecessor Jiangxi Ganfeng Lithium Company Limited (江西贛鋒鋰業有限公司, formerly known as Xinyu Ganfeng Lithium Company Limited (新余贛鋒鋰業有限公司)) into a joint stock company with limited liability under the PRC Company Law on December 18, 2007, the A Shares of which have been listed on the SZSE since August 10, 2010 (Stock Code: 002460), and except where the context otherwise requires includes its predecessors and subsidiaries
“connected person(s)”	has the meaning ascribe thereto under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribe thereto under the Hong Kong Listing Rules
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended from time to time
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 2:00 p.m., on Tuesday, August 13, 2019 at the Conference Room, 4th Floor, R&D Building at the Company’s Headquarter, Longteng Road, Economic Development Zone, Xinyu, Jiangxi Province, the PRC
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Stock Exchange (stock code: 1772)

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## DEFINITIONS

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“H Shareholder(s)”	holders of H Shares
“H Share Class Meeting”	the class meeting of H Shareholders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. GUO Huaping, Mr. HUANG Huasheng, Mr. LIU Jun and Ms. WONG Sze Wing, formed for the purpose of advising the Independent Shareholders in relation to the connected transactions
“Independent Financial Adviser” or “Zhongtai Capital”	Zhongtai International Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect to the connected transactions
“Independent Shareholder(s)”	Shareholders who are not required to abstain from voting on the resolution in relation to the connected transactions
“Issuance of H Shares”	the proposed issuance of not more than 50,000,000 H Shares of the Company
“Latest Practicable Date”	June 25, 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Offering Document”	offering document of the Public Issuance of A Share Convertible Corporate Bonds by Ganfeng Lithium Co., Ltd.

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## DEFINITIONS

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“Possible Subscription for A Share Convertible Bonds”	connected persons may exercise the pre-emptive rights to subscribe for the A Share Convertible Bonds under the A Share Convertible Bond Issuance Plan, the specific subscription amount and conversion price on the exercise of the pre-emptive rights shall be subject to the determination made by the Board as authorized by the EGM and Class Meetings, based on the market conditions before the issuance
“PRC”	the People’s Republic of China
“Proposed Issuance of A Share Convertible Bonds”	Issuance of A Share Convertible Bonds by the Company in accordance with the Issuance Plan of A Share Convertible Bonds
“Proposed Subscriber(s)”	the entities of the Shares proposed to be subscribed for in the Issuance of H Shares, specifically meaning the entities invested, controlled or designated by LI Liangbin, the single largest Shareholder and the Chairman of the Company in compliance with relevant laws and regulations, and the entities invested, controlled or designated by WANG Xiaoshen, the Vice Chairman of the Company in compliance with relevant laws and regulations
“related party(ies)”	has the meaning ascribed thereto under the Shenzhen Listing Rules
“related party transaction(s)”	has the meaning ascribed thereto under the Shenzhen Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Laws”	the Securities Laws of the PRC (中華人民共和國證券法), as amended from time to time
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	A Share(s) and/or H Share(s) of the Company
“Shareholder(s)” or “all Shareholders”	holder(s) of Share(s)

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## DEFINITIONS

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“Shenzhen Listing Rules”	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (深圳證券交易所股票上市規則), as amended from time to time
“Specific Mandate”	the specific mandate proposed to be granted by independent Shareholders to the Board at the EGM and Class Meetings in respect of the Issuance of H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	Shares to be subscribed for in the Issuance of H Shares
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“SZSE”	The Shenzhen Stock Exchange
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent



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LETTER FROM THE BOARD

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**Ganfeng Lithium Co., Ltd.**  
**江西贛鋒鋰業股份有限公司**

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

**(Stock Code: 1772)**

*Executive Directors:*

Mr. LI Liangbin  
Mr. WANG Xiaoshen  
Mr. SHEN Haibo  
Ms. DENG Zhaonan  
Mr. XU Xiaoxiong

*Registered Office:*

Longteng Road,  
Economic Development Zone,  
Xinyu City,  
Jiangxi Province, PRC

*Non-executive Directors:*

Mr. HUANG Daifang

*Principal Place of Business in Hong Kong:*

40/F, Sunlight Tower  
248 Queen's Road East  
Wanchai  
Hong Kong

*Independent non-executive Directors:*

Mr. GUO Huaping  
Mr. HUANG Huasheng  
Mr. LIU Jun  
Ms. WONG Sze Wing

June 28, 2019

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED ISSUANCE OF H SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION;**
- (2) PROPOSED GRANT OF SPECIFIC MANDATE;**
- (3) PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND GRANT OF SPECIFIC MANDATE TO ISSUE A SHARES UPON THE CONVERSION OF THE A SHARE CONVERTIBLE BONDS;**
- (4) POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS BY CONNECTED PERSONS;**
- (5) NOTICE OF THE EGM; AND**
- (6) NOTICE OF THE H SHARE CLASS MEETING**

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## LETTER FROM THE BOARD

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### I. INTRODUCTION

Reference is made to the announcement of the Company dated April 29, 2019 (the “**Announcement**”). The purposes of this circular are to provide you with the relevant details of the proposed special resolutions to be submitted to the EGM and the H Shareholder Class Meeting in relation to, inter alia, (i) proposed issuance of H Shares under Specific Mandate and connected transaction; (ii) proposed grant of Specific Mandate; (iii) proposed issuance of A Share Convertible Bonds and grant of specific mandate to issue A Shares upon the conversion of A Share Convertible Bonds; and (iv) possible subscription for A Share Convertible Bonds by connected persons, and to provide you with relevant details of the special resolutions in relation to the Issuance of H Shares and the proposed issuance of A Share Convertible Bonds to be submitted to the EGM and the A Share Class Meeting and to be approved by the Shareholders: (i) satisfaction of the conditions of the Proposed Issuance of A Share Convertible Bonds; (ii) the preliminary plan of the proposed issuance of A Share Convertible Bonds; (iii) report on the use of the previously raised proceeds; (iv) feasibility report on the use of proceeds raised from the proposed issuance of A Share Convertible Bonds; (v) authorisation of the Board and its authorised persons to manage the matters relating to the proposed issuance of A Share Convertible Bonds; (vi) impact on the Company’s key financial indicators from dilution of immediate returns by the proposed issuance of A Share Convertible Bonds and the remedial measures to be adopted by the Company; (vii) rules for A Share Convertible Bond holders’ meeting; (viii) Shareholders’ return plan for three years of 2019 to 2021; (ix) resolution in relation to opening special account for proceeds raised; and (x) report on the use of proceeds previously raised overseas; and to provide you with a notice of the EGM and a notice of the H Share Class Meeting (or any adjournment thereof).

The abovementioned resolutions are submitted as special resolutions to the EGM and Class Meetings to be approved by the Shareholders under the Articles of Association and Administrative Measures for Issuance of Securities by Listed Companies, pursuant to which the resolutions should be adopted by votes representing more than two thirds of the voting rights of the present Shareholders.

Unless otherwise indicated, capitalized terms used herein have the same meanings as those defined in the Announcement.

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## LETTER FROM THE BOARD

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### II. PROPOSED ISSUANCE OF H SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION

Based on actual capital requirements of the Company and with the aim to support future business development, having taken full account of the regulation and approval, investors' preference and other factors, the Board holds the view that additional issuance of H Shares of the Company can satisfy demands of both domestic and overseas investors and can ensure that the Company would continuously comply with requirements about public float as set out in the Hong Kong Listing Rules. In light of the above, the Board has approved the resolution in relation to Proposed Issuance of H Shares under Specific Mandate and connected transaction.

#### **Basic information of the Issuance of H Shares under Specific Mandate and connected transaction**

##### ***1. Class and nominal value of the Shares to be issued***

The Issuance of H Shares will be made to overseas investors. All of the H Shares are the ordinary shares with a nominal value of RMB1.00 each and will be listed on the Main Board of the Stock Exchange. Unless otherwise stated in the applicable PRC laws and rules and the Articles of Association of the Company, all the new H Shares to be issued will rank pari passu with all other H Shares as at the date of the Issuance of H Shares in all respects upon issuance and being paid up.

##### ***2. Method and date of issue***

All of the H Shares will be issued to target subscribers by way of non-public issuance. The Issuance of H Shares is conditional upon the approval by the CSRC and the Stock Exchange for the H Shares to be listed and will be completed in due course within the validity period of the Issuance of H Shares and during appropriate market window.

##### ***3. Target subscribers***

The Issuance of H Shares is targeted at the entities invested, controlled or designated by LI Liangbin, the single largest Shareholder and the Chairman of the Company in compliance with relevant laws and regulations, the entities invested, controlled or designated by WANG Xiaoshen, the Vice Chairman of the Company in compliance with relevant laws and regulations, other overseas natural persons, institutional investors who are independent of the Company and not connected persons of the Company, and other eligible investors. The Proposed Subscribers propose to subscribe for H Shares, directly or indirectly, by ways that are in compliance with relevant laws and regulations.

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## LETTER FROM THE BOARD

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### **4. *Number of shares to be issued***

The number of H Shares to be issued will not exceed 50,000,000 H Shares, including up to 12,500,000 H Shares to the entities invested, controlled or designated by LI Liangbin, the single largest Shareholder and the Chairman of the Company in compliance with relevant laws and regulations, up to 12,500,000 H Shares to the entities invested, controlled or designated by WANG Xiaoshen, the Vice Chairman of the Company in compliance with relevant laws and regulations, and remaining 25,000,000 H Shares to other overseas natural persons, institutional investors who are independent of the Company and not connected persons of the Company, and other eligible investors for subscription.

The Issuance of H Shares will be implemented upon the approvals of the CSRC and the Stock Exchange. Actual number of H Shares to be issued shall be determined by the Company and the lead underwriter according to market conditions and the Hong Kong Listing Rules.

Prior to the Issuance of H Shares, the Company has a total of 1,315,084,233 shares in issue, including a total of 1,114,898,433 A Shares, representing 84.78% of the total share capital of the Company, and a total of 200,185,800 H Shares, representing 15.22% of the total share capital of the Company. The 50,000,000 Subscription Shares are new H Shares to be allotted and issued by the Company. The Subscription Shares represent 24.98% and 3.8% of the total H Shares in issue and the total Shares in issue as at the date of this circular, respectively, and 19.98% and 3.66% of the enlarged total H Shares in issue and total Shares in issue after the issuance of Subscription Shares, respectively.

### **5. *Method of pricing***

The issue price of the Subscription Shares shall be determined according to the international practice, PRC regulation requirements and international capital market conditions and the market price of the H Shares at the time of the issue of the new H Shares and by reference to the valuation of the companies of the same type as the Company in the international capital market, after fully taking into account of the interests of the existing Shareholders of the Company, preference of investors and risks in relation to the Issuance of the H Shares, and shall not be discounted for more than 20% as compared with the highest of the following prices:

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## LETTER FROM THE BOARD

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- (I) the closing price of H Shares on the day when the relevant H Share placement agreement is entered into; and
- (II) average closing price of H Shares within the five trading days immediately before the earliest of the following dates (inclusive):
  - (a) the date when the H Share placement agreement is announced;
  - (b) the date when the H Share placement agreement is entered into; and
  - (c) the date when H Share placement or subscription price is determined.

The subscription of all Shares under the Issuance of H Shares to be issued will be paid by cash.

There is no floor price for the issue price of the Subscription Shares.

The pricing mechanism for the Issuance of H Shares by the Company shall be filed with the International Department of CSRC, while the specific pricing mechanism is not subject to the supervision of relevant regulatory authorities in the PRC. The Company's H Share issuance plan has been reviewed by the Board. The independent Directors have issued prior approval opinions on the Issuance of H Shares, which has been submitted to the general meeting for further review, approval and seeking for the Specific Mandate. In order to ensure that the issue price is fair and reasonable and to lessen the impact on the existing Shareholders resulting from price discount and dilution, the pricing in respect of the Issuance of H Share will be determined with reference to the price movement of the H Shares of the Company and the valuation of similar companies in the international market and other factors, based on the status quo of the global capital market, in compliance with the international practice and the regulatory requirement of the PRC regulatory authorities after taking into full consideration the interest of the existing Shareholders of the Company, the receptivity of the investors as well as the risks as involved in the Issuance of H Shares. The number of H Shares proposed to be issued accounts for 24.98% and 19.99% of the total number of the H Shares in issue and the total number of the H Shares after the issuance, showing limited dilution impact on the existing Shareholders, which is in compliance with the relevant requirements under Rule 7.27B of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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### **6. *Use of proceeds***

All of the proceeds from the Issuance of H Shares, after deduction of the expenses relating to the Issuance of H Shares, will be used for investing in development and construction of mineral resources.

The investment, development and construction of mineral resources mainly involves in the offshore lithium resources projects of the Company. The lithium resources may include ores, brine, lithium clay, etc. The Company plans to invest the proceeds in the relevant projects in tandem in the following 1 to 2 years, as a part of the consideration for acquisition of relevant projects or funds for development of such projects.

The Board currently does not have any intention or plan to conduct equity fundraising activities in the next 12 months. The actual future fundraising plan will depend on the Company's business and financial situation. Any future equity fundraising activities of the Company will be in compliance with the Hong Kong Listing Rules and be disclosed timely.

As of May 31, 2019, 75% of proceeds from the Company's global offering conducted in 2018 were used. The management has gained more opportunities to acquire upstream resources in the first quarter of 2019. The first raised upstream resources includes lithium resource types of ores, brine, lithium clay, etc. As of the Latest Practicable Date, the Company has sufficient working capital, therefore the proposed H share financing plan is mainly to meet the capital needs of the above-mentioned investment, development and construction of mineral resources.

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## LETTER FROM THE BOARD

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**7. *Related party relationship, connected relationship, related party transactions, connected transactions and shareholders to abstain from voting***

To the best of the Company's knowledge and the Proposed Subscribers' confirmation, targeted subscribers of the Issuance of H Shares include the entities invested, controlled or designated by LI Liangbin, the single largest Shareholder and the Chairman of the Company in compliance with relevant laws and regulations, the entities invested, controlled or designated by WANG Xiaoshen, the Vice Chairman of the Company in compliance with relevant laws and regulations, other overseas natural persons, institutional investors who are independent of the Company and not connected persons of the Company, and other eligible investors. As defined in the Hong Kong Listing Rules, the Proposed Subscribers constitute connected persons under the Hong Kong Listing Rules, and related parties under the Shenzhen Listing Rules. Accordingly, the transactions constitute connected transactions under the Hong Kong Listing Rules and related party transactions under the Shenzhen Listing Rules. None of the Proposed Subscribers will become substantial shareholders of the Company upon completion of the Issuance of H Shares.

All independent Directors submitted their prior confirmation on the connected transactions and the related party transactions relating to the Issuance of H Shares prior to submission of the resolution to the Board. Connected Directors and related party Directors have abstained from voting when the Board of considers the relevant resolution.

LI Liangbin and WANG Xiaoshen are deemed to be materially interested in the Issuance of H Shares, and have abstained from voting on Board resolutions of Proposed Issuance of H Shares under Specific Mandate and connected transaction and Proposed Grant of Specific Mandate. Save for the Directors disclosed above, none of the other Directors are or are deemed to be materially interested in the above transactions. In addition, none of the other Directors shall abstain from voting on the resolution in relation to the Issuance of H Shares and the grant of Specific Mandate.

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## LETTER FROM THE BOARD

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Our independent Directors have expressed their independent opinions and are of the view that the resolution procedure has complied with the provisions of relevant laws, regulations and the Articles of Association; connected transactions and related party transactions relating to the Issuance of H Shares are in conformity with the principles of justice, fairness and openness, and are in line with the interests of the Company and all Shareholders, without prejudices to the interests of the Company and other Shareholders, in particular, minority Shareholders. Pursuant to the provisions of the Mandatory Provisions of Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) and the Articles of Association, the Issuance of H Shares is subject to consideration and approval at the EGM and Class Meetings. LI Liangbin and WANG Xiaoshen, the connected persons/related parties who are materially interested in such connected transactions and related party transactions shall abstain from voting on resolutions in relation to such transactions at the EGM and Class Meetings when such resolutions are being considered at the EGM and Class Meetings.

### **8. *Lock-up period***

The Proposed Subscribers shall undertake that they will not transfer the H Shares of the Company they subscribed for under the Issuance of H Shares for a period of six months from the date of listing of such H shares on the Stock Exchange. A longer lock-up period shall apply if so required by the relevant share placing or subscription agreement or the applicable laws and regulations or regulatory authorities in or out of China.

### **9. *The validity period of the resolution in relation to the Issuance of H Shares***

The resolution in relation to the Issuance of the H Shares will be valid for 12 months from the date on which the resolution is considered and approved at the Board meeting. Where the Board and/or its authorized persons have decided on the Issuance of H Shares within the validity period of the resolution of the EGM and Class Meetings in relation to the Issuance of H Shares and the Company has obtained approval and permit from and filed or registered (if applicable) with the regulatory authority for the Issuance of H Shares within the validity period of the resolution of the EGM and Class Meetings in relation to the Issuance of H Shares, the Company may complete the Issuance of H Shares within the validity period confirmed by such approval, permit, filing or registration. The Board may propose to the EGM and Class Meetings for considering and approving (if thought fit) the extension of the validity period of the resolution in relation to the Issuance of H Shares.

### **10. *Application for listing***

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the new H shares to be issued under the Issuance of H Shares on the Stock Exchange.



## LETTER FROM THE BOARD

### Effect on the H Shareholding Structure of the Company upon the Issuance of H Shares

Before the Issuance of H Shares, the Company has in issue a total of 1,315,084,233 Shares, including 1,114,898,433 A Shares and 200,185,800 H Shares.

Set out below is the H shareholding structure of the Company: (i) before the Issuance of H shares; and (ii) immediately after the completion of the Issuance of H Shares (assuming the number of Shares under the Issuance of H Shares are 50,000,000 Shares; assuming that the entities invested, controlled or designated by LI Liangbin in compliance with relevant laws and regulations will subscribe for 12,500,000 H Shares and the entities invested, controlled or designated by WANG Xiaoshen in compliance with relevant laws and regulations will subscribe for 12,500,000 H Shares; assuming that there are no other changes in the issued share capital of the Company except for the Subscription Shares to be allotted and issued under the Issuance of H Shares):

Name of Shareholders	Before the Issuance of H Shares		Immediately after the completion of the Issuance of H Shares	
	Number of Shares	Approximate percentage of the total Shares of all classes in issue	Number of Shares	Approximate percentage of the total Shares of all classes in issue
H Shares				
LI Liangbin H Share	–	–	12,500,000	0.92%
WANG Xiaoshen H Share	–	–	12,500,000	0.92%
Public holders of H Shares	200,185,800	15.22%	225,185,800	16.50%
Total issued H Shares	200,185,800	15.22%	250,185,800	18.33%
A Shares				
LI Liangbin A Share	269,770,452	20.51%	269,770,452	19.76%
WANG Xiaoshen A Share	100,898,904	7.67%	100,898,904	7.39%
Other Management Holders of A share	22,169,146	1.69%	22,169,146	1.62%
Public holders of A Shares	722,059,931	54.91%	722,059,931	52.89%
Total issued A Shares	1,114,898,433	84.78%	1,114,898,433	81.67%
Total issued Shares	1,315,084,233	100%	1,365,084,233	100%

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## LETTER FROM THE BOARD

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*Note:*

- (1) Mr. LI Liangbin is a substantial shareholder of the Company and a Director, and therefore is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Mr. LI Liangbin holds 269,770,452 A Shares of the Company, representing 24.20% of the issued A Shares.
- (2) Mr. WANG Xiaoshen is a Director, and therefore is a connected person under Chapter 14A of the Hong Kong Listing Rules. Mr. WANG Xiaoshen holds 100,898,904 A Shares of the Company, representing 9.05% of the issued A Shares.

### **Conditions for the Issuance of H Shares**

The Issuance of H Shares is subject to the Shareholders' approval at the EGM and Class Meetings. the Company having obtained the approval from the Stock Exchange and CSRC for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or cancelled prior to the Issuance of H Shares.

### **Alternative Financing Methods Other than the Issuance of H Shares**

According to the arrangement under the H Share issuance plan of the Company, the Company proposes to issue 50 million H Shares, the proceeds from which will be mainly used for the investment, development and construction of mineral resources, and the replenishment of working capital. As the overall financing scale is small, a placement model will help effectively guarantee the efficiency of issuance. In addition, due to the Proposed Issuance of A Share Convertible Bonds and the existing convertible bonds indicating potential of subsequent conversion, the Issuance of H Shares can effectively prevent public float from falling below the minimum level specified by the Hong Kong Listing Rules upon the conversion of the convertible bonds. The number of H Shares proposed to be issued represents 24.98% and 19.99% of the total number of existing H Shares in issue and the total number of H Shares after the Issuance of H Shares, respectively, showing limited dilution impact which fulfils the relevant requirements of Rule 7.27B under the Hong Kong Listing Rules.

At the same time, the participation by the entities that are respectively invested, controlled or designated by Mr. Li Liangbin, the single largest Shareholder and chairman of the Company, and Mr. Wang Xiaoshen, the vice chairman of the Company, which are in compliance with the relevant laws and regulations, in the subscription for the H Shares to be issued will further guarantee the smooth issuance of new H Shares of the Company, which is conducive to enhancing market confidence and protecting the interests of the Company and minority Shareholders. Such practice is in line with the requirements under relevant laws and regulations, regulatory documents and the Articles of Association.

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## LETTER FROM THE BOARD

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Having excluded the rights issue, open offer, debt financing or other financing methods is due to the fact that allotment proves to be the most credible way of financing among the various financing instruments as mentioned above after taking into account the financing amounts, financing efficiency and the preliminary communication with the existing H Shareholders.

### III. PROPOSED GRANT OF SPECIFIC MANDATE

Up to 50,000,000 H Shares will be issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM and the Class Meetings. To ensure smooth implementation of the Issuance of H shares, it will be proposed at the EGM and Class Meetings to authorize the Board of the Company, and agree that the Board will further authorize Ms. OUYANG Ming, the secretary to the Board of the Company, to jointly or separately exercise the full power to handle matters relating to the Issuance of H Shares under the framework and principles as considered and approved at the EGM as well as the Class Meetings and within the validity period of the resolution in respect of the Issuance of H Shares, including but not limited to: make changes or amendments to the subscription agreement as it/she may in its/her absolute discretion deem fit, to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to the subscription agreement and/or to complete the Issuance of H Shares and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder. The Specific Mandate can be exercised once or more than once. Under the Resolution on Proposed Grant of Specific Mandate, it is proposed to authorize the Board to approve, sign and execute or cause to sign and execute any necessary documents, covenants and matters as it deems relevant to the issuance of new H Shares; increase the actual capital share through the issuance of new H Shares, in order to increase the Company's registered capital, file the registered capital that has been increased with the relevant authorities, and make amendments as it deems appropriate to the Company's Articles of Association, to reflect the increase in the Company's registered capital; submit the applications, reports and other documentation in relation to the Issuance of H Shares with the domestic regulators or institutions, and complete review, registration, filing, approval, agreement and other procedures; and generally and unconditionally approve, ratify and confirm all acts under the Specific Mandate or in line with the Specific Mandate or in relation to the Specific Mandate, and all acts adopted or to be adopted by the Company in accordance with the matter of the Issuance of H Shares.

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## LETTER FROM THE BOARD

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### **IV. PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND GRANT OF SPECIFIC MANDATE TO ISSUE A SHARES UPON THE CONVERSION OF A SHARE CONVERTIBLE BONDS**

In recent years, the Company has maintained its fast pace of business development with abundant business reserves, resulting in the increase in the financing needs of the Company. Therefore, the Board proposes to issue A Share Convertible Bonds up to RMB2,150,000,000 (inclusive). Upon the completion of the Proposed Issuance of A Share Convertible Bonds (including Possible Subscription for A Share Convertible Bonds by connected persons), the Company will further consolidate the capital foundation for the sustainable development of its various business lines, which is beneficial to the development of the Company's core competitiveness and the realisation of strategic objective.

Pursuant to the relevant requirements under the Company Law, the Securities Law, the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司証券發行管理辦法》) and other laws, regulations and normative documents, upon the Company's review on the qualifications and conditions of a company applying for issuance of A share convertible bonds, the Company believes that it has satisfied all the provisions and requirements of the relevant laws, regulations and normative documents in relation to the public issuance of A share convertible bonds by listed companies, that it is not a subject of bad faith and that it possesses the qualifications and conditions for public issuance of A share convertible bonds.

Details of the A Share Convertible Bond Issuance Plan are as follows:

#### **1. Type of securities to be issued**

The type of the securities to be issued is convertible bonds which can be converted into A Shares. The A Share Convertible Bonds and the A Shares to be converted will be listed on the Shenzhen Stock Exchange.

#### **2. Size of issuance**

The total amount of the A Share Convertible Bonds proposed to be issued will not exceed RMB2.15 billion (inclusive). The actual size of the issuance shall be determined by the Board and its authorised persons within the above range, subject to the authorisation by the Shareholders at the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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### 3. Term

The term of the A Share Convertible Bonds will be six years from the date of the issuance.

### 4. Par value and issue price

The A Share Convertible Bonds will be issued at par with a nominal value of RMB100.00 each.

### 5. Interest rate

Shareholders at the EGM and the Class Meetings shall authorise the Board to determine the method of determining the nominal interest rate as well as the final interest rate for each interest accrual year of A Share Convertible Bonds upon negotiation with the sponsor (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the Company.

### 6. Method and timing of interest payment and repayment of the principal

The interest of the A Share Convertible Bonds will be paid annually, and the principal and the interest for the final year will be paid upon maturity.

#### *(1) Calculation of Annual Interest*

The formula for calculating the Annual Interest is:  $I = B \times i$

I: denotes the Annual Interest;

B: denotes the aggregate nominal value of the A Share Convertible Bonds held by an A Share Convertible Bond Holder as at the record date for interest payment in an interest accrual year (hereinafter referred to as “**current year**” or “**each year**”);

i: denotes the nominal interest rate of the A Share Convertible Bonds of current year.

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## LETTER FROM THE BOARD

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**(2) *Method of interest payment***

- a. The interest of the A Share Convertible Bonds will be paid annually, accruing from the date of the issuance of the A Share Convertible Bonds.
- b. Interest payment date: The interest is payable annually on each anniversary of the date of the issuance of the A Share Convertible Bonds. Where such a date falls on a statutory holiday or rest day, the interest payment date shall be postponed to the next working day, with no additional interest accrued during the period of postponement. The period between any two consecutive interest payment dates will be an interest accrual year.
- c. Record date for interest payment: The record date for interest payment in each year will be the trading day immediately preceding the interest payment date. The Company will pay the interest accrued for current year within five trading days from the interest payment date. Where an A Share Convertible Bond Holder converts his/her A Share Convertible Bonds into A shares on or before the record date for interest payment, that A Share Convertible Bond Holder shall not be entitled to any interest for that year and any subsequent interest accrual year.
- d. Tax payable on the interest income of an A Share Convertible Bonds Holder shall be borne by such holder him/herself.

**7. Conversion period**

The conversion period of the A Share Convertible Bonds shall commence on the first trading day immediately following the expiry of the six-month period after the date of the issuance of the A Share Convertible Bonds, and end on the maturity date of the A Share Convertible Bonds.

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## LETTER FROM THE BOARD

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### 8. Method of determining the number of shares for conversion

Where an A Share Convertible Bonds Holder applies to convert the Convertible Bonds held by him during the conversion period, the formula for calculating number of the Shares to be issued upon conversion:  $Q = V/P$ . Any fractional Share shall be rounded down to the nearest integer. In the aforesaid formula:

V: denotes the aggregate nominal value of the A Share Convertible Bonds in respect of which the A Share Convertible Bonds Holders apply for conversion;

P: denotes the prevailing conversion price as at the date of application for conversion.

An A Share Convertible Bond Holder can only apply to convert such A Share Convertible Bonds into A Shares in integers. Within five trading days from the conversion of the A Share Convertible Bonds, the Company will pay the A Share Convertible Bond Holder in cash an amount equal to the nominal value of such A Share Convertible Bonds which are insufficient to be converted into one share and the interest accrued for current period on such a balance in accordance with the relevant requirements of the Shenzhen Stock Exchange and such other authorities.

### 9. Determination and adjustment of the conversion price

#### *(1) Basis for determining the initial conversion price*

The initial conversion price of A Share Convertible Bonds shall not be lower than the average trading price of A Shares during the 20 trading days immediately preceding the date of publication of the Offering Document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the average share price for the trading days before the adjustment shall be accordingly adjusted with reference to the adjusted share price following the ex-rights or ex-dividend) and the average trading price of A Shares on the trading day immediately preceding the date of publication of the Offering Document. The actual initial conversion price shall be determined by the Board upon negotiation with the sponsor (the lead underwriter) in accordance with the market conditions and actual conditions of the Company, subject to the authorisation by the Shareholders at the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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The average trading price of A Shares for the 20 trading days immediately preceding the date of publication of the Offering Document = the total trading amount of A Shares during such 20 trading days/the total trading volume of A Shares during such 20 trading days;

The average trading price of A Shares for the trading day immediately preceding the date of publication of the Offering Document = the total trading amount of A Shares on such a trading day/the total trading volume of A Shares on such a trading day.

**(2) *Method of adjustment to the conversion price***

The conversion price is subject to adjustments in certain events subsequent to the issuance of the A Share Convertible Bonds such as distribution of share dividends, capitalisation, issuance of new shares or rights issue and distribution of cash dividends (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds). The Company will adjust the conversion price based on the following formula (rounded to two decimal places):

Distribution of share dividends or capitalisation:  $P1 = P0 / (1 + n)$ ;

Issuance of new shares or rights issue:  $P1 = (P0 + A \times k) / (1 + k)$ ;

The above two events occurring concurrently:  $P1 = (P0 + A \times k) / (1 + n + k)$ ;

Distribution of cash dividends:  $P1 = P0 - D$ ;

The above three events occurring concurrently:  $P1 = (P0 - D + A \times k) / (1 + n + k)$ .

In the aforesaid formulae, “P1” denotes the adjusted conversion price; “P0” denotes the conversion price before the adjustment; “n” denotes the rate of distribution of share dividends or capitalisation; “A” denotes the price of issuance of new shares or rights issue; “k” denotes the rate of issuance of new shares or rights issue; and “D” denotes the cash dividend per share.



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## LETTER FROM THE BOARD

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Upon occurrence of any of the abovementioned changes in A Shares and/or A Shareholders' interests, the Company will adjust the conversion price in accordance with the above method, and an announcement in relation to the adjustment of the conversion price will be made on the media designated by CSRC for information disclosure of listed companies. Such an announcement will indicate the date of the adjustment to the conversion price, method of the adjustment and suspension period of share conversion (if necessary). Meanwhile, the Company shall disclose the information to the Hong Kong market in accordance with the Hong Kong Listing Rules and the Articles of Association of the Company (if necessary). If the conversion price adjustment date is on or after the date on which an A Share Convertible Bond Holder applies for conversion of his/her A Share Convertible Bonds but before the registration date of the shares to be issued upon conversion, such conversion will be executed based on the adjusted conversion price.

In the event that the A Share Convertible Bond Holders' interests or the interests derived from the share conversion of the A Share Convertible Bonds are affected by the change in the Company's share class, quantity and/or Shareholders' interests due to any possible share repurchase, consolidation, division or any other circumstances, the Company will adjust the conversion price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of the A Share Convertible Bond Holders. The details of the adjustment to the conversion price and its implementation measures shall be determined in accordance with the relevant national laws and regulations and the relevant requirements of the securities regulatory authorities.

The Article 22 of the Administrative Measures for Issuance of Securities by Listed Companies stipulates that the conversion price shall not be lower than the average price of the company's shares in 20 trading days prior to the date of the announcement of the Offering Document or the average price on the trading day preceding the date thereof. The brief procedure for review of issuance of convertible corporate bonds by in the A shares listed companies in the PRC is as follows: application for approval from the CSRC→approval by the CSRC→issue of approval by the CSRC for issuance→issue window approved by the CSRC→publication of the Offering Document→completion of issuance. As such, the conversion price of the A Shares Convertible Bonds cannot be determined for the time being.

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## LETTER FROM THE BOARD

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As of December 31, 2018, the price of the net assets of the Company is RMB6.11 per Share, and the minimum trading price of A Shares of the Company for the most recent year is RMB19.21 per Share, which were far higher than the size of the net assets per Share of the Company. It is expected that conversion price to be determined at the time of the Proposed Issuance of A Share Convertible Bonds shall be not lower than the audited net assets per Share of the Company.

### **10. Terms of downward adjustment to the conversion price**

#### ***(1) Authorisation and magnitude of adjustment***

If, during the term of the A Share Convertible Bonds, the closing prices of A Shares in at least 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing conversion price, the Board may propose a downward adjustment to the conversion price to Shareholders at the general meeting and the Class Meetings for their consideration and approval.

The abovementioned proposal is subject to approvals of more than two-thirds of the voting rights of the Shareholders who attend the meeting. Shareholders who hold the A Share Convertible Bonds should abstain from voting at the general meeting. The adjusted conversion price should be no less than the higher of the average trading price of A Shares during the 20 trading days immediately preceding the date of such a general meeting and the average trading price of A Shares on the trading day immediately preceding the date of such a general meeting.

In the event that an adjustment to the conversion price by the Company is made due to ex-rights or ex-dividend during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, while in respect of the trading day on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day.

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## LETTER FROM THE BOARD

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**(2) *Adjustment procedures***

If the Company decides to make a downward adjustment to the conversion price, the Company shall publish relevant announcement on media designated by CSRC for information disclosure of listed companies. Such an announcement shall disclose information including the magnitude of the adjustment, the registration date of the shares subject to the downward adjustment to the conversion price, the suspension period of share conversion (if any) and such other information. Meanwhile, the Company shall disclose the information to the Hong Kong market in accordance with the Hong Kong Listing Rules and the Articles of Association (if necessary). Application for conversion of the A Share Convertible Bonds at the adjusted conversion price shall be resumed upon the first trading day after the registration date, i.e. the conversion price adjustment date. If the conversion price adjustment date is on or after the date of the application for conversion but before the registration date of the shares to be issued upon conversion, such conversion will be executed based on the adjusted conversion price.

**11. Terms of redemption**

**(1) *Terms of redemption upon maturity***

Within 5 trading days upon maturity of the A Share Convertible Bonds, the Company will redeem all the A Share Convertible Bonds which have not been converted into A Shares by then, at a price determined by the Board upon negotiation with the sponsor (the lead underwriter) with reference to the market conditions, subject to the authorisation by the Shareholders at the general meeting.

**(2) *Terms of conditional redemption***

During the conversion period, in case of one of the following two circumstances, the Company has the right to redeem all or part of the A Share Convertible Bonds which have not been converted into shares based on the par value plus the accrued interest then:

- (1) where the closing prices of A Shares for at least 15 trading days out of any 30 consecutive trading days during the conversion period are no less than 130% (inclusive) of the prevailing conversion price;
- (2) where the balance of the outstanding A Share Convertible Bonds under the issuance is lower than RMB30.00 million.

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## LETTER FROM THE BOARD

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Formula for calculating the then accrued interest is:  $IA=B \times i \times t/365$

IA: denotes the accrued interest for the current period;

B: denotes the aggregate nominal value of the A Share Convertible Bonds to be deemed that are held by the A Share Convertible Bond Holders under the issuance;

i: denotes the nominal interest rate of the A Share Convertible Bonds for current year;

t: denotes the actual number of calendar days from the last interest payment date up to the redemption date of that interest accrual year (including the last interest payment date).

In the event that an adjustment to the conversion price is made during the aforesaid 30 trading days, the amount for trading days prior to the date of the adjustment shall be calculated based on the conversion price and the closing price of the A Shares before the adjustment, while the amount for trading days after the adjustment shall be calculated based on the conversion price and the closing price after the date of the adjustment.

Redemption period of the A Share Convertible Bonds under the issuance is consistent with the conversion period, i.e., to commence from the first trading day immediately following the expiry of the six-month period after the date of the issuance, and to end on the maturity date of the A Share Convertible Bonds.

### 12. Terms of sale back

#### (1) *Terms of conditional sale back*

During the last two interest accrual years within the term of the A Share Convertible Bonds under the issuance, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price, the A Share Convertible Bond Holders are entitled to sell back all or part of their A Share Convertible Bonds to the Company at par plus the then accrued interest (formula for calculating the then accrued interest is set out in relevant contents of terms of redemption).

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## LETTER FROM THE BOARD

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In the event that an adjustment to the conversion price is made during the aforesaid 30 trading days, the amount for trading days prior to the date of the adjustment shall be calculated based on the conversion price and the closing price of the A Shares before the adjustment, while the amount for trading days after the adjustment shall be calculated based on the conversion price and the closing price after the date of the adjustment. In the event that there is a downward adjustment to the conversion price, the aforesaid “30 consecutive trading days” shall be re-counted from the first trading day following the adjustment to the conversion price.

During the last two interest accrual years within the term of the A Share Convertible Bonds under the issuance, the A Share Convertible Bond Holders can exercise their sale back rights once every year upon the first satisfaction of the conditions of the sale back in accordance with the abovementioned terms. If the A Share Convertible Bond Holders, upon the first satisfaction of the conditions of the sale back, do not apply for and exercise their sale back rights during the sale back declaration period specified by the Company, they are not entitled to exercise their sale back rights during that interest accrual year. The A Share Convertible Bond Holders are not allowed to exercise part of their sale back rights repeatedly.

**(2) *Additional terms of sale back***

If the actual use of proceeds from the Proposed Issuance of A Share Convertible Bonds under the issuance significantly differs from the undertakings of the use of proceeds set out by the Company in the Offering Document, and such a change is regarded as a change in the use of proceeds by relevant provisions of the CSRC or determined by the CSRC, the A Share Convertible Bond Holders will be entitled to a one-off right to sell all or part of the A Share Convertible Bonds back to the Company at par plus the then accrued interest. The A Share Convertible Bond Holders can exercise their sale back rights upon the satisfaction of the additional terms of sale back during the additional sale back declaration period as announced by the Company. If the A Share Convertible Bond Holders do not exercise their sale back rights during the declaration period, they shall be deemed to abandon the rights (formula for calculating the then accrued interest is set out in relevant contents of terms of redemption).

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## LETTER FROM THE BOARD

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### **13. Entitlement to dividend in the year of conversion**

The new A Shares to be issued as a result of the conversion of the A Share Convertible Bonds shall rank pari passu with all the existing A Shares. All ordinary Shareholders of A Shares (including those becoming ordinary Shareholders as a result of the conversion of the A Share Convertible Bonds) whose names are recorded on the register of members of the Company on the share registration date for dividend distribution shall be entitled to receive the dividend of that period and equal rights and interests.

### **14. Method of issuance and target investors**

The actual method of the Issuance of the A Share Convertible Bonds will be determined by the Board and its authorised persons upon negotiation with the sponsor (the lead underwriter), subject to authorisation at the EGM and the Class Meetings. The target investors of the A Share Convertible Bonds are natural persons, legal persons, securities investment funds and other investors in compliance with the legal requirements, who have maintained securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (excluding those prohibited by national laws and regulations).

### **15. Subscription arrangement for the existing A Shareholders**

The existing A Shareholders are entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds under the issuance. The existing A Shareholders may choose not to exercise such rights. It will be proposed at the general meeting and the Class Meetings to authorise the Board and its authorised persons to determine the specific portion of preferential subscription of existing A Shareholders upon negotiation with the sponsor (the lead underwriter) in accordance with the actual situations at the time of the issuance. Such determination shall be disclosed in the Announcement Regarding Issuance. Such preferential subscription shall be subject to the Company Law, the Hong Kong Listing Rules and any other applicable laws, regulations and rules of any government or regulatory authorities, including but not limited to rules and requirements regarding connected transactions.

The balance other than preferential subscription of existing A Shareholders and the portion of the pre-emptive rights waived by existing A Shareholders will be either offered to institutional investors offline or issued by way of online pricing through the trading system of the SZSE, with the remaining balance underwritten by the underwriter(s) in case of undersubscription.

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## LETTER FROM THE BOARD

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### 16. Matters relating to A Share Convertible Bond Holders' meeting

#### ***(1) Rights of the A Share Convertible Bond Holders:***

- (a) to receive agreed interests in accordance with the number of the A Share Convertible Bonds held by A Share Convertible Bond Holders;
- (b) to convert the A Share Convertible Bonds held by A Share Convertible Bond Holders into A Shares of the Company according to the agreed conditions;
- (c) to exercise right of sale back on agreed conditions;
- (d) to assign, bestow or pledge the A Share Convertible Bonds held by A Share Convertible Bond Holders in accordance with the provisions of laws, administrative regulations and the Articles of Association;
- (e) to receive relevant information in accordance with the provisions of laws and the Articles of Association;
- (f) to request the Company to repay the principal and interest of the A Share Convertible Bonds within the agreed period and by the agreed manner;
- (g) right to attend the meetings of A Share Convertible Bond Holders, either in person or by proxy, and vote in accordance with relevant provisions under laws and administrative regulations; and
- (h) other rights as creditors of the Company prescribed by laws, administrative regulations and the Articles of Association.

#### ***(2) Obligations of the A Share Convertible Bond Holders:***

- (a) to abide by the relevant terms of the issuance of A Share Convertible Bonds by the Company;
- (b) to pay the subscription amount in accordance with the number of A Share Convertible Bonds subscribed for;

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## LETTER FROM THE BOARD

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- (c) to abide by the effective resolutions approved at the meetings of A Share Convertible Bond Holders;
  - (d) not to request the Company to make prepayment of the principal and interest of A Share Convertible Bonds, unless otherwise required by laws and regulations, or otherwise agreed in the Offering Document of A Share Convertible Bonds; and
  - (e) other obligations required to be undertaken by A Share Convertible Bond Holders prescribed by laws, administrative regulations and the Articles of Association.
- (3) ***During the term of A Share Convertible Bonds, an A Share Convertible Bond Holders' meeting shall be convened upon the occurrence of any of the following events:***
- (a) the Company proposes to change the terms of the Offering Document of A Share Convertible Bonds;
  - (b) proposed amendments to the rules for A Share Convertible Bond Holders' meeting;
  - (c) the Company defaults in paying the principal and interests of A Share Convertible Bonds for the current period on time;
  - (d) the Company undertakes a capital reduction (except for a capital reduction to repurchased shares under a share incentive scheme), merger, division, dissolution or files for bankruptcy;
  - (e) any material change arises from the guarantors (if any) or the collaterals (if any);
  - (f) inability to perform duties duly by the management of the Company leads to serious uncertainties on the Company's ability to repay debts, and actions should be taken in accordance with laws;



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## LETTER FROM THE BOARD

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- (g) the Company proposes a debt restructuring plan;
- (h) other circumstances where the Board of the Company or A Share Convertible Bond Holders, either individually or jointly, holding 10% or more of the aggregate nominal value of the outstanding A Share Convertible Bonds for the period, propose(s) in writing to convene;
- (i) other matters which may significantly and materially affect the interests of A Share Convertible Bond Holders;
- (j) other matters required to be considered and determined at the meetings of the A Share Convertible Bond Holders in accordance with the provisions of the laws, administrative regulations, the CSRC, the SZSE, and the rules of the meetings of the A Share Convertible Bond Holders.

**(4) *The following entities or persons may propose an A Share Convertible Bond Holders' meeting:***

- (a) the Board through proposal;
- (b) A Share Convertible Bond Holders, either individually or jointly, holding 10% or more of the aggregate nominal value of the outstanding A Share Convertible Bonds for the period through written proposal;
- (c) other entities or persons prescribed by the laws, regulations or the CSRC.

The Company shall provide in the Offering Document the measures to protect the interests of the A Share Convertible Bond Holders and the rights of permission of A Share Convertible Bond Holders' meeting, the procedures and the conditions for the resolutions to become effective.

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## LETTER FROM THE BOARD

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### 17. Use of proceeds

As of May 31, 2019, 75% of proceeds from the Company's global offering conducted in 2018 were used. The management has gained more opportunities to acquire upstream resources in the first quarter of 2019. The first raised upstream resources includes lithium resource types of ores, brine, lithium clay, etc. As of the Latest Practicable Date, the Company has sufficient working capital, therefore the proposed A Share Convertible Bonds Issuance Plan is mainly to meet the capital needs of the first raised investment, development and construction of lithium projects opportunities.

The total amount of proceeds from the Proposed Issuance of A Share Convertible Bonds (including issuance expense) will not exceed RMB2.15 billion (inclusive), which will be used for the following projects after deducting the issuance expense:

No.	Item	Total investment made in project (RMB'000)	Amount of proceeds intended to be used (RMB'000)
1	Project for subscription for certain equity interests of Minera Exar	1,072,000	1,072,000
2	Renovation and expansion project for ten thousand tonne lithium salt	765,850	473,000
3	Replenishment of working capital	605,000	605,000
Total		<u>2,442,850</u>	<u>2,150,000</u>

Before the receipt of the proceeds from the Proposed Issuance of A Share Convertible Bonds, the Company will implement the projects utilising its own funds in accordance with the actual progress of the projects. Upon receipt of the proceeds, the proceeds will be used to replace the remaining funds and cover the spent funds. The Board may make adjustment to the proposed investment amount of the proceeds for the above one or multiple projects and the priority thereof, based on the actual situation of project progress, provided that the investment projects for the proceeds shall not be changed. After the receipt of the proceeds of A Share Convertible Bonds, if the actual net proceeds after deducting the issuance expense are less than the amount of the total amount of proceeds proposed to be invested, the shortfall should be financed by the own funds of the Company.

### 18. Guarantee and security

There is no guarantee provided in relation to A Share Convertible Bonds under the issuance.

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## LETTER FROM THE BOARD

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### **19. Deposit account for proceeds raised**

The Company has established the Administrative Measures for the Proceeds Raised. The proceeds of the A Share Convertible Bonds shall be maintained in an account designated by the Board. Details regarding the opening of the account will be determined by the Board before the issuance.

### **20. Validity period of the A Share Convertible Bond Issuance Plan**

The Proposed Issuance of A Share Convertible Bonds will be valid for 12 months from the date of the considering and passing of the A Share Convertible Bonds Issuance Plan at the EGM and the Class Meetings. If the A Share Convertible Bonds Issuance Plan of the Company is approved by the CSRC within the validity period, the validity period will automatically extend to the completion of the issuance.

### **21. Issue of new A Shares upon Conversion of A Share Convertible Bonds under Specific Mandate**

The new A Shares to be issued upon the conversion of A Share Convertible Bonds will be issued under the specific mandate proposed to be sought from the Independent Shareholders at the EGM and the Class Meetings.

## **V. POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS BY CONNECTED PERSONS**

All of the A Shareholders are entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds under the A Share Convertible Bond Issuance Plan of the Company.

The terms of the Possible Subscription for A Share Convertible Bonds by connected persons (other than the subscription amount) are the same as the terms and conditions which are set out in the A Share Convertible Bond Issuance Plan. Based on the maximum issuance size of the Proposed Issuance of A Share Convertible Bonds (i.e. RMB2.15 billion) and the direct shareholding percentage of connected persons in the A Shares of the Company (i.e. 36.87%), the maximum subscription amounts under the Possible Subscription for A Share Convertible Bonds by connected persons are RMB792.6770 million.

## LETTER FROM THE BOARD

Names of the connected persons, their relationship with the Company, the number of A Shares held by them, the percentage of A Shares held by them out of the total share capital of A Shares and the maximum subscription amounts under the Possible Subscription for A Share Convertible Bonds by them are set out as follows:

Name	Relationship with the Company	Number of A Shares	Percentage of A Shares held by them out of the total share capital of A Shares (%)	Maximum subscription amounts under the Possible Subscription for A Share Convertible Bonds (RMB0'000)
LI Liangbin	Actual controller and Chairman of the Company	269,770,452.00	24.20%	52,023.34
XIONG Jianlang	Actual controller	5,837,160.00	0.52%	1,125.66
HUANG Wen	Actual controller	11,316,210.00	1.02%	2,182.25
LI Liangxue	Actual controller	810,900.00	0.07%	156.38
LUO Shunxiang	Actual controller	2,829,972.00	0.25%	545.74
LI Huabiao	Actual controller	213,372.00	0.02%	41.15
WANG Xiaoshen	Vice Chairman and Vice President of the Company	100,898,904.00	9.05%	19,457.64
SHEN Haibo	Director and Vice President	14,273,568.00	1.28%	2,752.56
DENG Zhaonan	Director and Vice President	2,852,928.00	0.26%	550.17
TANG Xiaoqiang	Supervisor	300.00	0.00%	0.06
DENG Jianping	Deemed as a connected person due to the relation with the Director, DENG Zhaonan	70,000.00	0.01%	13.50
CHEN Liangguo	Deemed as a connected person due to the relation with the Director, LI Liangbin	15,000.00	0.00%	2.89
CHEN Qingbo	Deemed as a connected person due to the relation with the Director, LI Liangbin	7,500.00	0.00%	1.45
ZHU Hui	Deemed as a connected person due to the relation with the Director, LI Liangbin	7,500.00	0.00%	1.45
ZHU Wei	Deemed as a connected person due to the relation with the Director, LI Liangbin	30,000.00	0.00%	5.79
LIU Feng	Supervisor of a subsidiary of the Company	97,500.00	0.01%	18.80
ZHU Shigui	General manager of a subsidiary of the Company	216,500.00	0.02%	41.75

## LETTER FROM THE BOARD

Name	Relationship with the Company	Number of A Shares	Percentage of A Shares held by them out of the total share capital of	Maximum subscription amounts under the Possible Subscription for A Share Convertible Bonds
			A Shares (%)	(RMB0'000)
LIAO Lu	Deemed as a connected person due to the relation with the general manger of a subsidiary of the Company, ZHU Shigui	7,500.00	0.00%	1.45
GE Zhimin	General manager of a subsidiary of the Company	465,900.00	0.04%	89.85
XIE Shaozhong	General manager of a subsidiary of the Company	229,500.00	0.02%	44.26
XIAO Haiyan	General manager of a subsidiary of the Company	229,650.00	0.02%	44.29
LI Liang	General manager of a subsidiary of the Company	142,500.00	0.01%	27.48
LI Liangyao	General manager of a subsidiary of the Company	95,100.00	0.01%	18.34
ZENG Zuliang	General manager of a subsidiary of the Company	270,000.00	0.02%	52.07
ZHANG Baoxiu	General manager of a subsidiary of the Company	360,000.00	0.03%	69.42
Total		411,047,916	36.87%	79,267.70

### VI. REASONS FOR AND BENEFITS OF THE ISSUANCE OF H SHARES AND THE ISSUANCE OF A SHARE CONVERTIBLE BONDS

According to the financial budget of the Company, the Company has plans for significant capital expenditure as well as needs for substantial working capital in 2019. The remaining proceeds from the initial public issuance of H Shares will be utilized according to the plan for use of proceeds as disclosed before. The current cash and cash equivalents of the Company is not sufficient to meet the existing capital budget of the Company.

#### Main reasons for the Proposed Issuance of A Share Convertible Bonds

Compared to the other financing instruments, convertible bond is a common financing instrument with lower costs in the A Share market. To some extent, it allows a company to raise large amount of funds at lower financing costs while imposing no material burden on the balance sheet. Meanwhile, it is highly encouraged and supported by the CSRC and other authorities.

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## LETTER FROM THE BOARD

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### **Main reasons for the Issuance of H Shares**

The main reason for the Company to issue the H Shares is to satisfy the requirement for maintaining the public float of more than 15% upon the Proposed Issuance of A Share Convertible Bonds. Meanwhile, the issuance will expand the share capital of H Shares and enhance liquidity of H shares. Therefore, the issuance of H Shares could be regarded as the prerequisite to issue the Convertible Bonds. The issuance of the Convertible Bonds will be conditional upon the completion of the issuance of H Shares. In the event that the issuance of H Shares is not completed, the Company will not proceed with the issuance of the Convertible Bonds.

### **Benefits of the Issuance of H Shares and the Proposed Issuance of A Share Convertible Bonds**

The Group is one of the world's largest lithium compounds producers and metals producers in terms of production capacity offering five major categories of more than 40 lithium compounds and metals products. The Group has a strategy to strengthen its leading position through further deepening upstream and downstream integration in value chain along the lithium industry.

### ***Development of Upstream Mineral Resources***

The management of the Company believes that securing high quality and stable upstream mineral resources is fundamental to the long-term sustainable growth of the Group's business. In the previous few years, the Group has been actively expanded its mineral resources portfolio with a focus on brine-based extraction development. Lithium extraction from brine is a simple, efficient, low-cost and more environmentally friendly extraction methodology as compared with lithium extraction from ores. High quality brine ore resources are important for the lithium extraction from brine methodology.

Minera Exar S.A. is an Argentina-based keen mining and exploration company which possesses entire interest in the Cauchari-Olaroz lithium salt lake project located in Jujuy, Argentina, one of the largest lithium brine resources globally with a total measured and indicated resource of 17,977,200 tonnes of lithium carbonate equivalent and a lithium-rich brine resource of 11.8 million tons lithium carbonate equivalent. Cauchari-Olaroz lithium salt lake project is of high quality in terms of high resource grade (in Li<sub>2</sub>O% or in Li mg/L) and large resource size. It is expected, that once in production (targeting 40,000 tpa of lithium carbonate production capacity subject to necessary approvals) the Cauchari-Olaroz salt lake project will be among the lowest cost producers of lithium carbonate. The management of the Company advised that investment in Minera Exar S.A. is line with the Group's upstream lithium resources development strategy.

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## LETTER FROM THE BOARD

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On 13 August 2018, the Group entered into an acquisition agreement to acquire 37.5% of the equity interests in Minera Exar S.A. In order to have a greater board and management representation in Minera Exar S.A., the Group entered into another agreement to subscribe for additional equity interests of Minera Exar S.A. for a total consideration of US\$160,000,000 on 1 April 2019. Upon completion of the subscription, the Group will have 50% interest in Minera Exar S.A.

### ***Materials for Lithium Battery Business***

Environmental improvement inevitably brings health benefits and makes a city a more attractive and enjoyable place to live. Air pollution is a great concern in the community and the main sources, motorized vehicles and power plants are related to daily activities. Electric vehicles offer a quick solution to two societal needs which are reducing harmful air pollution from exhaust emissions and reaching national targets for reducing greenhouse gas emissions. Many countries have provided incentive to electric vehicle users through lower tax or tax exemption, free parking and free charging facilities. It is expected that electric vehicles will become more and more popular in future. The Group aimed to capture the business opportunities from the explosive growth of demand for lithium batteries used in high performance electric vehicles and energy storage devices, it expanded downstream into the lithium battery production industry in 2015. Its battery products include lithium-ion motive batteries, energy storage batteries and consumer batteries. The Group's lithium motive power can be used in electric vehicles, its lithium energy stored batteries in a variety of energy store equipment and its lithium consumer batteries in a variety of consumer electronic devices, such as mobile phones and notebook computers. The Group started to seek breakthroughs in the production of solid-state lithium batteries, which are new generation of battery technology for electric vehicle application due to its ability to achieve higher energy density enabling longer driving range, faster charging and improved safety features. Battery-grade lithium hydroxide is one of the most important varieties of lithium compounds and the key materials in production of lithium power batteries.

In order to secure a stable supply of the battery-grade lithium hydroxide to satisfy the orders from its customers, the Group planned to renovate and expand the project for ten-thousand tonne lithium salt. The management of the Company advised that the expansion of the production scale of battery-grade lithium hydroxide will definitely increase the Group's core competitiveness in lithium industry and pave the way for the Group to become a major supply of lithium products in the market.

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## LETTER FROM THE BOARD

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Lithium industry is a technology and capital-intensive industry, the Group is required to make investment in a continuous manner to retain a sustainable competitiveness in the industry. According to the Letter from the Board, the net proceeds from the Issuance of H Shares (including the net proceeds from the Issuance of H Shares) will be utilised for development and construction of mineral resources, as well as replenishment of working capital. The net proceeds from the Proposed Issuance of A Share Convertible Bonds will be used for the projects as described in the following table:

<b>Projects</b>	<b>Total investment made in project (RMB'000)</b>	<b>Amount of proceeds intended to be used (RMB'000)</b>
Subscription of certain equity interests of Minera Exar S.A.	1,072,000	1,072,000
Renovation and expansion project for ten thousand tonne lithium salt	765,850	473,000
Replenishment of working capital	<u>605,000</u>	<u>605,000</u>
Total	<u><u>2,442,850</u></u>	<u><u>2,150,000</u></u>

The Group is currently in the growing stage, it has been made significant investment in new production lines and exploration of lithium resources these years. The Group recorded significant net cash outflow in investment activities of RMB840,192,000 and RMB2,360,038,000 for the year ended 31 December 2017 and 2018, respectively. The amount of the Group's net cash outflow in investment activities was significantly higher than the amount of the net cash inflow generated by the Group's operating activities. The Issuance of H Shares and the Proposed Issuance of A Share Convertible Bonds will not only provide funding to support the Group's future investment, but also help replenish the Group's working capital to manage the capital shortage problem to be encountered in the rapid development and optimize the Group's capital structure.



## LETTER FROM THE BOARD

### VII. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY IN RELATION TO THE ISSUANCE OF H SHARES AND THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

Assume that the conversion price of the A Share Convertible Corporate Bonds is RMB28.98 per Share, i.e. the higher price between the average trading price of A Shares during the 20 trading days or on the trading day preceding the date of the convening of the 34th meeting of the fourth session of the Board of the Company (i.e. April 29, 2019). The conversion price is only used to calculate the impact of diluted immediate returns arising from the Proposed Issuance of A Share Convertible Bonds on the key financial indicators. The initial conversion price will be determined finally by the Board of the Company according to market conditions before the Proposed Issuance of A Share Convertible Bonds as authorised by the general meetings, and ex-rights, ex-dividend adjustment or downward adjustment might be conducted.

Assume that the number of H Shares to be actually issued is 50,000,000 Shares.

Item	Before the Proposed Issuance of A Share Convertible Bonds and the Issuance of H Shares		After the Proposed Issuance of A Share Convertible Bonds and the Issuance of H Shares		Full conversion of A Share Convertible Bonds for the six months after completion of the Proposed issue of convertible bonds	
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage
Total share capital	1,315,084,233	100.00%	1,365,084,233	100.00%	1,439,273,328	100.00%
Tradable shares:	1,000,760,537	76.10%	1,050,760,537	76.97%	1,124,949,632	78.16%
Tradable A shares – connected persons	78,514,806	5.97%	78,514,806	5.75%	104,655,602	7.27%
Tradable A shares – Public holders	722,059,931	54.91%	722,059,931	52.89%	770,108,230	53.51%
Tradable H shares	0	0.00%	0	0.00%	25,000,000	1.74%
– Connected person holders						
Tradable H shares – Public holders	200,185,800	15.22%	225,185,800	16.50%	225,185,800	15.65%
Shares subject to lock-up:	314,323,696	23.90%	314,323,696	23.03%	314,323,696	21.84%
A Shares subject to lock-up	314,323,696	23.90%	314,323,696	23.03%	314,323,696	21.84%
H Shares subject to lock-up	0	0.00%	25,000,000	1.83%	0	0.00%

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## LETTER FROM THE BOARD

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### **VIII. IMPLICATIONS ON THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND THE POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS UNDER THE PRC REGULATORY REQUIREMENTS**

The A Share Convertible Bonds proposed to be issued by the Company may lead to the issuance of new A Shares upon the exercise of the conversion rights of the A Share Convertible Bonds, the actual number of which depends on a number of factors, including the conversion price of the A Share Convertible Bonds. The Board considers that the conversion of A Share Convertible Bonds into new A Shares will dilute the interests of the existing A Shareholders in the Company's share capital.

Pursuant to the Articles of Association and the provisions of the relevant PRC laws and regulations, the Proposed Issuance of A Share Convertible Bonds shall subject to, among others, the Shareholders' approval at the general meeting and the Class Meetings, and approvals from the relevant PRC regulatory authorities.

### **IX. IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

To the best of the Company's knowledge and the Proposed Subscribers' confirmation, targeted subscribers of the Issuance of H Shares included the entities invested, controlled or designated by LI Liangbin, the single largest Shareholder and the Chairman of the Company in compliance with relevant laws and regulations, and the entities invested, controlled or designated by WANG Xiaoshen, the Vice Chairman of the Company in compliance with relevant laws and regulations, other overseas natural persons, institutional investors who are independent of the Company and not connected persons of the Company, and other eligible investors. The Proposed Subscribers constitute connected persons under the Hong Kong Listing Rules. Accordingly, the transaction constitutes the connected transaction under the Hong Kong Listing Rules and is subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. The Proposed Subscribers also constitute related parties under the Shenzhen Listing Rules and the transaction will constitute a related party transaction pursuant to relevant PRC laws, which is subject to approval of Independent Shareholders.

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## LETTER FROM THE BOARD

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Pursuant to Rule 19A.38 of the Hong Kong Listing Rules, the Proposed Issuance of H Shares under the Specific Mandate and the Proposed Issuance of A Share Convertible Bonds are subject to the requirements for Shareholders' approvals at the EGM and the Class Meetings.

Pursuant to the Hong Kong Listing Rules, if connected persons exercise their pre-emptive rights to subscribe for the A Share Convertible Bonds, the subscription will constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules and be subject to the requirements of reporting, announcement and Independent Shareholders' approval under the Hong Kong Listing Rules. All existing A Shareholders of the Company are entitled to pre-emptively subscribe for the A Share Convertible Bonds on a pro rata basis. No Shareholders can enjoy any privilege in the capacity of connected persons of the Company.

LI Liangbin, WANG Xiaoshen, SHEN Haibo and DENG Zhaonan are deemed to have material interests in the Possible Subscription for A Share Convertible Bonds and have abstained from voting on the relevant Board resolution. Save the above Directors, no Directors are interested or deemed to be materially interested in the above transaction. In addition, no Directors shall abstain from voting on the resolution in relation to the Proposed Issuance of A Share Convertible Bonds.

The Board expects that the Company will maintain sufficient public float to meet the applicable minimum requirement under the Hong Kong Listing Rules.

### **X. EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

On 16 October 2018, the Company publicly issued 200,185,800 H Shares, with net proceeds of USD404,400,500. According to the plan on use of proceeds as set out in the prospectus of the Company dated 27 September 2018, approximately 58% of the net proceeds is intended to be used for (i) investments and acquisitions of upstream lithium resources, and (ii) funding capital expenditures in connection with the exploration of upstream lithium resources as well as the expansion of production capacity of lithium compounds, lithium metals, lithium batteries and lithium recycling; approximately 22% of the net proceeds is intended to be used to provide financial assistance to Lithium Americas Corp.; approximately 10% of the net proceeds is intended to be used for our research and development efforts, in particular on solid-state lithium batteries;

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## LETTER FROM THE BOARD

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approximately 10% of the net proceeds is intended to be used for our working capital and general corporate purposes. As at 31 December 2018, the Company utilised proceeds of USD113,020,700 in aggregate, and the balance of proceeds amounted to USD291,643,300 (including interest income generated from proceeds deposited with the designated proceeds account). The use of proceeds as at December 31, 2018 is set out as follows:

Use of Proceeds Disclosed in the Prospectus	Percentage Use of Proceeds Disclosed in the Prospectus	Usage Details	Used Amount
Investments and acquisitions of upstream lithium resources, and (ii) funding capital expenditures in connection with the exploration of upstream lithium resources as well as the expansion of production capacity of lithium compounds, lithium metals, lithium batteries and lithium recycling.	58%, approximately USD234,550,000	Upstream lithium resource: acquisition of 37.5% equity interests in the Cauchari-Olaroz Project and loans for the same project	USD113,020,700
Financial assistance to Lithium Americas Corp., which will use the funds to cover capital expenditure for construction of the Cauchari-Olaroz Project	22%, approximately USD88,970,000	Currently unused	Currently unused
Research and development efforts, in particular on solid-state lithium batteries	10%, approximately USD40,440,000	Currently unused	Currently unused
Working capital and general corporate purposes	10%, approximately USD40,440,000	Currently unused	Currently unused

Save for the above activities, the Company has not conducted any fundraising activities involving the issuance of equity securities within 12 months immediately before the date of this circular.

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## LETTER FROM THE BOARD

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### **XI. PRINCIPAL BUSINESS OF MAJOR PARTY TO THE TRANSACTION**

The Company is principally engaged in the production of lithium hydroxide, lithium carbonate, lithium fluoride and butyl lithium; and the production, processing and sales of non-ferrous metals, batteries, instrumentation components, machinery and equipment, chemical products, chemical raw materials and chemical products. It offers five major categories of more than 40 lithium compounds and metal products, which we regard as one of the most comprehensive product offerings among the lithium product manufactures. Products of the Company are widely applied in various fields, to be specific, including manufacturing of electric vehicles chemicals and pharmaceuticals. The Company possesses a vertically integrated business model, which covers important fields of the value chain including upstream lithium extraction, midstream lithium compounds and metals processing as well as downstream lithium battery production and recycling. It started as a midstream manufacturer of lithium compounds and lithium metals, thus ensuring competitive supply of lithium raw materials, securing cost and operation efficiency, creating synergies between various business segments and gathering latest market information and developing cutting-edge technologies.

### **XII. ADVICE FROM THE INDEPENDENT BOARD COMMITTEE**

Upon verification, the Independent Board Committee considers that the Issuance of H Shares under the Specific Mandate to connected persons and the Possible Subscription for A Share Convertible Bonds by connected persons have obtained necessary approval and authorisation, and relevant review procedure has been performed, which are in compliance with the provisions of the Hong Kong Listing Rules, the Company Law, the Securities Law and other laws and regulations, normative documents and the Articles of Association. Meanwhile, the reasons for, the number and price of the Issuance of H Shares under the Specific Mandate to connected persons and the Possible Subscription for A Share Convertible Bonds by connected persons are legal and compliant, without prejudice to the legitimate interests of the Company and the Shareholders as a whole, particularly the minority Shareholders. Accordingly, we agree to the matters concerning the Issuance of H Shares under the Specific Mandate to connected persons by the Company and the Possible Subscription for A Share Convertible Bonds by connected persons, and agree that the proposal be submitted to the EGM and the Class Meetings for consideration.

The matters concerning the Issuance of H Shares under the Specific Mandate to connected persons and the Possible Subscription for A Share Convertible Bonds by connected persons are to be submitted to the EGM and the Class Meetings of the Company for consideration and approval. The relevant resolutions in relation to the Proposed Issuance of A Share Convertible Bonds and Specific Mandate to Issue A Shares upon Conversion of the A Share Convertible Bonds are to be submitted to the EGM.

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## LETTER FROM THE BOARD

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During consideration of the relevant proposals at the EGM and the Class Meetings, LI Liangbin and WANG Xiaoshen, being connected persons with material interests in the matters concerning the Issuance of H Shares under the Specific Mandate to connected persons, shall abstain from voting on such proposals at the meetings. LI Liangbin, XIONG Jianlang, HUANG Wen, LI Liangxue, LUO Shunxiang, LI Huabiao, WANG Xiaoshen, SHEN Haibo, DENG Zhaonan, TANG Xiaoqiang, DENG Jianping, CHEN Liangguo, CHEN Qingbo, ZHU Hui, ZHU Wei, LIU Feng, ZHU Shigui, LIAO Lu, GE Zhimin, XIE Shaozhong, XIAO Haiyan, LI Liang, LI Liangyao, ZENG Zuliang and ZHANG Baoxiu, being connected persons with material interests in the matters concerning the Possible Subscription for A Share Convertible Bonds by connected persons, shall abstain from voting on such proposals at the meetings. Save for the mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders will be required to abstain from voting on the relevant resolutions on the Proposed Issuance of H Shares, the Proposed Grant of Specific Mandate, the Proposed Issuance of A Share Convertible Bonds and Specific Mandate to Issue A Shares upon Conversion of the A Share Convertible Bonds, the Possible Subscription for A Share Convertible Bonds and the other relevant resolutions as set out in paragraph XII to this circular.

### **XIII. RELEVANT RESOLUTIONS IN RELATION TO THE ISSUANCE OF H SHARES AND THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND SPECIFIC MANDATE TO ISSUE A SHARES UPON THE CONVERSION OF A SHARE CONVERTIBLE BONDS**

The resolutions in relation to the Proposed Issuance of A Share Convertible Bonds and specific mandate to issue A Shares upon the conversion of A Share Convertible Bonds include: (i) satisfaction of the conditions of the Proposed Issuance of A Share Convertible Bonds; (ii) the preliminary plan of the proposed issuance of A Share Convertible Bonds; (iii) report on the use of the previously raised proceeds; (iv) feasibility report on the use of proceeds raised from the proposed issuance of A Share Convertible Bonds; (v) authorisation of the Board and its authorised persons to manage the matters relating to the proposed issuance of A Share Convertible Bonds; (vi) impact on the Company's key financial indicators from dilution of immediate returns by the proposed issuance of A Share Convertible Bonds and the remedial measures to be adopted by the Company; (vii) rules for A Share Convertible Bond holders' meeting; (viii) Shareholders' return plan for three years of 2019 to 2021; (ix) resolution in relation to opening special account for proceeds raised; and (x) report on the use of proceeds previously raised overseas.

The relevant resolutions are submitted to the Shareholders for their consideration and approval as special resolutions in the EGM and A Share Class Meeting under the Articles of Association and Administrative Measures for Issuance of Securities by Listed Companies, pursuant to which the resolutions should be adopted by votes representing more than two thirds of the voting rights of the present Shareholders.

Details of the resolutions are set out in Appendix I to Appendix IX in this circular.

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## LETTER FROM THE BOARD

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### XIV. THE EGM AND CLASS MEETINGS

The notices of the EGM and the H Share Class Meeting are set out on pages 175 to 183 of this circular.

Pursuant to the Hong Kong Listing Rules and the Articles of Association, any vote of the Shareholders at a general meeting shall be taken by poll except where the chairman of such meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be made by the Company after the EGM and the H Share Class Meeting in the manner prescribed under the Hong Kong Listing Rules.

The Proposed Subscribers, who are the connected persons of the Company, shall abstain from voting on the resolutions on the Issuance of H Shares and the Grant of Specific Mandate at the EGM and the Class Meetings. Pursuant to the Hong Kong Listing Rules, any of the Shareholders and their associates (as defined under the Hong Kong Listing Rules) shall abstain from voting on the resolution approving the Possible Subscription for A Share Convertible Bonds. Accordingly, LI Liangbin, XIONG Jianlang, HUANG Wen, LI Liangxue, LUO Shunxiang, LI Huabiao, WANG Xiaoshen, SHEN Haibo, DENG Zhaonan, TANG Xiaoqiang, DENG Jianping, CHEN Liangguo, CHEN Qingbo, ZHU Hui, ZHU Wei, LIU Feng, ZHU Shigui, LIAO Lu, GE Zhimin, XIE Shaozhong, XIAO Haiyan, LI Liang, LI Liangyao, ZENG Zuliang and ZHANG Baoxiu shall abstain from voting on the resolution on the Possible Subscription for A Share Convertible Bonds and specific mandate to issue A Shares upon the conversion of A Share Convertible Bonds. Save for the mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders will be required to abstain from voting on the relevant resolutions on the Proposed Issuance of H Shares, the Proposed Grant of Specific Mandate, the Proposed Issuance of A Share Convertible Bonds and specific mandate to issue A Shares upon the conversion of A Share Convertible Bonds, the Possible Subscription for A Share Convertible Bonds and the relevant resolutions as set out in paragraph XII to this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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Whether or not you are able to attend the EGM and the H Share Class Meeting in person, you are requested to complete the proxy forms in accordance with the instructions printed thereon and return the same to the share registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than 24 hours before the time appointed for the holding of the EGM and the H Share Class Meeting or any adjournment thereof. Completion and return of the proxy forms shall not preclude you from attending and voting in person at the EGM and the H Share Class Meeting or any adjournment thereof should you so desire.

### XV. WARNING

**Investors should be aware that the Proposed Issuance of H Shares and the Proposed Issuance of A Share Convertible Bonds are subject to: (i) approvals of Shareholders at the EGM and the Class Meetings; and (ii) approvals from CSRC and other relevant authorities. As the Proposed Issuance of H Shares and the Proposed Issuance of A Share Convertible Bonds are still subject to the fulfillment of various conditions thereof, the Proposed Issuance of H Shares and the Proposed Issuance of A Share Convertible Bonds may not proceed or may not become unconditional or may not become effective. Investors and potential investors in Shares of the Company should exercise caution and only rely on the information issued by the Company when dealing, or contemplate dealing, in the Shares.**

### XVI. RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the connected transactions in relation to the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds. Zhongtai Capital has been appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Directors (including independent non-executive Directors) consider that terms of the Issuance of H Shares to connected persons and the Possible Subscription for A Share Convertible Bonds by connected persons are (i) fair and reasonable; (ii) on normal commercial terms; (iii) not entered conducted in the ordinary and usual course of the Group's business; and (iv) in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that Shareholders eligible to vote at the EGM and the Class Meetings to attend and vote in favour of the resolutions.



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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice from Zhongtai Capital, considers the connected transactions in relation to the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds are on normal commercial terms, fair and reasonable, not conducted in the ordinary and usual course of the Group's business and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee would recommend the Independent Shareholders to vote in favour of the relevant resolutions at the EGM and the Class Meetings to approve the connected transactions in relation to the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds.

### **XVII. FURTHER INFORMATION**

Your attention is drawn to the letter of advice from Zhongtai Capital set out in pages 44 to 73 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the connected transactions in relation to the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds and the letter from the Independent Board Committee set out in pages 42 to 43 of this circular which contains its recommendation to the Independent Shareholders in relation to the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds.

Your attention is also drawn to the relevant resolutions set out in appendix I to appendix IX and additional information set out in Appendix X to this circular.

Yours faithfully  
For and on behalf of the Board  
**GANFENG LITHIUM CO., LTD.**  
**LI Liangbin**  
*Chairman*

June 28, 2019



**Ganfeng Lithium Co., Ltd.**

**江西赣锋锂业股份有限公司**

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

**(Stock Code: 1772)**

June 28, 2019

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated June 28, 2019 (the “**Circular**”) of which this letter forms part. Terms used herein shall have the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds are fair and reasonable and on normal commercial terms, and are not conducted in the ordinary and usual course of business of the Company and in the interests of the Company and its Shareholders as a whole.

Zhongtai Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in respect of the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds.

We wish to draw your attention to the letter from the Board set out on pages 1 to 41 of the Circular which contains, among others, information on the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds, as well as the letter from the Independent Financial Adviser set out on pages 44 to 73 of the Circular which contains its advice and recommendations in respect of the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds and the principal factors and the reasons taken into consideration for its advice and recommendations.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice of the Independent Financial Adviser, we consider that the Issuance of H Shares and the Possible Subscription for A Share Convertible Bonds are conducted on normal commercial terms, fair and reasonable, and not in the ordinary and usual course of the Group's business so far as the Independent Shareholders are concerned, and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the EGM and the Class Meetings.

Yours faithfully,

Independent Board Committee

<b>Mr. GUO Huaping</b>	<b>Mr. HUANG Huasheng</b>	<b>Mr. LIU Jun</b>	<b>Ms. WONG Sze Wing</b>
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*The following is the full text of the letter of advice from Zhongtai International Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds by connected persons for the purpose of incorporation into this circular.*



19th Floor  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

28 June 2019

*To the independent board committee and the independent shareholders  
of Ganfeng Lithium Co., Ltd.*

Dear Sirs or Madams

### CONNECTED TRANSACTIONS INVOLVING POSSIBLE SUBSCRIPTION FOR H SHARES UNDER SPECIFIC MANDATE AND A SHARE CONVERTIBLE BONDS BY CONNECTED PERSONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the connected transactions in relation to the possible subscription for H Shares under Specific Mandate (the “**Possible Subscription for H Shares**”) and the possible subscription for A Share Convertible Bonds (the “**Possible Subscription for A Share Convertible Bonds**”) by connected persons, details of which are set out in the letter from the Board (the “**Letter from the Board**”) as contained in the circular of the Company dated 28 June 2019 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 29 April 2019, the Company announced that the Board proposed to issue not more than 50,000,000 new H Shares under Specific Mandate to target subscribers in overseas by way of non-public issuance. Among all of the 50,000,000 new H Shares, up to 12,500,000 new H Shares will be issued to the entities invested, controlled or designated by Mr. LI Liangbin and Mr. WANG Xiaoshen (the “**Proposed H Share Subscribers**”), respectively, and the remaining 25,000,000 new H Shares will be issued to other overseas natural persons, institutional investors and other eligible investors who are independent of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Company and not connected persons of the Company. Mr. LI Liangbin is the single largest Shareholder and chairman of the Company and Mr. WANG Xiaoshen is the vice chairman of the Company. According to the Hong Kong Listing Rules, the Proposed H Share Subscribers are connected persons, the Possible Subscription for H Shares accordingly constitutes connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and is subject to the requirements of reporting, announcement and Independent Shareholders' approval.

On the same date, the Company also announced that the Board proposed to issue A Share Convertible Bonds up to RMB2,150,000,000 (inclusive). All existing A Shareholders are entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds on a pro rata basis under the A Share Convertible Bond Issuance Plan of the Company. It will be proposed at the general meeting and the Class Meetings to authorise the Board and its authorised persons to determine the specific portion of preferential subscription of existing A Shareholders upon negotiation with the sponsor (the lead underwriter) in accordance with the actual situations at the time of the issuance. According to the shareholding structure of the Company as at the Latest Practicable Date, 19 connected persons (including Mr. LI Liangbin, Mr. WANG Xiaoshen, Mr. SHEN Haibo and Mr. DENG Zhaonan who are the Directors and Mr. TANG Xiaoqiang who is the supervisor of the Company) and six deemed connected persons of the Company (collectively the **“Proposed CB Subscribers”**) are A Shareholders. Based on the maximum issuance size of the Proposed Issuance of A Share Convertible Bonds (i.e. RMB2,150,000,000) and the direct shareholding percentage of the Proposed CB Subscribers in the A Shares of the Company, the maximum subscription amounts under the Possible Subscription for A Share Convertible Bonds by the Proposed CB Subscribers are RMB792,677,000. Pursuant to the Hong Kong Listing Rules, if connected persons exercise their pre-emptive rights to subscribe for the A Share Convertible Bonds, the Possible Subscription for A Share Convertible Bonds constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules and be subject to the requirements of reporting, announcement and Independent Shareholders' approval.

An Independent Board Committee comprising Mr. GUO Huaping, Mr. HUANG Huasheng, Mr. LIU Jun and Ms. WONG Sze Wing (all being the independent non-executive Directors) has been formed to advise the Independent Shareholders as to (i) whether the terms of the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds are conducted in the ordinary and usual course of the Group's businesses and is in the interests of the Company and the Shareholders as a whole; and (iii) give a recommendation to the Independent Shareholders in respect of voting on the relevant resolution(s) to approve the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds at the EGM and the Class Meetings. We, Zhongtai International Capital, have been appointed as the Independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regards.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Other than this appointment as the Independent Financial Adviser, we were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably regarded as hindrance to our independence as defined under Rule 13.84 of the Hong Kong Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Possible Subscription for H Shares and Possible Subscription for A Share Convertible Bonds.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, *inter alia*, the A Share Convertible Bond Issuance Plan, the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), the legal opinions issued by the Llink Law Office, the Company’s legal adviser as to the PRC Laws, feasibility report on the use of proceeds raised from the proposed public issuance of A Share Convertible Bonds, and the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司証券發行管理辦法》)(the “**Measures**”). We have relied on the information and representations as provided to us by the Directors and/or the senior management of the Company as well as the statements, information, opinions and representations contained or referred to in the Circular. We have assumed that all information and representations that have been provided by the Directors and/or the senior management of the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as the date of this letter. We have also assumed that all statements of belief, opinions, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 statements in the Circular or the Circular misleading. We have no reason to doubt that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the facts and information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, the Directors and the senior management of the Company, which have been provided to us. We have not, however, conducted any independent investigation into the businesses and affairs of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds. Our opinion is necessary based on the financial, economic, market and other conditions in effect and the information made available to us as at the date of this letter. Shareholders should note that subsequent developments (including any material change in economic and market conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the date of this letter, or to update, revise or reaffirm our opinion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Having completed the abovementioned work done, we consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

### **PRINCIPAL FACTORS CONSIDERED**

In arriving at our opinion in respect of (i) the Possible Subscription for H Shares and (ii) the Possible Subscription for A Share Convertible Bonds, we have taken into consideration the following principal factors:

#### **Background Information of the Group**

##### ***Information of the Group***

The Group is one of the world's largest lithium compounds producers and metals producers in terms of production capacity. The Group offers five major categories of more than 40 lithium compounds and metals products, those products are widely used in a number of application areas, particularly, in the manufacturing of vehicles, chemicals and pharmaceuticals products. The Group has a vertically integrated business model, with operations along the critical stages of the value chain, including upstream lithium extraction, midstream lithium compounds and metals processing as well as downstream lithium battery production and recycling. In order to satisfy fast growing demands for lithium products in the market, the Group has a strategy to further increase its production capacity by improving the production capacity of the existing production lines and constructing new production lines, which will be beneficial to expansion of the Group's global market share and fulfillment of the growing demands of customers for the Group's products. As at the Latest Practicable Date, the Group had seven major production bases in the PRC.

Due to the scarcity of upstream lithium resources, access to high-quality and stable lithium resources is fundamental to the long-term sustainable growth of the Group's business. The Group will strategically expand its current lithium resources portfolio through further exploration, with a focus on brine-based extraction development. In 2018, the Group carried out the acquisition for 37.5% equity interests in Minera Exar S.A. and proactively advanced the development and construction of the Cauchari-Olaroz lithium salt lake project. The campsite, pit and saltern construction, critical equipment booking and other tasks for the Cauchari-Olaroz lithium salt lake project has started in the first quarter of 2019, and the lithium salt lake project planned to commence operation in 2020. As at the Latest Practicable Date, the Group had equity interests in a total of six lithium resources in Australia, Argentina, Ireland and the PRC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *Financial information of the Group*

The following tables set out the selected profit and loss information of the Group for the two years ended 31 December 2018, as extracted from the 2018 Annual Report:

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	4,889,882	4,171,201
Gross profit	1,753,850	1,675,055
Profit for the year attributable to the owners of the parent	1,218,542	2,095,548

The Group's generated its revenue mainly from the sale of lithium compounds, lithium metals, lithium battery and other products. The Group's revenue increased by 17.23% from RMB4,171,201,000 for the year ended 31 December 2017 to RMB4,889,882,000 for the year ended 31 December 2018, the increase was mainly due to continuous increase in the sales volume of lithium hydroxide, lithium metals and NMC precursors. However, the Group only recorded a slight increase in its gross profit of 4.70% from RMB1,675,055,000 for the year ended 31 December 2017 to RMB1,753,850,000 for the year ended 31 December 2018, resulting in decrease in the Group's gross profit margin from 40.16% for the year ended 31 December 2017 to 35.87% for the year ended 31 December 2018. The decrease in the Group's gross profit margin was mainly contributed by the decrease in the gross profit margin of the Group's lithium compound products due to the downward adjustment to the selling price of lithium compounds in 2018 resulted from movement in the market trends whereas decrease of the price of lithium raw material lagging behind by contrast.

The Group's profit attributable to the owners of the parent of the Company for the year ended 31 December 2018 amounted to RMB1,218,542,000, representing a decrease of RMB877,006,000 or 41.85% as compared to RMB2,095,548,000 for the year ended 31 December 2017, the decrease was mainly due to lack of net fair value gains from derivative financial instruments and financial assets at fair value through profit or loss for the year ended 31 December 2018. For the year ended 31 December 2017, the Group recorded net fair value gains from derivative financial instruments and financial assets at fair value through profit or loss amounted to RMB485,805,000 and RMB382,170,000, respectively.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The following tables set out the selected balance sheet information of the Group as at 31 December 2017 and 2018, as extracted from the 2018 Annual Report:

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	7,914,767	4,567,682
Non-current assets	5,605,950	3,431,418
Total assets	13,520,717	7,999,100
Current liabilities	3,832,211	2,814,329
Non-current liabilities	1,711,333	1,141,601
Total liabilities	5,543,544	3,955,930

The Group's current assets represented mainly cash and cash equivalents, inventories and trade and bills receivables. The balance of the Group's current assets increased by 73.28% from RMB4,567,682,000 as at 31 December 2017 to RMB7,914,767,000 as at 31 December 2018, the increase was mainly contributed by (i) increase in cash and cash equivalents as result of the net proceeds from the listing of H Shares on the Stock Exchange and operating cash inflow; and (ii) increase in inventories and trade receivables as result of expansion of the Group's business. The Group's non-current assets represented mainly plant and machinery, construction in progress, and office and other equipment. The balance of the Group's non-current assets increased by 63.37% from RMB3,431,418,000 as at 31 December 2017 to RMB5,605,950,000 as at 31 December 2018, the increase was mainly contributed by increase in construction in progress, plant and machinery in connection with the production capacity of the Group's lithium compounds and lithium batteries, and increase in investments in associates, e.g. subscription for the shares of Minera Exar S. A.

The Group's current liabilities represented mainly interest-bearing bank and other borrowings and trade and bills payables etc. The balance of the Group's current liabilities increased by 36.17% from RMB2,814,329,000 as at 31 December 2017 to RMB3,832,211,000 as at 31 December 2018, the increase was mainly contributed by the increase in trade and bills payables and amount due to related parties as result of increase in purchase of raw materials from independent third party and connected suppliers. The Group's non-current liabilities represented mainly interest-bearing bank and other borrowings, convertible bonds and deferred payment in relation to acquisition of the equity interests in Minera Exar S.A.. The balance of the Group's non-current liabilities increased by 49.91% from RMB1,141,601,000 as at 31 December 2017 to RMB1,711,333,000 as at 31 December 2018, the increase was mainly contributed by the increase in interest-bearing bank and other borrowings and deferred payment.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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The following tables set out the selected cashflow information of the Group for the two years ended 31 December 2018, as extracted from the 2018 Annual Report:

	For the year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from operating activities	685,232	503,866
Net cash flows used in investing activities	(2,360,038)	(840,192)
Net cash flows generated from financing activities	2,720,672	2,336,662

The Group recorded net cash inflow from operating activities for the two years ended 31 December 2018. The Group's net cash flows generated from operating activities increased by 35.99% from RMB503,866,000 for the year ended 31 December 2017 to RMB685,232,000 for the year ended 31 December 2018, the increase reflected the continuous growth of the Groups' business. The Group recorded net cash outflow in investing activities for the two years ended 31 December 2018. The Group's net cash flows used in investing activities increased significantly by 180.89% from RMB840,192,000 for the year ended 31 December 2017 to RMB2,360,038,000 for the year ended 31 December 2018, the increase was mainly contributed by (i) the payment for acquisition of equity interests of associates and plant and equipment; and (ii) the advances of deposit for prospecting right and advances loans to associates. The increase reflected the Group's continuous investment in new production lines and exploration of lithium resources. The Group recorded net cash inflow from financing activities for the two years ended 31 December 2018. For the year ended 31 December 2017, the Group mainly raised funds by way of bank borrowings and issue of convertible bonds, however, the Group mainly raised funds through equity financing by way of listing of H Shares on the Stock Exchange for the year ended 31 December 2018.

### Principal Terms Considered

#### *I. The Possible Subscription for H Shares*

##### *1. Principal Terms*

Set out below are the summary of principal terms of the Possible Subscription for H Shares as extracted from the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### Subscription price

All of new H Shares under the Issuance of H Shares will be issued to target subscribers by way of non-public issuance. The target subscribers include the entities invested, controlled or designated by Mr. LI Liangbin and Mr. WANG Xiaoshen as well as overseas natural persons, institutional investors and other eligible investors who are independent of the Company and not connected persons of the Company. The issue price of the Possible Subscription for H Shares (the “**H Share Subscription Price**”) shall be determined in accordance with the international practice, PRC regulation requirements and international capital market conditions and the prevailing market price of the H Shares at the time of the issue of the new H Shares and by reference to the valuation of the companies of the same type as the Group in the international capital market, after fully taking into account of the interests of the existing Shareholders, preference of investors and risks in relation to the Issuance of H Shares.

The H Share Subscription Price shall not be discounted for more than 20% (the “**H Share Discount**”) as compared with the highest of the following prices:

- (i) the closing price of H Shares on the day when the relevant H Share placement agreement is entered into; and
- (ii) the average closing price of H Shares within the five trading days immediately before the earliest of the following dates (inclusive):
  - (a) the date when the H Share placement agreement is announced;
  - (b) the date when the H Share placement agreement is entered into; and
  - (c) the date when H Share placement or subscription price is determined.

To assess the fairness and reasonableness of the terms under the Possible Subscription for H Shares, we have searched for transactions regarding the issuance of new shares by the companies whose shares are listed on the Hong Kong Stock Exchange. As far as we are aware of, on best effort basis, there were 62 subscription, placing or nonpublic issuance of share transactions took place since 26 March 2019 up to the Latest Practicable Date (the “**Comparable Share Issues**”) and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Group are not exactly the same as the listed issuers in the Comparable Share Issues.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Given that (i) the H Share Discount is generally in line with the price discount of the shares issued under the general mandate where the securities cannot be issued at a discount of 20% or more to the benchmarked price set out in Rule 13.36(5) of the Hong Kong Listing Rules; (ii) we have reviewed the Comparable Share Issues and noted that out of the 62 transactions, 51 have subscription price discounted for no more than 20% as compared with the closing price of the agreement date and 49 have subscription price discounted for no more than 20% as compared with the average closing price within five trading days immediately before the agreement date; (iii) the method for determination of the H Share Subscription Price shall be in accordance with the international practice, international capital market conditions, the market price of the H Shares at the time of the issue of the new H Shares and by reference to the valuation of the companies of the same type as the Group in the international capital market; (iv) the dilution impact of the shareholding of the existing A Share and H Share public Shareholders is acceptable as stated in the section headed “Effect on the Shareholding Structure of the Company upon Completion of the Possible Subscription for H Shares”; and (v) the entities invested, controlled or designated by Mr. LI Liangbin and Mr. WANG Xiaoshen as well as the independent third party investors will subscribe for the new H Shares at the same subscription price, we are of the view that the H Share Subscription Price is in the interest of the Company and Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

### Lock-up period

The Proposed H Share Subscribers shall undertake that they will not transfer the H Shares they subscribed for under the Issuance of H Shares for a period of six months from the date of listing of such new H Shares on the Stock Exchange. The lock-up period is negotiated and agreed among the Company and the Proposed H Share Subscribers after arm’s length negotiations.

We have reviewed the Comparable Share Issues and noted that out of the 62 transactions, only 19 out of them contain a lock-up arrangement and the lock-up periods range from 60 days to up to 36 months, while the rest of the Comparable Share Issues did not have any lock-up arrangement. We are of the view that the lock-up arrangement is in the interests of the Company and the Shareholders as a whole as it will help ensure that the Proposed H Share Subscribers will not disposal of the H Shares they subscribed for on market immediately after completion of the Possible Subscription for H Shares, in particular in the view that the Subscription Price may have a discount to the market price of the Shares, and thus avoid potential short-term pressure on the Share price. The lock-up period of six months for the new H Shares is within the range of the Comparable Share Issues that have lock-up periods. We are of the view that the lock-up period for the Possible Subscription for H Shares is in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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2. *Financial Effects of the Possible Subscription for H Shares*

According to the 2018 Annual Report, the Group's total assets, total liabilities and net assets amounted to RMB13,520,717,000, RMB5,543,544,000 and RMB7,977,173,000, respectively. Upon completion of the Possible Subscription for H Shares, the Group's cash position, total assets and net assets is expected to be increased by the amount of the net proceeds from the Possible Subscription for H Shares resulting in the improvement of the Group's current ratio, quick ratio and debt to equity ratio.

3. *Effect on the Shareholding Structure of the Company upon Completion of the Possible Subscription for H Shares*

As at the Latest Practicable Date, there was 1,315,084,233 Shares in issue, including 1,114,898,433 A Shares and 200,185,800 H Shares, representing 84.78% and 15.22% of the total issued share capital of the Company, respectively. The number of new H Shares to be issued under the Possible Subscription for H Shares is 25,000,000 H Shares which represent (i) 1.90% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 1.87% of the issued share capital of the Company as enlarged by the 25,000,000 new H Shares issued under the Possible Subscription for H Shares. Without considering the impact of the Proposed Issuance of A Share Convertible Bond, upon the issue of the 25,000,000 new H Shares, the shareholding of the existing H Share public Shareholders and A Share public Shareholders will be diluted from 15.22% to 14.94%<sup>(1)</sup> and from 53.52% to 52.52%, respectively.

Taking into account of (i) the proceeds from the Possible Subscription for H Shares that will improve the net asset value per Share; (ii) the reasons for the Possible Subscription for H Shares as stated in the section headed "Reasons for and use of proceeds of the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds" in this letter; and (iii) the principal terms of the Possible Subscription of H Shares that are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the dilution effect of the shareholding of the existing A Share and H Share public Shareholders is acceptable.

*Note :*

- (1) If (i) the 50,000,000 new H Shares to be issued under the Issuance of H Shares; (ii) the 89,845,383 new A Shares to be converted under the Proposed Issuance of A Share Convertible Bond at the Illustrative Initial Conversion Price; and (iii) the 21,790,982 new A Shares to be converted under the existing A Share convertible bonds of the Company based on the latest adjusted conversion price of RMB42.58 per Share and the outstanding balance of the convertible bonds of RMB927,860,000 as at 29 March 2019 are taken into account, the public float of H Shares will become 15.25% that satisfies the public float requirement as stipulated in Rule 8.08(1)(b) of the Hong Kong Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### ***II. The Possible Subscription for A Share Convertible Bonds***

#### *1. Principal Terms*

Set out below are the summary of principal terms of the Possible Subscription for A Share Convertible Bonds as extracted from the Circular.

Type of securities to be issued

The type of the securities to be issued is convertible bonds which can be converted into A Shares. The A Share Convertible Bonds and the A Shares to be converted will be listed on the Shenzhen Stock Exchange.

Size of issuance

The total amount of the A Share Convertible Bonds proposed to be issued will not exceed RMB2,150,000,000 (inclusive). The actual size of the issuance shall be determined by the Board and its authorised persons within the above range, subject to the authorisation by the Shareholders at the EGM and the Class Meetings.

Term

The term of the A Share Convertible Bonds will be six years from the date of the issuance. Reference is made to Comparable CB Issues, which are set out under the subsection headed “Comparison with other market issues of the A share convertible bonds” below, we noted that the term of all Comparable CB Issues were also six years. As confirmed by Llink Law Office, the legal adviser to the Company as to PRC Laws, six years is the maximum term of convertible bonds issued by the companies listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange in accordance with the Measures.

Par value and issue price

The A Share Convertible Bonds will be issued at par with a nominal value of RMB100.00 each.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### Interest rate and interest payment

The interest of the A Share Convertible Bonds will be paid annually, accruing from the date of the issuance of the A Share Convertible Bonds. The Annual Interest is calculated by multiplying the aggregate nominal value of the A Share Convertible Bonds held by an A Share Convertible Bond Holder as at the record date for interest payment in an interest accrual year (hereinafter referred to as “**current year**” or “**each year**”) and the nominal interest rate of the A Share Convertible Bonds of current year. The Shareholders at the EGM and the Class Meetings shall authorise the Board to determine the method of determining the nominal interest rate as well as the final interest rate for each interest accrual year of A Share Convertible Bonds upon negotiation with the sponsor (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the Company.

We have reviewed and noted from Article 16 of the Measures that the interest rate of convertible corporate bonds shall be determined by the issuer company and the lead underwriter through discussion, but it shall comply with relevant applicable national laws and regulations. We also confirmed with Llinks Law Offices that the above basis for the determination of the interest rate was in compliance with relevant PRC regulations. Accordingly, we consider that the basis for the determination of interest rate is proper and in compliance with the Measures.

Reference is made to Comparable CB Issues, which are set out under the subsection headed “Comparison with other market issues of the A Share convertible bonds” below, we noted that the interest rate of A share convertible bonds issued by those listed issuers whose shares listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange/ the Shenzhen Stock Exchange (i) are not fixed before its relevant shareholders’ meeting (where applicable); and (ii) shall be determined by their respective board of directors after negotiation with the lead underwriter with reference to the government policies, market conditions and the actual conditions of the companies before the issuance. We also confirmed with Llinks Law Offices that the timeline for determination of interest rate of the A Share Convertible Bonds does not violate the requirements under the Measures.

Having considered the above, we concur with the Directors that (excluding independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee in the Circular) it is acceptable that the interest rate of the A Share Convertible Bonds was undetermined as at the Latest Practicable Date and the basis for the determination of the interest rate is on normal commercial terms as well as fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Method of determining the number of shares for conversion

Where an A Share Convertible Bonds Holder applies to convert the A Share Convertible Bonds held by him during the conversion period, the number of the A Shares to be issued upon conversion are calculated by dividing the aggregate nominal value of the A Share Convertible Bonds in respect of which the A Share Convertible Bonds Holders apply for conversion by the prevailing conversion price as at the date of application for conversion.

An A Share Convertible Bond Holder can only apply to convert such A Share Convertible Bonds into A Shares in integers. Within five trading days from the conversion of the A Share Convertible Bonds, the Company will pay the A Share Convertible Bond Holder in cash an amount equal to the nominal value of such A Share Convertible Bonds which are insufficient to be converted into one A Share and the interest accrued for current period on such a balance in accordance with the relevant requirements of the Shenzhen Stock Exchange and such other authorities.

Mechanism for determination and adjustment of the conversion price

*Basis for determining the initial version price*

The initial conversion price of the A Share Convertible Bonds shall not be lower than (i) the average trading price of A Shares during the 20 trading days immediately preceding the date of publication of the Offering Document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the average share price for the trading days before the adjustment shall be accordingly adjusted with reference to the adjusted share price following the ex-rights or ex-dividend); and (ii) the average trading price of A Shares on the trading day immediately preceding the date of publication of the Offering Document. The actual initial conversion price shall be determined by the Board upon negotiation with the sponsor (the lead underwriter) in accordance with the market conditions and actual conditions of the Company, subject to the authorisation by the Shareholders at the EGM and the Class Meetings.



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For illustration purpose, set out below is the comparison of the initial conversion price based on the abovementioned criteria assuming the date of publication of the Offering Document is the Latest Practicable Date.

<u>Criteria for determining the initial conversion price</u>	<u>Illustrative initial conversion price for reference</u> <i>(RMB)</i>
Not be lower than:	
– the average trading price of A Share for the 20 days immediately preceding the date of publication of the Offering Document; and	23.93
– the average trading price of A Share on the trading day immediately preceding the date of publication of the Offering Document	23.92

Based on the above calculation, the theoretical illustrative initial conversion price (the “**Illustrative Initial Conversion Price**”) shall be no less than approximately RMB23.93 per A Share.

We have reviewed and noted from Article 22 of the Measures that the conversion price shall not be lower than the average trading price of the issuer’s shares in 20 trading days prior to the publication of the offering document and the average trading price on the trading day immediately preceding the date of publication of the offering document. We also confirmed with Llinks Law Offices that the above basis for the determination of the conversion price was in compliance with relevant PRC regulations. Accordingly, we consider that the basis for the determination of conversion price is proper and in compliance with the Measures.

### *Method of adjustment to the conversion price*

The conversion price is subject to adjustments in certain events subsequent to the issuance of the A Share Convertible Bonds, such as distribution of share dividends, capitalisation, issuance of new shares or rights issue and distribution of cash dividends (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds). The Company will adjust the conversion price based on the following formula (rounded to two decimal places):

Distribution of share dividends or capitalisation:  $P1 = P0 / (1 + n)$

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Issuance of new shares or rights issue:  $P1 = (P0 + A \times k) / (1 + k)$

The above two events occurring concurrently:  $P1 = (P0 + A \times k) / (1 + n + k)$

Distribution of cash dividends:  $P1 = P0 - D$

The above three events occurring concurrently:  $P1 = (P0 - D + A \times k) / (1 + n + k)$

In the aforesaid formulae, “P1” denotes the adjusted conversion price; “P0” denotes the conversion price before the adjustment; “n” denotes the rate of distribution of share dividends or capitalisation; “A” denotes the price of issuance of new shares or rights issue; “k” denotes the rate of issuance of new shares or rights issue; and “D” denotes the cash dividend per share.

In the event that the A Share Convertible Bond Holders’ interests or the interests derived from the share conversion of the A Share Convertible Bonds are affected by the change in the Company’s share class, quantity and/or Shareholders’ interests due to any possible share repurchase, consolidation, division or any other circumstances, the Company will adjust the conversion price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of the A Share Convertible Bond Holders. The details of the adjustment to the conversion price and its implementation measures shall be determined in accordance with the relevant national laws and regulations and the relevant requirements of the securities regulatory authorities.

Reference is made to the Comparable CB Issues, which are set out under the subsection headed “Comparison with other market issues of the A Share convertible bonds” below, we noted that (i) all Comparable CB Issues have similar conversion price determination mechanism and similar conversion price adjustment mechanism triggered by the events subsequent to the issuance of the A share convertible bond, such as distribution of share dividends, capitalisation, issuance of new shares or rights issue and distribution of cash dividends (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bond); (ii) the conversion price is not fixed before its relevant shareholders meeting (where applicable); and (iii) the conversion price shall be determined by the Board upon negotiation with the sponsor (the lead underwriter) in accordance with the market conditions and actual conditions of the issuers.

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Having considered (i) the findings regarding the basis to determine the conversion price and adjusted conversion price of the Comparable CB Issues; (ii) the basis for the determination of conversion price is proper and in compliance with the Measures; and (iii) the same conversion price will be applied to all A Share Convertible Bond subscribers, we concur with the Directors that (excluding independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee in the Circular) it is acceptable that the conversion price of the A Share Convertible Bonds was undetermined as at the Latest Practicable Date and the basis for determination of the conversion price and adjusted conversion price is on normal commercial terms as well as fair and reasonable so far as the Independent Shareholders are concerned.

### Terms of downward adjustment to the conversion price

If, during the term of the A Share Convertible Bonds, the closing prices of A Shares in at least 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing conversion price (the “**Downward Adjustment Threshold**”), the Board may propose a downward adjustment to the conversion price to the Shareholders at the general meeting and the Class Meetings for their consideration and approval. The aforesaid proposal is subject to approvals of more than two-thirds of the voting rights of the Shareholders who attend the meeting. Shareholders who hold the A Share Convertible Bonds should abstain from voting at the general meeting. The adjusted conversion price should be no less than the higher of the average trading price of the A Shares during the 20 trading days immediately preceding the date of such a general meeting and the average trading price of A Shares on the trading day immediately preceding the date of such a general meeting.

In the event that an adjustment to the conversion price by the Company is made due to ex-rights or ex-dividend during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, while in respect of the trading day on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day.

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Reference is made to the Comparable CB Issues, which are set out under the subsection headed “Comparison with other market issues of the A Share convertible bonds” below, we noted that 11 out of the 12 Comparable CB Issues have conversion price downward adjustment mechanism which is triggered by the continuous lower price of the shares by comparing the A share closing prices in at least 15 trading days out of any 30 consecutive trading days with the prevailing conversion price. Further, we also noted that the thresholds for triggering conversion price downward adjustment mechanism of the 11 Comparable CB Issue range from 80% to 90%.

Given that (i) majority of the Comparable CB Issues have similar terms of downward adjustment to the conversion price of A share convertible bonds; and (ii) the Downward Adjustment Threshold is within the range of threshold for triggering conversion price downward adjustment mechanism of the Comparable CB Issues, we are of the view that the terms of downward adjustment to the conversion price of the A Share Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

### Terms of redemption

#### (a) Terms of redemption upon maturity

Within 5 trading days upon maturity of the A Share Convertible Bonds, the Company will redeem all the A Share Convertible Bonds which have not been converted into A Shares by then, at a price determined by the Board upon negotiation with the sponsor (the lead underwriter) with reference to the market conditions, subject to the authorisation by the Shareholders at the general meeting.

#### (b) Terms of conditional redemption

During the conversion period, in case of one of the following two circumstances, the Company has the right to redeem all or part of the A Share Convertible Bonds which have not been converted into shares based on the par value plus the accrued interest then:

- (i) where the closing prices of A Shares for at least 15 trading days out of any 30 consecutive trading days during the conversion period are no less than 130% (inclusive) of the prevailing conversion price; and
- (ii) where the balance of the outstanding A Share Convertible Bonds under the issuance is lower than RMB30,000,000.

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The accrued interest is derived by dividing the aggregate nominal value of the A Share Convertible Bonds to be deemed that are held by the A Share Convertible Bond Holders under the issuance by 365 days and then multiplying the nominal interest rate of the A Share Convertible Bonds for current year and the actual number of calendar days from the last interest payment date up to the redemption date of that interest accrual year (including the last interest payment date).

In the event that an adjustment to the conversion price is made during the aforesaid 30 trading days, the amount for trading days prior to the date of the adjustment shall be calculated based on the conversion price and the closing price of the A Shares before the adjustment, while the amount for trading days after the adjustment shall be calculated based on the conversion price and the closing price after the date of the adjustment.

Redemption period of the A Share Convertible Bonds under the issuance is consistent with the conversion period, i.e., to commence from the first trading day immediately following the expiry of the six-month period after the date of the issuance, and to end on the maturity date of the A Share Convertible Bonds.

Reference is made to the Comparable CB Issues, which are set out under the subsection headed “Comparison with other market issues of the A Share convertible bonds” below, we noted that all of the Comparable CB Issues have terms of redemption, including terms of redemption on maturity and terms of conditional redemption, which require the issuer to redeem the outstanding A share convertible bond at the maturity date or give right to the issuer to redeem certain A share convertible bond when the share price continuously goes high or the balance of the outstanding A share convertible bond is lower than a certain amount.

Given that certain of the Comparable CB Issues have similar terms of redemption, including terms of redemption on maturity and terms of conditional redemption, we are of the view that terms of redemption of the Possible Subscription for A Share Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

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### Terms of sale back

#### (a) Terms of conditional sale back

During the last two interest accrual years within the term of the A Share Convertible Bonds under the issuance, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price (the “**Sale Back Threshold**”), the A Share Convertible Bond Holders are entitled to sell back all or part of their A Share Convertible Bonds to the Company at par plus the then accrued interest (formula for calculating the then accrued interest is set out in relevant contents of terms of redemption). In the event that an adjustment to the conversion price is made during the aforesaid 30 trading days, the amount for trading days prior to the date of the adjustment shall be calculated based on the conversion price and the closing price of the A Shares before the adjustment, while the amount for trading days after the adjustment shall be calculated based on the conversion price and the closing price after the date of the adjustment. In the event that there is a downward adjustment to the conversion price, the aforesaid “30 consecutive trading days” shall be re-counted from the first trading day following the adjustment to the conversion price.

During the last two interest accrual years within the term of the A Share Convertible Bonds under the issuance, the A Share Convertible Bond Holders can exercise their sale back rights once every year upon the first satisfaction of the conditions of the sale back in accordance with the abovementioned terms. If the A Share Convertible Bond Holders, upon the first satisfaction of the conditions of the sale back, do not apply for and exercise their sale back rights during the sale back declaration period specified by the Company, they are not entitled to exercise their sale back rights during that interest accrual year. The A Share Convertible Bond Holders are not allowed to exercise part of their sale back rights repeatedly.

#### (b) Additional terms of sale back

If the actual use of proceeds from the Proposed Issuance of A Share Convertible Bonds significantly differs from the undertakings of the use of proceeds set out by the Company in the Offering Document, and such a change is regarded as a change in the use of proceeds by relevant provisions of the CSRC or determined by the CSRC, the A Share Convertible Bond Holders will be entitled to a one-off right to sell all or part of the A Share Convertible Bonds back to the Company at par plus the then accrued interest. The A Share Convertible Bond Holders can exercise their sale back rights upon the satisfaction of the additional terms of sale back during the additional sale back declaration period as announced by the Company. If the A Share Convertible

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Bond Holders do not exercise their sale back rights during the declaration period, they shall be deemed to abandon the rights (formula for calculating the then accrued interest is set out in relevant contents of terms of redemption).

Reference is made to the Comparable CB Issues, which are set out under the subsection headed “Comparison with other market issues of the A Share convertible bonds” below, we noted that apart from the Additional Sales Back Rights due to the change in use of proceeds raised, five out of the 12 Comparable CB Issues provide sale back option to holders which were triggered by the continuous lower price of the shares by comparing the A share closing prices of any 30 consecutive trading days with the prevailing conversion price or triggered by significant changes in use of proceeds as set out in the offering document. The thresholds of conditional sale back of those Comparable CB Issues were 70% and were same as that of the Company.

Given that (i) certain of the Comparable CB Issues provide sale back option to holders; and (ii) the Sale Back Threshold is the same as the thresholds for triggering the sale back mechanism of the five Comparable CB Issues, we are of the view that the terms of sale back of the A Share Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

### *2. Comparison with other market issues of A share convertible bonds*

We have searched for transactions regarding the issuance of A share convertible bonds by the listed issuers whose shares are listed on both (i) Hong Kong Stock Exchange; and (ii) the Shanghai Stock Exchange or the Shenzhen Stock Exchange to assess the fairness and reasonableness of the principal terms of the Possible Subscription for A Share Convertible Bonds. As far as we are aware of, on best effort basis, there are 12 transactions took place since 1 December 2016 up to the Latest Practicable Date and met our aforesaid criteria (the “**Comparable CB Issues**”) and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Group are not exactly the same as the listed issuers in the Comparable CB Issues. Set out below are the principal terms of those issuances sourced from public information:

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Issuer and stock code	Date of circular/ announcement	Term (years)	Interest rate determination mechanism	Initial conversion price and adjustment of conversion price	Terms of sale back	Downward adjustment of conversion price	Terms of redemption
Flat Glass Group Co., Ltd. (6865.HK)	19 April 2019	Six	Same as the A Share Convertible Bond Issuance Plan with additional consideration that if prior to the completion of the issuance, the bank deposit interest rate is adjusted, the interest rate will be adjusted accordingly	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan, except that the threshold is 90%	Same as the A Share Convertible Bond Issuance Plan
AVIC International Holdings Limited (161.HK)	8 April 2019	Six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Nil	Same as the A Share Convertible Bond Issuance Plan, except that the threshold is 85%	Same as the A Share Convertible Bond Issuance Plan
China CITIC Bank Corporation Limited (998.HK)	28 February 2019	Six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Nil	Nil	Same as the A Share Convertible Bond Issuance Plan
Lanzhou Zhuangyuan Pasture Co., Ltd. (1533.HK)	31 January 2019 (Announcement)	six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan, except that the threshold is 90%	Same as the A Share Convertible Bond Issuance Plan



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Issuer and stock code	Date of circular/ announcement	Term (years)	Interest rate determination mechanism	Initial conversion price and adjustment of conversion price	Terms of sale back	Downward adjustment of conversion price	Terms of redemption
China Minsheng Banking Corp., Ltd. (1988.HK)	2 May 2017	Six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan with additional consideration that such initial conversion price shall not be less than the lower of the most recent audited net asset value per Share, and the average trading price of A Shares for the five trading days preceding the date of the board resolution.	Nil	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan
Bank of Communications Co., Ltd (3328.HK)	4 May 2018	Six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan with additional consideration that such initial conversion price shall not be less than average trading prices of A Shares of the company for the 30 trading days preceding the date of publication of the offering document; the latest audited net asset value per Share; and the par value of shares.	Nil	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan
Shenzhen Expressway Company Limited (548.HK)	13 December 2017	Six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan, except the adjusted conversion price shall not be lower than the latest audited net asset value per share and the par value of share.	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan, except that the threshold is 90%	Same as the A Share Convertible Bond Issuance Plan

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Issuer and stock code	Date of circular/ announcement	Term (years)	Interest rate determination mechanism	Initial conversion price and adjustment of conversion price	Terms of sale back	Downward adjustment of conversion price	Terms of redemption
China Railway Construction Corporation Limited (1186.HK)	25 November 2017	Six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan with additional consideration that such initial conversion price shall not be less than the latest audited net asset value per share and the nominal value per share.	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan
China Communications Construction Company Limited (1800.HK)	26 September 2017	Six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan with additional consideration that such initial conversion price shall not be less than the latest audited net asset value per share and the nominal value per share.	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan
Central China Securities Co., Ltd. (1375.HK)	5 May 2017	Six	Same as the A Share Convertible Bond Issuance Plan with additional consideration that if prior to the completion of the issuance, the bank deposit interest rate is adjusted, the interest rate will be adjusted accordingly.	Same as the A Share Convertible Bond Issuance Plan with additional consideration that such initial conversion price shall not be less than average trading prices of A shares of the company for the 30 trading days preceding the date of publication of the offering document, the latest audited net asset value per share and par value of shares.	Nil	Same as the A Share Convertible Bond Issuance Plan except that the threshold is 90%	Same as the A Share Convertible Bond Issuance Plan

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Issuer and stock code	Date of circular/ announcement	Term (years)	Interest rate determination mechanism	Initial conversion price and adjustment of conversion price	Terms of sale back	Downward adjustment of conversion price	Terms of redemption
China Everbright Bank Company Limited (6818.HK)	11 February 2017	Six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan with additional consideration that such initial conversion price shall not be less than the average trading prices of A shares of the company for the 30 trading days preceding the date of publication of the offering document, the latest audited net asset value per share and par value of shares.	Nil	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan
Guotai Junan Securities Co., Ltd. (2611.HK)	13 December 2016 (Announcement A-Share: 601211)	Six	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan	Nil	Same as the A Share Convertible Bond Issuance Plan	Same as the A Share Convertible Bond Issuance Plan

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### 3. *Possible financial effects of the Possible Subscription for A Share Convertible Bonds*

#### Asset, liability and net asset position

Upon completion of the Possible Subscription for A Share Convertible Bonds, the Group's assets will increase by the amount of net proceeds from the Possible Subscription for A Share Convertible Bonds. As advised by the management of the Group, upon the completion of the Possible Subscription for A Share Convertible Bonds, the A Share Convertible Bonds will be accounted for in two separate components in the Group's statement of financial position, comprising a liability component and an equity component, at initial recognition. The liability component will be determined using a market interest rate for an equivalent non-convertible bond and will be recorded as a non-current liability at initial recognition. The difference between the net proceeds from the Possible Subscription for A Share Convertible Bonds and the liability component will be recognised as the equity component and included in the shareholders' equity. In the short term, the Group's gearing ratio will rise. Following conversion of the A Share Convertible Bonds, the Group's gearing ratio will be reduced, and the net asset scale will be improved.

#### Earnings

The A Share Convertible Bonds are interest bearing bonds which will mature on the six anniversary of the issue date. Upon completion of Possible Subscription for A Share Convertible Bonds and before the full conversion of the bonds, the Company will be required to pay interest to the Proposed CB Subscribers whose A Share Convertible Bonds have not been converted. Further, assuming the conversion option derivative measured at fair value with changes in fair value was recognised in consolidated statement of profit or loss, there would be impact on the Group's earnings due to the fair value measurement at each of the financial year ended upon the maturity of the A Share Convertible Bonds. If the financial returns generated directly or indirectly from the net proceeds from the Possible Subscription for A Share Convertible Bonds are not taken into consideration, the Group's net profit for the year will be affected by the interest expense and fair value change of conversion option derivative in relation to the A Share Convertible Bonds. After the conversion of all or part of the A Share Convertible Bonds held by the Proposed CB Subscribers, the number of the Shares will increase accordingly, thus generating certain dilutive effect on the Group's return on equity and earnings per Share.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the Group's financial position and performance will be upon completion of the Possible Subscription for A Share Convertible Bonds.

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4. *Effect on the Shareholding Structure of the Company upon the Conversion of A Share Convertible Bond*

Upon conversion of all or part of the A Share Convertible Bonds under the Possible Subscription of A Share Convertible Bond, the number of Shares will increase and the shareholding of the existing A Share and H Share public Shareholders will be diluted.

Based on the Illustrative Initial Conversion Price of RMB23.93 per Share as described above and the maximum issuance size of the A Share Convertible Bonds to be converted by the Proposed CB Subscribers (i.e. RMB792,677,000), without considering the impact of the Issuance of H Shares, the maximum number of the A Shares to be converted is 33,124,823 Shares, the existing H Share public Shareholders and A Share public Shareholders will be diluted from 15.22% to 14.85%<sup>(1)</sup> and from 53.52% to 52.21%, respectively.

Taking into account of (i) the reasons for the Possible Subscription for A Share Convertible Bond as stated in the section headed “Reasons for and use of proceeds of the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds” in this letter; (ii) the principal terms of the Possible Subscription for A Share Convertible Bond that are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the general positive financial impact of the Possible Subscription for A Share Convertible Bond, we are of the view that the dilution effect of the shareholding of the existing A Share public Shareholders and H Share public Shareholders is acceptable.

For the avoidance of doubt, the actual initial conversion price shall be determined by the Board before the issuance of the Offering Document and the above calculation are for illustrative purpose only and do not purport to represent how the shareholding of the Company will be upon completion of the Possible Subscription for A Share Convertible Bonds and the conversion of the A Share Convertible Bonds.

*Note :*

- (1) If (i) the 50,000,000 new H Shares to be issued under the Issuance of H Shares; (ii) the 89,845,383 new A Shares to be converted under the Proposed Issuance of A Share Convertible Bond at the Illustrative Initial Conversion Price; and (iii) the 21,790,982 new A Shares to be converted under the existing A Share convertible bonds of the Company based on the latest adjusted conversion price of RMB42.58 per Share and the outstanding balance of the convertible bonds of RMB927,860,000 as at 29 March 2019 are taken into account, the public float of H Shares will become 15.25% that satisfies the public float requirement as stipulated in Rule 8.08(1)(b) of the Hong Kong Listing Rules.

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### **Reasons for and Use of Proceeds of the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds**

The Group is one of the world's largest lithium compounds producers and metals producers in terms of production capacity offering five major categories of more than 40 lithium compounds and metals products. The Group has a strategy to strengthen its leading position through further deepening upstream and downstream integration in value chain along the lithium industry.

### ***Development of Upstream Mineral Resources***

The management of the Company believes that securing high quality and stable upstream mineral resources is fundamental to the long-term sustainable growth of the Group's business. In the previous few years, the Group has been actively expanded its mineral resources portfolio with a focus on brine-based extraction development. Lithium extraction from brine is a simple, efficient, low-cost and more environmentally friendly extraction methodology as compared with lithium extraction from ores. High quality brine ore resources are important for the lithium extraction from brine methodology.

Minera Exar S.A. is an Argentina-based keen mining and exploration company which possesses entire interest in the Cauchari-Olaroz lithium salt lake project located in Jujuy, Argentina, one of the largest lithium brine resources globally with a total measured and indicated resource of 17,977,200 tonnes of lithium carbonate equivalent and a lithium-rich brine resource of 11.8 million tons lithium carbonate equivalent. Cauchari-Olaroz lithium salt lake project is of high quality in terms of high resource grade (in  $\text{Li}_2\text{O}\%$  or in  $\text{Li mg/L}$ ) and large resource size. It is expected, that once in production (targeting 40,000 tpa of lithium carbonate production capacity subject to necessary approvals) the Cauchari-Olaroz salt lake project will be among the lowest cost producers of lithium carbonate. The management of the Company advised that investment in Minera Exar S.A. is line with the Group's upstream lithium resources development strategy.

On 13 August 2018, the Group entered into an acquisition agreement to acquire 37.5% of the equity interests in Minera Exar S.A. In order to have a greater board and management representation in Minera Exar S.A., the Group entered into another agreement to subscribe for additional equity interests of Minera Exar S.A. for a total consideration of US\$160,000,000 on 1 April 2019. Upon completion of the subscription, the Group will have 50% interest in Minera Exar S.A.

### ***Materials for Lithium Battery Business***

Environmental improvement inevitably brings health benefits and makes a city a more attractive and enjoyable place to live. Air pollution is a great concern in the community and the main sources, motorised vehicles and power plants are related to daily activities. Electric vehicles offer a quick solution to two societal needs which are reducing harmful air pollution from exhaust emissions and reaching national targets for reducing greenhouse gas emissions. Many countries have provided incentive to electric vehicle

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users through lower tax or tax exemption, free parking and free charging facilities. It is expected that electric vehicles will become more and more popular in future. The Group aimed to capture the business opportunities from the explosive growth of demand for lithium batteries used in high performance electric vehicles and energy storage devices, it expanded downstream into the lithium battery production industry in 2015. Its battery products include lithium-ion motive batteries, energy storage batteries and consumer batteries. The Group's lithium motive power can be used in electric vehicles, its lithium energy stored batteries in a variety of energy store equipment and its lithium consumer batteries in a variety of consumer electronic devices, such as mobile phones and notebook computers. The Group started to seek breakthroughs in the production of solid-state lithium batteries, which are new generation of battery technology for electric vehicle application due to its ability to achieve higher energy density enabling longer driving range, faster charging and improved safety features. Battery-grade lithium hydroxide is one of the most important varieties of lithium compounds and the key materials in production of lithium power batteries.

In order to secure a stable supply of the battery-grade lithium hydroxide to satisfy the orders from its customers, the Group planned to renovate and expand the project for ten-thousand tonne lithium salt. The management of the Company advised that the expansion of the production scale of battery-grade lithium hydroxide will definitely increase the Group's core competitiveness in lithium industry and pave the way for the Group to become a major supply of lithium products in the market.

Lithium industry is a technology and capital-intensive industry, the Group is required to make investment in a continuous manner to retain a sustainable competitiveness in the industry. According to the Letter from the Board, the net proceeds from the Issuance of H Shares (including the net proceeds from the Possible Subscription for H Shares) will be utilised for development and construction of mineral resources. The net proceeds from the Proposed Issuance for A Share Convertible Bonds (including the net proceeds from the Possible Subscription for A Share Convertible Bonds) will be used for the projects as described in the following table:

<b>Projects</b>	<b>Total investment made in project</b>	<b>Amount of proceeds intended to be used</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Subscription of certain equity interests of Minera Exar S.A.	1,072,000	1,072,000
Renovation and expansion project for ten thousand tonne lithium salt	765,850	473,000
Replenishment of working capital	605,000	605,000
Total	<u>2,442,850</u>	<u>2,150,000</u>

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The Group is currently in the growing stage, it has been made significant investment in new production lines and exploration of lithium resources these years. The Group recorded significant net cash outflow in investment activities of RMB840,192,000 and RMB2,360,038,000 for the year ended 31 December 2017 and 2018, respectively. The amount of the Group's net cash outflow in investment activities was significantly higher than the amount of the net cash inflow generated by the Group's operating activities.

In 2018, the Company raised fund through issuance of H Shares, the proceeds from which is restricted to the plan as disclosed in the appendix headed "Report on the Use of Proceeds Previously Raised Overseas" to the circular. In 2019, Minera Exar S.A. needs additional funding for further development of Cauchari-Olaroz lithium salt lake project, the Group has an opportunity to obtain additional stake in Minera Exar S.A. to 50% through subscription of new shares by cash. Further, the Group intends to satisfy the increasing orders for its lithium battery products from customers, it has a need to secure a stable supply of the battery-grade lithium hydroxide and revised the production expansion plan of lithium salt. The Group has to raise additional funding through the Proposed Issuance of H Shares and the Proposed Issuance of A Share Convertible Bonds for implementation of the abovementioned projects. The Issuance of H Shares (including the Possible Subscription for H Shares) and the Issuance of A Share Convertible Bonds (including the Possible Subscription for the A Share Convertible Bonds) will not only provide funding to support the Group's future investment, but also help replenish the Group's working capital to manage the capital shortage problem to be encountered in the rapid development and optimise the Group's capital structure.

Having considered that (i) the balance of cash and cash equivalents (excluding the remaining proceeds of the previous initial public issuance of H Shares) is insufficient to satisfy the capital requirements of the abovementioned projects; and (ii) the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds will provide the Group with additional capital to implement its upstream and downstream integration strategy, we concur with the Directors (excluding the independent Non-executive Directors, whose views are set out in the letter from the Independent Board Committee in the Circular) that, the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds are in the interests of the Company and the Shareholders as a whole, and there is no damage to the interests of minority Shareholders.

### **Funding Methods**

The Company proposes to raise additional funds for abovementioned projects through Issuance of H Shares and Proposed Issuance of A Share Convertible Bonds. Convertible bond is a commonly used financing instrument in the A Share market. It allows an issuer to raise sizable funds at a lower financing cost when compared with other financing methods. Meanwhile, as advised by the Directors that it is highly encouraged and supported by the CSRC and other authorities in the PRC. The Company issues the H Shares is mainly for satisfying the public float requirement of not less than 15% of a listed issuer's total number of issued shares comprising H Shares as stipulated in Rule 8.08(1)(b) upon full conversion of the A Share Convertible Bonds.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Taking into account of that (i) A share convertible bond is a commonly used financing instrument of A share listed issuers with low finance costs and the capital base of A Shares will be broadened after conversion of the A Share Convertible Bonds; and (ii) the Possible Subscription for H Shares by Mr. LI Liangbin and Mr. Wang Xiaoshen will increase the confidence of overseas natural persons and institutional investors to invest in the H Shares under the uncertain market condition in Hong Kong stock market, the subscription for H Shares by the overseas natural persons and institutional investors will help expand the shareholder base of H Shares and optimise the shareholding structure of the Company, we are of view that the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds are more appropriate funding methods as compared with other alternatives such as rights issue, open offer and debt financing, etc.

### RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Possible Subscription for H Shares and the Possible Subscription for A Share Convertible Bonds, though are not in the ordinary and usual course of the Group's businesses, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of such resolutions in this regard at the EGM and the Class Meeting.

Yours faithfully

For and on behalf of

**Zhongtai International Capital Limited**

**Maurice Ying**

*Co-Head and Managing Director of*

*Investment Banking*

*Mr. Maurice Ying is a licensed person registered with the Securities and Futures Commission and a responsible officer of Zhongtai International 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 more than 10 years of experience in investment banking industry.*

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## **APPENDIX I    SATISFACTION OF THE CONDITIONS OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

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### **RESOLUTION ON SATISFACTION OF THE CONDITIONS OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

In accordance with the Company Law, the Securities Law, the Administrative Measures for Issuance of Securities by Listed Companies and other laws and regulations, the Company conducted self-inspection termwise on its actualities with reference to the requirements on the qualifications and conditions for public issuance of convertible corporate bonds by A-share listed companies, and concluded that the conditions of the Company have been in compliance with the relevant requirements for public issuance of A share convertible bonds under the existing laws, regulations and normative documents, and therefore the Company has fulfilled the conditions for the Proposed Issuance of A Share Convertible Bonds.

The resolution is subject to consideration at the general meeting of the Company.

**THE PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE  
BONDS****I. THE ISSUANCE SATISFIES THE CONDITIONS ON THE PUBLIC ISSUANCE OF  
SECURITIES UNDER THE ADMINISTRATIVE MEASURES FOR ISSUANCE OF  
SECURITIES BY LISTED COMPANIES**

Pursuant to the relevant requirements under the Company Law, the Securities Law, the Administrative Measures for Issuance of Securities by Listed Companies of CSRC and other laws, regulations and normative documents, in the light of the self-inspection on the actualities of the Company in an itemwise manner, the Company has satisfied all the provisions of the existing laws, regulations and normative documents in relation to the public issuance of A share convertible bonds and met the qualifications and conditions for the public issuance of A share convertible bonds.

**II. OVERVIEW OF THE ISSUANCE**

Details of the Proposed Issuance of A Share Convertible Bonds are set out in Letter from the Board to this circular.

**III. FINANCIAL INFORMATION AND THE MANAGEMENT'S DISCUSSION AND ANALYSIS****(I) Balance sheet, income statement and cash flow statement for the past three years of the  
Company**

The financial statements for the years of 2016, 2017 and 2018 of the Company have been audited by ShineWing Certified Public Accountants (Special General Partnership), which has issued the standard unqualified audit reports Xin Kuai Shi Bao Zi [2017] No. ZA12274, Xin Kuai Shi Bao Zi [2018] No. ZA11151 and Xin Kuai Shi Bao Zi [2019] No. ZA10824.

**1. Balance Sheet****(1) Consolidated Balance Sheet***Unit: RMB*

Item	December 31, 2018	December 31, 2017	December 31, 2016
<b>Current assets:</b>			
Cash and cash equivalents	3,602,340,290.70	2,237,200,264.76	197,750,145.03
Financial assets held for trading	192,782,045.08	0.00	0.00
Financial assets at fair value through profit or loss for the current period	0.00	191,150,695.59	1,303,696.30
Bills receivable and accounts receivable	1,405,599,679.20	945,436,108.08	576,894,644.80
Prepayments	309,713,264.41	190,110,044.53	82,004,809.91
Other receivables	348,278,537.35	21,766,376.31	21,416,354.34
Inventories	1,904,712,597.83	914,834,484.46	534,353,881.08
Other current assets	151,341,579.01	67,183,352.17	60,848,129.33
<b>Total current assets</b>	<b>7,914,767,993.58</b>	<b>4,567,681,325.90</b>	<b>1,474,571,660.79</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets	0.00	592,051,059.49	375,773,006.97
Other non-current financial assets	442,917,204.04	0.00	0.00
Long-term equity investments	1,735,529,953.94	795,037,647.66	419,496,616.21
Investment properties	166,133.13	193,805.49	221,477.85
Fixed assets	1,497,740,046.11	795,260,645.01	646,170,220.79
Construction in progress	1,097,593,245.01	778,345,805.40	501,066,208.54
Intangible assets	312,723,128.72	298,322,022.79	250,728,761.02
Development expenses	24,911,541.74	798,325.68	2,000,000.00
Goodwill	18,302,165.07	18,302,165.07	17,580,321.04
Long-term deferred expenses	24,250,271.15	27,903,251.64	67,879.78
Deferred income tax assets	27,046,587.26	9,979,976.61	22,348,340.08
Other non-current assets	424,768,482.37	115,224,025.73	98,717,611.15
<b>Total non-current assets</b>	<b>5,605,948,758.54</b>	<b>3,431,418,730.57</b>	<b>2,334,170,443.43</b>
<b>Total assets</b>	<b>13,520,716,752.12</b>	<b>7,999,100,056.47</b>	<b>3,808,742,104.22</b>

Item	December 31, 2018	December 31, 2017	December 31, 2016
<b>Current liabilities:</b>			
Short-term borrowings	1,320,844,856.00	1,179,872,873.98	438,634,851.69
Bills payable and accounts payable	1,318,968,351.72	492,067,382.01	383,485,085.28
Advances from customers	0.00	101,026,485.60	62,705,172.52
Contract liabilities	46,050,084.51	0.00	0.00
Staff salaries payable	68,379,677.71	54,743,524.89	21,586,672.48
Taxes payable	310,357,260.32	330,878,461.85	166,204,083.60
Other payables	732,119,671.10	624,740,061.51	18,262,489.67
Non-current liabilities due within one year	35,490,560.00	31,000,000.00	100,000,000.00
<b>Total current liabilities</b>	<b>3,832,210,461.36</b>	<b>2,814,328,789.84</b>	<b>1,190,878,355.24</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	706,112,640.00	319,889,200.00	56,000,000.00
Bonds payables	713,460,300.48	667,230,615.95	0.00
Long-term payables	230,679,581.68	0.00	0.00
Deferred income tax liabilities	2,386,843.49	63,845,567.87	4,816,576.14
Deferred income – non-current liabilities	58,687,488.08	59,382,628.82	66,541,352.90
Other non-current liabilities	6,250.00	31,253,125.00	0.00
<b>Total non-current liabilities</b>	<b>1,711,333,103.73</b>	<b>1,141,601,137.64</b>	<b>127,357,929.04</b>
<b>Total liabilities</b>	<b>5,543,543,565.09</b>	<b>3,955,929,927.48</b>	<b>1,318,236,284.28</b>
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)	1,315,081,930.00	741,771,379.00	752,695,526.00
Other equity instruments	205,673,493.18	205,698,850.87	0.00
Capital reserve	3,592,733,325.23	1,140,404,739.59	712,356,026.22
Less: treasury share	685,173,701.80	588,127,715.00	0.00
Other comprehensive income	26,559,504.07	350,944,362.74	238,532,343.04
Special reserve	2,614,687.71	7,360,618.50	1,739,979.10
Surplus reserve	342,882,482.99	229,955,560.38	89,165,703.00
Undistributed profits	3,123,272,043.23	1,949,196,634.04	693,798,850.02
<b>Total of the equity attributable to the owners of the parent company</b>	<b>7,923,643,764.61</b>	<b>4,037,204,430.12</b>	<b>2,488,288,427.38</b>
Minority interests	53,529,422.42	5,965,698.87	2,217,392.56
<b>Total owners' equity</b>	<b>7,977,173,187.03</b>	<b>4,043,170,128.99</b>	<b>2,490,505,819.94</b>
<b>Total liabilities and owners' equity</b>	<b>13,520,716,752.12</b>	<b>7,999,100,056.47</b>	<b>3,808,742,104.22</b>

## (2) Balance Sheet of the Parent Company

Unit: RMB

Item	December 31, 2018	December 31, 2017	December 31, 2016
<b>Current assets:</b>			
Cash and cash equivalents	3,248,177,691.52	1,538,277,314.49	91,656,562.13
Financial assets held for trading	50,490,479.45	0.00	0.00
Financial assets at fair value through profit or loss for the current period	0.00	150,982,887.57	1,303,696.30
Bills receivable and accounts receivable	664,553,714.03	513,135,932.85	212,022,647.45
Prepayments	232,824,072.00	39,797,088.06	29,779,474.09
Other receivables	1,164,768,251.81	1,091,157,531.64	515,606,140.46
Inventories	1,528,113,676.87	536,248,020.81	334,345,784.95
Other current assets	8,529,248.02	392,679.09	750,854.75
<b>Total current assets</b>	<b>6,897,457,133.70</b>	<b>3,869,991,454.51</b>	<b>1,185,465,160.13</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets	0.00	115,693,500.00	285,368,585.90
Other non-current financial assets	211,951,500.00	0.00	0.00
Long-term equity investments	3,942,514,140.06	1,955,618,243.52	1,220,851,891.52
Investment properties	166,133.13	193,805.49	221,477.85
Fixed assets	767,848,423.49	453,008,865.24	459,179,503.68
Construction in progress	419,732,947.44	255,410,115.21	103,569,095.33
Intangible assets	92,736,883.15	77,426,584.37	68,368,118.30
Deferred income tax assets	0.00	0.00	5,760,411.89
Other non-current assets	30,000,000.00	143,839,505.90	38,456,293.00
<b>Total non-current assets</b>	<b>5,464,950,027.27</b>	<b>3,001,190,619.73</b>	<b>2,181,775,377.47</b>
<b>Total assets</b>	<b>12,362,407,160.97</b>	<b>6,871,182,074.24</b>	<b>3,367,240,537.60</b>
<b>Current liabilities:</b>			
Short-term borrowings	1,170,844,856.00	763,530,874.00	388,634,851.69
Bills payable and accounts payable	1,086,312,374.16	224,769,915.24	192,585,335.33
Advances from customers	0.00	87,370,010.13	46,634,215.43
Contract liabilities	40,332,311.81	0.00	0.00
Staff salaries payable	31,433,756.50	36,719,615.44	8,790,063.17
Taxes payable	251,981,432.37	286,305,247.18	129,593,063.52

Item	December 31, 2018	December 31, 2017	December 31, 2016
Other payables	1,061,025,864.00	914,777,581.30	134,815,554.09
Non-current liabilities due within one year	35,490,560.00	25,000,000.00	100,000,000.00
<b>Total current liabilities</b>	<b>3,677,421,154.84</b>	<b>2,338,473,243.29</b>	<b>1,001,053,083.23</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	706,112,640.00	319,889,200.00	50,000,000.00
Bonds payables	713,460,300.48	667,230,615.95	0.00
Deferred income tax liabilities	301,094.24	12,896,422.58	2,089,057.89
Deferred income- non-current liabilities	19,631,487.91	22,720,292.63	26,414,397.35
<b>Total non-current liabilities</b>	<b>1,439,505,522.63</b>	<b>1,022,736,531.16</b>	<b>78,503,455.24</b>
<b>Total liabilities</b>	<b>5,116,926,677.47</b>	<b>3,361,209,774.45</b>	<b>1,079,556,538.47</b>
<b>Owners' equity (or shareholders' equity)</b>			
Paid-in capital (or share capital)	1,315,081,930.00	741,771,379.00	752,695,526.00
Other equity instruments	205,673,493.18	205,698,850.87	0.00
Capital reserve	3,584,863,099.52	1,132,534,513.88	709,485,800.51
Less: treasury share	685,173,701.80	588,127,715.00	0.00
Other comprehensive income	0.00	25,042,829.70	169,266,652.71
Special reserve	1,827,307.08	1,808,335.55	0.00
Surplus reserve	342,882,482.99	229,955,560.38	89,165,703.00
Undistributed profits	2,480,325,872.53	1,761,288,545.41	567,070,316.91
<b>Total owners' equity</b>	<b>7,245,480,483.50</b>	<b>3,509,972,299.79</b>	<b>2,287,683,999.13</b>
<b>Total liabilities and owners' equity</b>	<b>12,362,407,160.97</b>	<b>6,871,182,074.24</b>	<b>3,367,240,537.60</b>

**2. Income Statement****(1) Consolidated Income Statement***Unit: RMB*

Item	2018	2017	2016
<b>Total revenue</b>	5,003,882,888.26	4,383,446,140.42	2,844,120,347.65
Operating income	5,003,882,888.26	4,383,446,140.42	2,844,120,347.65
<b>Total operating costs</b>	3,745,466,404.18	2,969,214,983.37	2,290,374,326.72
Operating costs	3,197,281,384.89	2,609,419,791.69	1,860,902,537.61
Tax and surcharge	30,582,676.65	48,581,384.11	20,991,840.62
Selling expenses	82,351,806.73	53,207,041.69	50,870,263.17
Administrative expenses	283,290,153.60	136,978,877.20	78,413,982.70
Research and development expenses	62,527,264.51	37,962,113.57	23,459,095.02
Finance expenses	81,987,851.20	53,535,770.69	17,324,129.91
Impairment loss of assets	4,703,657.16	29,530,004.42	238,412,477.69
Impairment loss of credit	2,741,609.44	0.00	0.00
Add: net gain from investment	174,840,160.90	257,476,152.44	22,317,249.52
Net gain on change in fair value	-219,538,668.40	21,041,054.96	-118,920.08
Gain on disposal of assets	-774,078.33	53,648.57	0.00
Other revenue	157,562,689.13	61,885,240.21	0.00
<b>Operating profit</b>	1,370,506,587.38	1,754,687,253.23	575,944,350.37
Add: Non-operating income	20,877,640.40	91,399.94	15,967,770.39
Less: Non-operating expense	4,858,341.98	16,339,037.95	57,489,809.36
<b>Total profit</b>	1,386,525,885.80	1,738,439,615.22	534,422,311.40
Less: Income tax	162,642,784.08	269,859,649.55	69,003,609.71
<b>Net profit</b>	1,223,883,101.72	1,468,579,965.67	465,418,701.69
Less: Minority interests	596,217.37	-498,163.63	1,053,605.52
Net profit attributable to the owners of the parent company	1,223,286,884.35	1,469,078,129.30	464,365,096.17
Add: Other comprehensive income	31,953,071.36	110,029,489.64	209,667,354.64
<b>Total comprehensive income</b>	1,255,836,173.08	1,578,609,455.31	675,086,056.33
Less: Total comprehensive income attributable to minority shareholders	-4,086,276.45	-2,880,693.69	1,053,605.52
Total comprehensive income attributable to holders of ordinary shares of the parent company	1,259,922,449.53	1,581,490,149.00	674,032,450.81



(2) *Income Statement of the Parent Company**Unit: RMB*

Item	2018	2017	2016
<b>Total revenue</b>	3,704,357,978.62	3,449,021,847.08	2,117,760,669.44
Operating income	3,704,357,978.62	3,449,021,847.08	2,117,760,669.44
<b>Total operating costs</b>	2,697,951,817.31	2,234,221,336.33	1,675,046,588.46
Operating costs	2,404,670,705.30	2,055,327,553.77	1,351,137,806.62
Tax and surcharge	20,019,240.68	40,138,481.93	15,529,450.94
Selling expenses	40,761,388.45	25,534,056.08	20,175,098.81
Administrative expenses	144,333,875.81	73,476,679.27	31,819,684.57
Research and development expenses	14,715,967.54	12,608,218.62	11,730,778.52
Finance expenses	72,523,130.33	32,946,235.55	32,939,407.26
Impairment loss of assets	176,571.05	-5,809,888.89	211,714,361.74
Impairment loss of credit	750,938.15	0.00	0.00
Add: Other revenue	114,564,494.62	51,837,361.72	0.00
Net gain from investment	105,009,628.67	325,303,958.56	122,989,521.29
Net gain on change in fair value	52,369,893.49	-322,068.73	-118,920.08
Gain on disposal of assets	-484,200.19	53,648.57	0.00
<b>Operating profit</b>	1,277,865,977.90	1,591,673,410.87	565,584,682.19
Add: Non-operating income	1,972,161.97	1,600.00	8,826,817.87
Less: Non-operating expense	774,727.43	5,945,489.54	3,671,481.69
<b>Total profit</b>	1,279,063,412.44	1,585,729,521.33	570,740,018.37
Less: Income tax	174,837,016.01	177,830,947.55	64,533,753.10
<b>Net profit</b>	<u>1,104,226,396.43</u>	<u>1,407,898,573.78</u>	<u>506,206,265.27</u>
<b>Total comprehensive income</b>	<u><u>1,104,226,396.43</u></u>	<u><u>1,263,674,750.77</u></u>	<u><u>682,507,935.53</u></u>

**3. Cash Flow Statement****(1) Consolidated Cash Flow Statement***Unit: RMB*

Item	2018	2017	2016
<b>Cash flow generated from operating activities:</b>			
Cash received from selling goods and providing services	3,963,496,140.83	3,462,424,378.78	3,147,667,034.10
Refunds of taxes received	22,226,927.84	336,501.37	5,840,895.26
Cash received relating to other operating activities	196,041,282.25	58,614,964.95	16,565,513.52
<b>Sub-total of cash inflow from operating activities</b>	<b>4,181,764,350.92</b>	<b>3,521,375,845.10</b>	<b>3,170,073,442.88</b>
Cash paid for purchasing goods and receiving services	2,679,776,533.23	2,337,506,593.43	2,141,044,605.68
Cash paid to and for employees	240,426,349.57	192,112,380.29	155,345,793.20
Cash paid for taxes	435,541,758.36	399,534,303.89	138,251,613.13
Cash paid relating to other operating activities	140,787,761.76	88,356,502.91	76,957,175.95
<b>Sub-total of cash outflow from operating activities</b>	<b>3,496,532,402.92</b>	<b>3,017,509,780.52</b>	<b>2,511,599,187.96</b>
<b>Net cash flow generated from operating activities</b>	<b>685,231,948.00</b>	<b>503,866,064.58</b>	<b>658,474,254.92</b>
<b>Cash flow generated from investing activities:</b>			
Cash received from disposal of investments	1,103,898,347.86	238,207,800.19	65,004.08
Cash received from returns on investments	98,023,128.84	5,668,687.87	98,797.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	7,159,091.46	2,832,029.67	3,304,811.52

Item	2018	2017	2016
Cash received relating to other investing activities	0.00	12,000,000.00	20,155,896.00
<b>Sub-total of cash inflow from investing activities</b>	1,209,080,568.16	258,708,517.73	23,624,509.20
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	1,198,382,263.36	352,915,348.56	506,204,693.58
Cash paid for investment	1,736,106,952.40	726,834,990.94	370,111,413.36
Net cash paid for subsidiaries and other operating business units	0.00	19,150,512.06	0.00
Cash paid relating to other investing activities	634,629,289.83	0.00	31,572,016.98
<b>Sub-total of cash outflow from investing activities</b>	3,569,118,505.59	1,098,900,851.56	907,888,123.92
<b>Net cash flow generated from investing activities</b>	-2,360,037,937.43	-840,192,333.83	-884,263,614.72
<b>Cash flow generated from financing activities:</b>			
Cash received from investment	2,958,231,015.62	588,377,715.00	500,000.00
Cash received from borrowings	2,175,318,752.00	3,412,979,239.10	668,310,407.53
Cash received relating to other financing activities	52,500,000.00	68,353,125.00	0.00
Cash received from issuing bonds	0.00	918,000,000.00	0.00
<b>Sub-total of cash inflow from financing activities</b>	5,186,049,767.62	4,987,710,079.10	668,810,407.53
Cash paid for repaying debts	1,680,244,854.32	2,448,042,870.45	360,343,360.89
Cash paid for distributing dividends and profits and interest repayment	348,289,547.93	117,109,561.81	77,549,265.11
Cash paid relating to other financing activities	436,843,822.83	85,895,095.34	1.00

Item	2018	2017	2016
Sub-total of cash outflow from financing activities	2,465,378,225.08	2,651,047,527.60	437,892,627.00
Net cash flow generated from financing activities	2,720,671,542.54	2,336,662,551.50	230,917,780.53
Effect of foreign exchange rate changes to cash	7,397,130.81	-4,167,259.47	1,183,449.85
Net increase in cash and cash equivalents	1,053,262,683.92	1,996,169,022.78	6,311,870.58
Balance of cash and cash equivalents at the beginning of the period	2,165,351,864.76	169,182,841.98	162,870,971.40
Balance of cash and cash equivalents at the end of the period	3,218,614,548.68	2,165,351,864.76	169,182,841.98

## (2) Cash Flow Statement of Parent Company

Unit: RMB

Item	2018	2017	2016
Cash flow generated from operating activities:			
Cash received from selling goods and providing services	3,424,593,043.21	3,154,989,845.25	2,401,139,228.53
Refunds of taxes received	1,441,303.27	0.00	507,098.81
Cash received relating to other operating activities	123,620,837.77	50,003,412.42	29,506,932.59
Sub-total of cash inflow from operating activities	3,549,655,184.25	3,204,993,257.67	2,431,153,259.93
Cash paid for purchasing goods and receiving services	2,436,188,232.55	2,073,133,659.74	1,589,647,733.53
Cash paid to and for employees	96,858,128.61	79,139,938.78	60,701,791.06
Cash paid for taxes	341,494,360.65	328,602,852.54	103,684,635.88

Item	2018	2017	2016
Cash paid relating to other operating activities	50,773,454.79	49,214,240.14	150,164,500.53
<b>Sub-total of cash outflow from operating activities</b>	2,925,314,176.60	2,530,090,691.20	1,904,198,661.00
<b>Net cash flow generated from operating activities</b>	624,341,007.65	674,902,566.47	526,954,598.93
<b>Cash flow generated from investing activities:</b>			
Cash received from disposal of investments:	1,059,639,554.64	2,900,000.00	65,004.08
Cash received from returns on investments	97,380,131.06	140,093,772.66	100,098,797.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,812,848.67	15,526,646.84	2,416,690.99
Cash received relating to other investing activities	259,536,171.63	12,000,000.00	0.00
<b>Sub-total of cash inflow from investing activities</b>	1,419,368,706.00	170,520,419.50	102,580,492.67
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	515,366,868.39	111,123,856.89	127,697,178.71
Cash paid for investment	2,887,155,603.06	887,667,612.00	295,807,382.41
Cash paid relating to other investing activities	300,000,000.00	390,887,322.20	509,817,833.37
<b>Sub-total of cash outflow from investing activities</b>	3,702,522,471.45	1,389,678,791.09	933,322,394.49
<b>Net cash flow generated from investing activities</b>	-2,283,153,765.45	-1,219,158,371.59	-830,741,901.82

Item	2018	2017	2016
<b>Cash flow generated from financing activities:</b>			
Cash received from investment	2,946,581,015.62	588,127,715.00	0.00
Cash received from borrowings	2,005,318,752.00	2,801,611,239.10	618,310,407.53
Cash received relating to other financing activities	91,802,295.89	0.00	124,376,500.49
Cash received from issuing bonds	0.00	918,000,000.00	0.00
<b>Sub-total of cash inflow from financing activities</b>	<b>5,043,702,063.51</b>	<b>4,307,738,954.10</b>	<b>742,686,908.02</b>
Cash paid for repaying debts	1,234,954,602.00	2,201,016,870.45	350,343,360.89
Cash paid for distributing dividends and profits and interest repayment	337,059,601.31	109,869,034.47	76,164,382.34
Cash paid relating to other financing activities	405,590,697.83	53,795,095.34	1.00
<b>Sub-total of cash outflow from financing activities</b>	<b>1,977,604,901.14</b>	<b>2,364,681,000.26</b>	<b>426,507,744.23</b>
<b>Net cash flow generated from financing activities</b>	<b>3,066,097,162.37</b>	<b>1,943,057,953.84</b>	<b>316,179,163.79</b>
<b>Effect of foreign exchange rate changes to cash</b>	<b>-8,974,384.24</b>	<b>-1,489,878.03</b>	<b>-1,951,314.86</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,398,310,020.33</b>	<b>1,397,312,270.69</b>	<b>10,440,546.04</b>
Balance of cash and cash equivalents at the beginning of the period	1,468,378,314.49	71,066,043.80	60,625,497.76
Balance of cash and cash equivalents at the end of the period	2,866,688,334.82	1,468,378,314.49	71,066,043.80

*Note:* Pursuant to the Notice on the Revision and Issuance of the Format of Financial Statement of General Enterprises for 2018 (Cai Kuai [2018] No. 15) (《關於修訂印發2018年度一般企業財務報表格式的通知》) of the Ministry of Finance, the Company made corresponding adjustments to the format of financial statements for 2017 and 2016.

## (II) Change in Scope of Consolidated Statements

*1. Change in scope of consolidated financial statements for 2018*

No.	Change in scope of consolidated statements	Reason for change
4 enterprises were newly added		
1	Xinyu Ganfeng Electronics Co., Ltd.	Newly established second-tier controlled subsidiary, which is owned as to 71% by the Company
2	Qinghai Liangcheng Mining Co., Ltd.	Newly established wholly-owned subsidiary
3	Haixi Jintai Mining Co., Ltd.	Newly established second-tier controlled subsidiary, which is owned as to 70% by the Company
4	Ganfeng Lithium Netherlands Co. BV	Newly established second-tier controlled subsidiary registered in Netherlands, principally engages in investment

*2. Chang in scope of consolidated financial statements for 2017*

No.	Change in scope of consolidated statements	Reason for change
4 enterprises were newly added		
1	Ningbo Lisaikang New Material Technology Co., Ltd.	Business combination not under common control, resulting in the acquisition of 100% equity interests
2	Havelock Mining Investment Limited	Newly established wholly-owned subsidiary registered in Hong Kong, principally engages in investment
3	Jiangxi Ganfeng New Energy Technology Co., Ltd.	Newly established second-tier wholly-owned subsidiary
4	Zhejiang Fengli New Energy Technology Co., Ltd.	Newly established wholly-owned subsidiary

**3. Change in scope of consolidated financial statements for 2016**

No.	Change in scope of consolidated statements	Reason for change
6 enterprises were newly added		
1	Jiangxi Ganfeng Recycling Technology Co., Ltd.	Newly established wholly-owned subsidiary
2	Xinyu Ganfeng New Energy Industrial Investment Partnership (Limited Partnership)	Jointly established by the Company, Tibet Xingfu Investment Management Co., Ltd. (西藏興富投資管理有限公司) and ICBC Credit Suisse Investment Management Co., Ltd. (工銀瑞信投資管理有限公司) with a registered capital of RMB1 billion. The capital commitment of the Company is RMB499.95 million. As at 31 December 2016, the actual contribution of the Company was RMB62.90 million, while the other two limited partners made no contribution yet
3	Jiangsu Yuanrong New Energy Technology Co., Ltd.	Jointly established by Xinyu Ganfeng New Energy Industrial Investment Partnership (Limited Partnership), an enterprise under the Company, and He Lei, a natural person shareholder with a registered capital of RMB20 million. As at 31 December 2016, the actual contribution made by the Company and He Lei was RMB9.50 million and RMB0.50 million, respectively
4	Ningbo Fengli Investment Holding Co., Ltd. (寧波鋒鋰投資控股有限公司)	Jointly established by Xinyu Ganfeng New Energy Industrial Investment Partnership (Limited Partnership), an enterprise under the Company, and Yang Jing (楊菁), a natural person shareholder with a registered capital of RMB20 million. As at 31 December 2016, the actual contribution made by the Company was RMB1 million, while Yang Jing made no contribution yet
5	Ningdu Ganfeng Lithium Co., Ltd.	Newly established wholly-owned subsidiary
6	Dongguan Ganfeng Electronics Co., Ltd.	Newly established wholly-owned subsidiary
1 enterprise was deregistered		
1	Wuxi Xinneng Lithium Co., Ltd. (無錫新能鋰業有限公司)	Deregistered in November 2106



## (III) Major Financial Indicators of the Company for the past three years

## 1. Major financial indicators of the Company for the past three years

Item	December 31, 2018	December 31, 2017	December 31, 2016
Current ratio	2.07	1.62	1.24
Quick ratio	1.57	1.30	0.79
Debt-asset ratio (consolidated)	41.00%	49.45%	34.61%
Debt-asset ratio (parent company)	41.39%	48.92%	32.06%
Net asset per share attributable to owners of the parent company (RMB)	6.03	5.44	3.31
Item	2018	2017	2016
Account receivables turnover (time/year)	6.63	9.22	7.07
Inventory turnover (time/year)	2.27	3.60	4.39
Total assets turnover (time/year)	0.47	0.74	0.90
Cash flow generated from operating activities per share (RMB/share)	0.52	0.68	0.87
Net cash flow per share (RMB/share)	0.80	2.69	0.01

Note: Calculation of major financial indicators:

Current ratio = Current assets/Current liabilities;

Quick ratio = Quick assets/Current liabilities;

Debt-asset ratio = (Total Liabilities/Total assets)\*100%;

Account receivables turnover = Operating revenue/average balances of account receivables

Inventory turnover = Operating costs/Average balances of inventory

Total assets turnover = Total operating revenue/Average amounts of total assets

Net cash flow generated from operating activities per share = Net cash flow generated from operating activities/Share capital

Net cash flow per share = Net increase in cash and cash equivalents/total number of ordinary shares as at the end of the period

**2. *Earnings per share and return on net assets for the past three years after deducting non-recurring gains and losses***

The return on net assets and the earnings per share as calculated by the Company pursuant to the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (amended in 2010) (China Securities Regulatory Commission Announcement [2010] No. 2) (《公開發行證券的公司信息披露編報第9號–淨資產收益率和每股收益的計算及披露(2010年修訂)》)(中國證券監督管理委員會公告[2010]2號) and the “Notice on Explanation of Information Disclosure of Companies that Offer Securities to the Public No. 1 – Non-recurring Profit and Loss” (China Securities Regulatory Commission Announcement [2008] No. 43) (《公開發行證券的公司信息披露解釋性公告第1號–非經常性損益》)(中國證券監督管理委員會公告[2008]43號)) are as follows :

Item	Reporting period	Average weighted return on net assets	Earnings per share (RMB/share)	
			Basic	Diluted
Net profit attributable to ordinary Shareholders of the Company	2018	26.93%	1.07	1.07
	2017	46.37%	1.98	1.98
	2016	21.67%	0.62	0.62
Net profit attributable to ordinary Shareholders of the Company after deducting non-recurring profits and losses	2018	27.65%	1.10	1.10
	2017	37.69%	1.61	1.61
	2016	22.13%	0.63	0.63

## (IV) Analysis of Financial Position of the Company

## 1. Analysis of asset position

Assets structure for the past three years of the Company is as follows:

Unit: RMB0'000

Item	December 31, 2018		December 31, 2017		December 31, 2016	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
<b>Current assets:</b>						
Cash and cash equivalents	360,234.03	26.64%	223,720.03	27.97%	19,775.01	5.19%
Financial assets held for trading	19,278.20	1.43%	–	–	–	–
Financial assets at fair value through profit or loss for the current period	–	–	19,115.07	2.39%	130.37	0.03%
Bills receivable and accounts receivable	140,559.97	10.40%	94,543.61	11.82%	57,689.46	15.15%
Prepayments	30,971.33	2.29%	19,011.00	2.38%	8,200.48	2.15%
Other receivables	34,827.85	2.58%	2,176.64	0.27%	2,141.64	0.56%
Inventories	190,471.26	14.09%	91,483.45	11.44%	53,435.39	14.03%
Other current assets	15,134.16	1.12%	6,718.34	0.84%	6,084.81	1.60%
<b>Total current assets</b>	<b>791,476.80</b>	<b>58.54%</b>	<b>456,768.14</b>	<b>57.10%</b>	<b>147,457.16</b>	<b>38.72%</b>
<b>Non-current assets:</b>						
Available-for-sale financial assets	–	–	59,205.11	7.40%	37,577.30	9.87%
Other non-current financial assets	44,291.72	3.28%	–	–	–	–
Long-term equity investments	173,553.00	12.84%	79,503.76	9.94%	41,949.66	11.01%
Investment properties	16.61	0.00%	19.38	0.00%	22.15	0.01%
Fixed assets	149,774.00	11.08%	79,526.06	9.94%	64,617.02	16.97%
Construction in progress	109,759.32	8.12%	77,834.58	9.73%	50,106.62	13.16%
Intangible assets	31,272.31	2.31%	29,832.20	3.73%	25,072.88	6.58%
Development expenses	2,491.15	0.18%	79.83	0.01%	200	0.05%
Goodwill	1,830.22	0.14%	1,830.22	0.23%	1,758.03	0.46%
Long-term deferred expenses	2,425.03	0.18%	2,790.33	0.35%	6.79	0.00%
Deferred income tax assets	2,704.66	0.20%	998	0.12%	2,234.83	0.59%
Other non-current assets	42,476.85	3.14%	11,522.40	1.44%	9,871.76	2.59%
<b>Total non-current assets</b>	<b>560,594.87</b>	<b>41.46%</b>	<b>343,141.87</b>	<b>42.90%</b>	<b>233,417.04</b>	<b>61.28%</b>
<b>Total assets</b>	<b>1,352,071.67</b>	<b>100.00%</b>	<b>799,910.01</b>	<b>100.00%</b>	<b>380,874.20</b>	<b>100.00%</b>

During the reporting periods, total assets of the Company increased commensurately in the wake of continuous improvement of industrial layout and ever-growing business scale of the Company. At each of the reporting periods, total assets of the Company amounted to RMB3,808,742,100, RMB7,999,100,100 and RMB13,520,716,700, respectively, demonstrating a rising trend year after.

At the end of 2017, total assets of the Company increased by 110.02% as compared to that at the end of 2016, which was mainly due to receipt of proceeds at the end of the reporting period from share incentive and convertible bonds issued during the year, increase in inventory of raw materials including spodumene, and increase in equity investment in Lithium Americas.

At the end of 2018, total assets of the Company increased by 69.03% as compared to that at the end of 2017, which was mainly due to receipts of proceeds from IPO in Hong Kong, increase in inventory for turnover of new production lines, increase in equity investment in Minera Exar and Exar Capital, and increase in fixed asset investments.

In terms of asset structure, during the reporting periods, proportions of current assets of the Company over total assets were 38.73%, 57.10% and 58.54%, respectively, showing a growing trend year after year, which was mainly due to the facts that (1) as the Company conducted equity financings in both A share and H share markets, receipts of proceeds therefrom led to the rapid growth of monetary capital of the Company as at the end of reporting periods; (2) following the successive commencement of operation of projected invested with proceeds raised previously, operating assets such as inventory and accounts receivables grew rapidly. Non-current assets including fixed assets, projects under construction and intangible assets took up 61.28%, 42.90% and 41.46% of the total assets, respectively, presenting a declining tendency, which was due to longer asset investment cycle in commensurate with the larger equity financing scale of the Company on the one hand, and rapid growing current assets including inventory as a result of increase in production capacity of the Company on the other hand.

**2. Analysis of liability structure**

Liability structures of the Company in the past three years are as follows:

Unit: RMB0'000

Item	December 31, 2018		December 31, 2017		December 31, 2016	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
<b>Current liabilities:</b>						
Short-term borrowings	132,084.49	23.83%	117,987.29	29.83%	43,863.49	33.27%
Bill payable and accounts payable	131,896.84	23.79%	49,206.74	12.44%	38,348.51	29.09%
Advances from customers	–	0.00%	10,102.65	2.55%	6,270.52	4.76%
Contract liabilities	4,605.01	0.83%	–	–	–	–
Employee benefits payable	6,837.97	1.23%	5,474.35	1.38%	2,158.67	1.64%
Taxes payable	31,035.73	5.60%	33,087.85	8.36%	16,620.41	12.61%
Other payables	73,211.97	13.21%	62,474.01	15.79%	1,826.25	1.39%
Non-current liabilities due within one year	3,549.06	0.64%	3,100.00	0.78%	10,000.00	7.59%
<b>Total current liabilities</b>	<b>383,221.07</b>	<b>69.13%</b>	<b>281,432.89</b>	<b>71.14%</b>	<b>119,087.85</b>	<b>90.34%</b>
<b>Non-current liabilities:</b>						
Long-term borrowings	70,611.26	12.74%	31,988.92	8.09%	5,600.00	4.25%
Bonds payable	71,346.03	12.87%	66,723.06	16.87%	–	0.00%
Long-term payables	23,067.96	4.16%	–	–	–	0.00%
Deferred tax liabilities	238.68	0.04%	6,384.56	1.61%	481.66	0.37%
Deferred income –non-current liabilities	5,868.75	1.06%	5,938.26	1.50%	6,654.14	5.05%
Other non-current liabilities	0.63	0.00%	3,125.31	0.79%	–	–
<b>Total non-current liabilities</b>	<b>171,133.31</b>	<b>30.87%</b>	<b>114,160.11</b>	<b>28.86%</b>	<b>12,735.80</b>	<b>9.66%</b>
<b>Total liabilities</b>	<b>554,354.38</b>	<b>100.00%</b>	<b>395,593.00</b>	<b>100.00%</b>	<b>131,823.65</b>	<b>100.00%</b>

At each of the reporting periods, total liabilities of the Company amounted to RMB1,318,236,300, RMB3,955,930,000 and RMB5,543,543,800, respectively, demonstrating a rising trend year after, which was commensurate with the growth of operations of the Company.

Total liabilities of the Company mainly comprised current liabilities. At each of the reporting periods, proportions of current liabilities of the Company over total liabilities 90.34%, 71.14% and 69.13% respectively, showing a declining trend, which was mainly due to the Company's liability portfolio restructuring through increasing financing by virtue of convertible bonds financing at low cost and long-term borrowings.

### 3. *Analysis of profitability*

Major operating performance of the Company in the past three years is as follows:

*Unit: RMB0'000*

Item	2018	2017	2016
Revenue	500,388.29	438,344.61	284,412.03
Operating costs	319,728.14	260,941.98	186,090.25
Operating profit	137,050.66	175,468.73	57,594.44
Total profit	138,652.59	173,843.96	53,442.23
Net profit	122,388.31	146,858.00	46,541.87
Net profit attributable to owner of the Company	122,328.69	146,907.81	46,436.51

In each of 2016, 2017 and 2018, revenue of the Company was RMB2,844,120,300, RMB4,383,446,100 and RMB5,003,882,900 respectively; and net profit attributable to owner of the Company RMB464,365,100, RMB1,469,078,100 and RMB1,223,286,900, respectively, which was a reflection of strong profitability of the Company.

Revenue in 2017 increased by 54.12% as compared to 2016 and revenue in 2018 increased by 14.15% as compared to 2017, which was mainly due to the rapid growth of the upstream battery material industry as driven by the strong demands in the downstream lithium battery market.

**4. Solvency analysis**

Major solvency indicators of the Company in the past three years are as follows:

Item	December 31, 2018	December 31, 2017	December 31, 2016
Current ratio	2.07	1.62	1.24
Quick ratio	1.57	1.30	0.79
Debt Asset ratio ( <i>consolidated</i> )	41.00%	49.45%	34.61%
Debt Asset ratio ( <i>parent company</i> )	41.39%	48.92%	32.06%

During the reporting period, both current ratio and quick ratio of the Company increased, which was mainly due to substantial increase in operating current assets including monetary capital and inventory of raw materials. The issuance of convertible bonds and increase of bank borrowings in 2017 resulted in the increase of debt asset ratio (*consolidated*) of the Company by 14.84 percentage points; the completion of the Company's H share issue through IPO in 2018 led to a decrease of debt asset ratio (*consolidated*) by 8.45 percentage points.

With a relatively low debt asset ratio in general in the industry, the Company had a reasonable capital structure.

**5. Analysis of operating capability**

Major operating indicators of the Company in the past three years are as follows:

Item	2018	2017	2016
Receivables turnover ( <i>times/year</i> )	6.63	9.22	7.07
Inventory turnover ( <i>times/year</i> )	2.27	3.60	4.39
Total assets turnover ( <i>times/year</i> )	0.47	0.74	0.90

The violent fluctuation in receivables turnover of the Company in the past three years was mainly due to the facts that in 2017, revenue of the Company increased by 54.12% thanks to the Company's sufficient supply of raw materials to meet the strong demands in the downstream market where supply fell short of demand; and trade receivables increased by 14.39% benefiting from the growing operations, rising less than revenue, which resulted in a significant increase in the receivables turnover of the Company in 2017. As demand and supply in the market gradually levelled off in

2018, receivables turnover also recovered to such a level as proportionate with that at the beginning of the reporting period.

Valuing management of trade receivables, the Company has formulated effective management systems and credit policies to ensure reasonable recovery level of trade receivables when becoming due, having thereby maintained desired and timely collection of sales receivable. The production management model of setting production goals based on sales adopted by the Company also coincided with the production-supply-marketing cycle of the Company in actual operations on the whole.

Inventory turnover and total assets turnover of the Company decreased in the past three years, which was mainly due to the increase in running stocks and asset investments as a result of the progressive commencement of operation of new production lines.

**(V) Future Business Objectives and Profitability Sustainability**

In the light of the development strategy of “integrating the upstream and downstream of lithium industrial chain”, the Company has completed the entire industrial layout covering lithium mining, smelting, processing and calendaring, and formed a vertically integrated business model, including upstream lithium extraction, midstream lithium compounds and metals processing as well as downstream lithium battery production and recycling, exerting the synergies of different business segments in an effective manner. During the reporting period, the Company concentrated its efforts on the R&D, production and sales of a series of products including further processed lithium products, lithium battery new materials, power and energy storage batteries, etc., and capitalised on its technical advantages in lithium extraction from spodumene and brine as well as the leading strengths in the field of further processed lithium compounds to consistently optimise the production processes, reduce production cost, improve production efficiency and stabilise product quality, resulting in substantial increase in asset scale and profitability of the Company. From 2016 to 2018, the compound growth rates for revenue and net profit of the Company were 32.64% and 62.16%, respectively. Benefiting from the product upgrade and technical development of downstream new energy, new materials and new medicines, the Company is in possession of strong capacity for continuous profitability.

Faced with the deteriorating social environment and the strained supply of domestic oil and gas energy, China has been encouraging the development of new energy vehicle industry and driving up the technical upgrade of new energy battery from the perspectives of policy, capital and others in recent years. Considering the vast market space in store for the Company in the future in the wake of the immense new energy vehicle industry, the Company has been proactively making arrangements in the upstream and downstream sectors



of further processed lithium products since 2015 with the view to becoming a major producer of further processed lithium products in China. Through the investment project financed by raised proceeds, the Company will be able to ensure stable supply of raw materials, cement its current market position, improve production efficiency and further level up the core competitiveness of the Company, which is conducive to the long-term sustainable development of the Company.

#### IV. USE OF PROCEEDS RAISED FROM THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

The total amount of proceeds from the issuance of convertible corporate bonds (including issuance expense) will not exceed RMB2.15 billion (inclusive), which will be used for the following projects after deducting the issuance expense:

No.	Item	Total investment amount of the project (RMB0'000)	Proposed amount of proceeds to be used (RMB0'000)
1	Project for subscription for certain equity interests of Minera Exar	107,200.00	107,200.00
2	Renovation and expansion project for ten thousand tonne lithium salt	76,585.00	47,300.00
3	Replenishment of working capital	60,500.00	60,500.00
<b>Total</b>		<b>244,285.00</b>	<b>215,000.00</b>

Before the receipt of the proceeds from the Proposed Issuance of A Share Convertible Bonds, the Company will implement the projects utilising its own funds in accordance with the actual progress of the projects. Upon receipt of the proceeds, the proceeds will be used to replace the remaining funds and cover the spent funds. The Board may make adjustment to the proposed investment amount of the proceeds for the above one or multiple projects and the priority thereof, based on the actual situation of project progress, provided that the investment projects for the proceeds shall not be changed. After the receipt of the proceeds of A Share Convertible Bonds, if the actual net proceeds after deducting the issuance expense are less than the amount of the total amount of proceeds proposed to be invested, the shortfall should be financed by the own funds of the Company.

For specific details of the aforesaid projects, please refer to the Feasibility Analysis Report on the Use of Proceeds Raised from the Public Issuance of A Share Convertible Corporate Bonds by Ganfeng Lithium Co., Ltd. published by the Company on the website of Shenzhen Stock Exchange on the same date.

## **V. PROFIT DISTRIBUTION OF THE COMPANY**

### **(I) Current Profit Distribution Policy of the Company**

In accordance with the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies and No. 3 Regulatory Guidance for Listed Companies – Cash Dividends of Listed Companies issued by CSRC, as well as requirements under other relevant laws, regulations and normative documents, the Company has prescribed the specific conditions, proportion and form of profit distribution especially cash dividend distribution and conditions for distribution of share dividends, consummated the decision-making procedures and mechanism for profit distribution and the principles for adjustment of profit distribution policy of Company, and enhanced the mechanism on protection of the rights and interests of minority investors in its Articles of Association. Current profit distribution policy under the Articles of Association is as follows:

1. Profit distribution principle: The Company implements a positive profit distribution policy, pays attention to the reasonable return on investment of investors, and maintains continuity and stability while taking into account the sustainable development of the Company. The profit distribution shall not exceed the scope of accumulated distributable profits and shall not impair the Company's ability to continue to operate as a going concern;
2. Form of profit distribution: The Company may distribute dividends in the form of cash, stocks or a combination of cash and stocks, and preferentially use cash dividend distribution. The Company generally makes profit distribution on an annual basis. If it is allowable under the conditions, the board of directors may propose that the Company make profit distribution for the interim period;
3. Proportion of cash dividends: To the extent that the requirements for funds for the Company's normal production and operation are satisfied, the Company is profitable in the current year and the cumulative undistributed profits are positive, dividends may be distributed in cash. The profits distributed in cash each year shall not be less than 10% of distributable profits realized in the year.

The Company may not pay cash dividends or the proportion of cash dividends may be lower than 10% of the distributable profits realized during the year:

- (1) distributable profit per share realized in the current year is less than RMB0.1;
  - (2) the audited debt asset ratio in the current year (parent company) exceeds 70%;
  - (3) the Company will have major investment plans or major cash outlays in the next 12 months (except for the raised funds). A major investment plan or significant cash outlay means that the Company intends to make external investment, acquire assets, or purchase equipment in the next 12 months, of which cumulative expenditure exceeds 30% of the net assets in the latest audited consolidated statement of the Company, in excess of RMB50 million.
4. The profits accumulatively distributed by the Company in cash over the last three years are not less than 30% of the annual average distributable profits realized in the last three years.
  5. When the Company is in good operating condition and the board of directors believes that the Company's stock price does not match the size of the Company's share capital, and that the issuance of stock dividends is beneficial to the overall interests of all the Company's shareholders, it can propose a stock dividend distribution plan under the condition that the above cash dividends are satisfied.

## (II) Profit Distribution of the Company in the Past Three Years

### 1. Profit Distribution

During the reporting period, profit distribution proposals of the Company are as follows:

Year	Profit distribution proposal adopted (tax inclusive)	Date of record	Ex-entitlement and ex-dividend date
2016	Cash dividend of RMB1.00 for every 10 shares	July 6, 2017	July 7, 2017
2017	Cash dividend of RMB4.00 for every 10 shares Conversion of 5 additional shares for every 10 shares	May 28, 2018	May 29, 2018
2018	Cash dividend of RMB3.00 for every 10 shares	TBD	TBD

**2. Cash Dividend Distribution**

During the reporting period, cash dividend distributions of the Company are as follows:

Item	2018	2017	2016
Net profit attributable to the shareholders of the Company in the consolidated statements <i>(RMB0'000)</i>	122,328.69	146,907.81	46,436.51
Amount of cash dividends (tax inclusive) <i>(RMB0'000)</i>	39,452.48	29,730.50	7,289.05
	<i>(Note 2)</i>		<i>(Note 1)</i>
Proportion of cash dividends over the net profit attributable to the shareholders of the Company for the year	32.25%	20.24%	15.70%
Cumulative amount of cash dividends for the past three years <i>(RMB0'000)</i>	76,472.03		
Annual average distributable profits for the past three years <i>(RMB0'000)</i>	105,224.34		
Proportion of cumulative cash dividends over the annual average distributable profits for the past three years	72.68%		

*Note 1 :* The amount of dividends corresponding to the 23,790,647 shares repurchased from Li Wanchun and Hu Yemei as their compensation in 2016 was deducted when the amount of cash dividends for 2016 was arrived at.

*Note 2 :* The amount of cash dividends for 2018 in the above table was calculated based on the total Shares of 1,315,082,519 (including 1,114,896,719 A Shares and 200,185,800 H Shares) as at March 31, 2019.

In view of the foregoing, cumulative profits distributed in cash of the Company for the past three years totalled RMB764,720,300, accounting for 72.68% (greater than 30%) of the annual average distributable profits for the past three years.

**REPORT ON THE USE OF THE PREVIOUSLY RAISED PROCEEDS**

Xin Kuai Shi Bao Zi [2019] No. ZA13497

**To all shareholders of Ganfeng Lithium Co., Ltd.:**

We have reviewed the attached Report on the Use of the Previously Raised Proceeds as at 31 December 2018 as prepared by the board of directors (the “**Board**”) of Ganfeng Lithium Co., Ltd.

**I. Restrictions on Report Users and the Purpose of Using the Report**

The verification report shall only be used to apply for issuance of securities by the Company and shall not be used for other purposes. We agree to use the verification report as a requisite document for the Company to apply for the issuance of securities and submit the same together with other reporting documents.

**II. Responsibility of the Board**

The responsibility of the Board is to provide true, legal and complete relevant information, prepare the Report on the Use of the Previously Raised Proceeds as at 31 December 2018 in accordance with the Regulations for the Report on the Use of the Previously Raised Proceeds (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission, and warrant the truthfulness, accuracy and completeness of the content contained therein and there are no false records, misleading representations or material omissions.

**III. Responsibility of the Certified Public Accountants**

Our responsibility is to provide independent verification conclusion on the abovementioned report prepared by the Board on the basis of implementation of verification.

**IV. Work Overview**

We have conducted verification work in accordance with the requirements of the Standards on Other Assurance Engagements for CPAs of China No. 3101–Assurance Engagements Other than Historical Financial Information Audit or Review. The standards require us to plan and conduct verification work so as to obtain reasonable assurance as regards whether the information of the verification object is free of any material misstatements. In the course of verification, we have implemented procedures as deemed necessary by us, including the examination of accounting records. We believe the verification work undertaken by us has provided a reasonable basis for expressing our opinions.

**V. Verification Conclusion**

We believe the Verification Report on the Use of the Previously Raised Proceeds prepared by the management of the Company complies with the requirements of the Regulations for the Report on the Use of the Previously Raised Proceeds (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission and truly reflects the use of the previously raised proceeds of the Company as at 31 December 2018 in all material respects.

**BDO China Shu Lun Pan Certified Public  
Accountants LLP**

**Chinese Certified Public Accountant: Xiao Fei**

**Chinese Certified Public Accountant: Bao Meiting**

**Shanghai, the PRC**

**29 April 2019**

**REPORT ON THE USE OF THE PREVIOUSLY RAISED PROCEEDS  
AS AT 31 DECEMBER 2018**

In accordance with the requirements of the Regulations for the Report on the Use of the Previously Raised Proceeds (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission, the Company reports the use of the previously raised proceeds as at 31 December 2018 as follows:

**I. BASIC INFORMATION ON THE PREVIOUSLY RAISED PROCEEDS**

The Company conducted two equity financing activities in the recent 5 fiscal years. Details are as follows:

**(1) Issuance of shares for asset acquisition in cash and raising of proceeds in 2015**

As approved by the China Securities Regulatory Commission with the Reply on Approval of Issuance of Shares to Li Wanchun, etc. for Asset Acquisition and Raising of Proceeds by Ganfeng Lithium Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1227) (《關於核准江西贛鋒鋰業股份有限公司向李萬春等發行股份購買資產並募集配套資金的批覆》(證監許可[2015]1227號)), the Company issued 11,549,775 Renminbi denominated ordinary shares (A Shares) to Li Wanchun and 4,949,903 Renminbi denominated ordinary shares (A Shares) to Hu Yemei, totaling 16,499,678 Renminbi denominated ordinary shares (A Shares), with a par value of RMB1 per share through non-public way at an issue price of RMB15.57 per share, resulting in an increase in the share capital of RMB16,499,678. Li Wanchun and Hu Yemei subscribed for the Shares with the 70% equity interests held by them in Shenzhen Meibai Electronics Co., Ltd. (“**Meibai Electronics**”). As at 1 July 2015, the Company actually issued 11,549,775 Renminbi denominated ordinary shares (A Shares) to Li Wanchun and 4,949,903 Renminbi denominated ordinary shares (A Shares) to Hu Yemei, totaling 16,499,678 Renminbi denominated ordinary shares (A Shares), through non-public way, and acquired the 100% equity interest in Meibai Electronics. According to the Assets Valuation Report (Zhong Lian Ping Bao Zi [2014] No. 869) issued by China United Assets Appraisal Group Co., Ltd. with 31 March 2014 as the valuation benchmark date, the appraised value of Meibai Electronics was RMB369,897,000, and the transaction consideration for the underlying assets as determined by the Company and the counterparties through negotiation based thereon amounted to RMB367 million, of which 70% shall be paid by way of issuance of 16,499,678 shares by the Company and 30% shall be paid in cash by the Company. The abovementioned consideration has been paid up and has been verified by BDO China Shu Lun Pan Certified Public Accountants LLP which has issued the Capital Verification Report (Xin Kuai Shi Bao Zi [2015] No. 114462).

Meanwhile, the Company was approved to issue no more than 8,563,310 new shares through non-public way to raise proceeds for purchase of assets. As at 24 August 2015, the Company had actually issued 4,966,887 Renminbi denominated ordinary shares (A Shares) to 4 target subscribers including Caitong Fund Management Co., Ltd. (Caitong Multi-strategy Selected Mixed Type Securities Investment Fund) in a non-public way at an issue price of RMB24.16 per share and raised proceeds in an aggregate amount of RMB119,999,989.92; the proceeds after deducting issuance expenses of RMB9,010,000.00 including financial consulting fee and financing and underwriting fee (aggregate amount of RMB11,010,000.00, of which RMB2,000,000.00 has been paid) amounted to RMB110,989,989.92, which has been deposited into the Company's Renminbi account (Account No. 365006002018170643082) with Jiangxi Xinyu Branch of Bank of Communications Co., Ltd. by CITIC Securities Co., Ltd. on 24 August 2015. The aggregate amount of issuance expenses was RMB12,296,981.47 including financial consulting fee and financing and underwriting fee of RMB11,010,000.00 paid to CITIC Securities Co., Ltd. as the lead underwriter, expenses paid to other intermediaries of RMB1,200,000.00 (including expenses paid to accountants and lawyers) and other issuance expenses of RMB86,981.47. The proceeds from the issuance amounted to RMB119,999,989.92 and the net proceeds after deducting issuance expenses amounted to RMB107,703,008.45. The receipt of the abovementioned proceeds has been verified by BDO China Shu Lun Pan Certified Public Accountants LLP which has issued the Capital Verification Report (Xin Kuai Shi Bao Zi (2015) No. 114956).

The Company has opened a special account for proceeds with Xinyu Branch of Bank of Communications in accordance with the Administrative Measures for the Issuance of Securities by Listed Companies and the Guidelines on the Standard Operation of Companies Listed on the Small and Medium-Sized Enterprise Board of the Shenzhen Stock Exchange(《深圳證券交易所中小企業上市公司規範運作指引》).

As at 31 December 2018, the abovementioned proceeds had been used up and the special account for proceeds had been cancelled.



**(2) Public issuance of convertible corporate bonds to raise proceeds in 2017**

As approved by the China Securities Regulatory Commission with the Reply on Public Issuance of Convertible Corporate Bonds by Ganfeng Lithium Co., Ltd. (Zheng Jian Xu Ke [2017] No. 2049) and with Ping An Securities Company Limited as the lead underwriter, the Company issued convertible corporate bonds in an aggregate nominal value of no more than RMB928 million to the public for a term of 6 years. The aggregate amount of proceeds from issuance of convertible corporate bonds was RMB928 million (inclusive) and 9.28 million convertible corporate bonds with a nominal value of RMB100 each were issued at par. The term is 6 years from 21 December 2017 to 21 December 2023. The bond rates are as follows: 0.3% for the first year, 0.5% for the second year, 0.8% for the third year, 1.0% for the fourth year, 1.5% for the fifth year and 1.8% for the sixth year. The interests for the convertible corporate bonds under the issuance shall be paid once a year and the principal and interests for the last year shall be repaid at maturity. The conversion period of the convertible corporate bonds shall commence on the first trading day (27 June 2018) immediately following the expiry of the six-month period after the date of the issuance of the convertible corporate bonds (27 December 2017), and end on the maturity date of the convertible corporate bonds (21 December 2023). As at 27 December 2017, the aggregate amount of proceeds from the issuance of convertible corporate bonds by the Company was RMB928 million; the proceeds after deducting the underwriting and sponsors' fees amounted to RMB918 million and had been remitted by Ping An Securities Company Limited, as the lead underwriter, to the Company's account with the bank outlet of Xinyu Branch of Bank of Communications (Account No.: 365899991010003136165), the Company's account with Jiangxi Branch of Export-Import Bank of China (Account No.: 2230000100000129771) and the account of Jiangxi Ganfeng Battery Technology Co., Ltd., a wholly-owned subsidiary of the Company, with Jiangling Sub-branch of Nanchang Branch of China Merchants Bank (Account No.: 791907161710808). After deducting the underwriting and sponsors' fees to Ping An Securities Company Limited and China International Capital Corporation Limited, being joint underwriters, of RMB10,000,000.00 and other issuance expenses of RMB1,972,800.00, the actual amount of proceeds was RMB916,027,200, and the deductible input tax amounted to RMB677,705.66. After giving consideration to the deductible input tax, the net proceeds from the issuance amounted to RMB916,704,905.66. The receipt of the abovementioned proceeds has been verified by BDO China Shu Lun Pan Certified Public Accountants LLP which has issued the Capital Verification Report (Xin Kuai Shi Bao Zi [2017] No. ZA16552). The Company has opened a special account for proceeds in accordance with the Administrative Measures for the Issuance of Securities by Listed Companies and the Guidelines on the Standard Operation of Companies Listed on the Small and Medium-Sized Enterprise Board of the Shenzhen Stock Exchange.

As at 31 December 2018, the total balance in the abovementioned special account for proceeds amounted to RMB278,020,892.34.

**II.      ACTUAL USE OF THE PREVIOUSLY RAISED PROCEEDS**

**(1)      Comparison of the use of the previously raised proceeds**

For details of the use of proceeds from the public issuance of convertible corporate bonds, please refer to the schedule attached to the report.

**(2)      Change in the projects actually financed by the previously raised proceeds**

There was no change in the projects actually financed by the previously raised proceeds by the Company.

**(3)      Difference between the actual amount of the previously raised proceeds used for investment in projects and the committed investment and the reasons therefor**

**1.      *Issuance of shares for asset acquisition in cash and raising of proceeds for investment in projects in 2015***

*Unit: RMB0'000*

No.	Project name	Committed amount of investment	Actual total amount of investment	Difference
1	Acquisition of 100% equity interests in Meibai Electronics	36,700.00	36,700.00	0.00
	Total	<u>36,700.00</u>	<u>36,700.00</u>	<u>0.00</u>

**2. Projects financed by the proceeds from the public issuance of convertible corporate bonds in 2017**

Unit: RMB0'000

No.	Project name	Committed amount of investment	Actual total amount of investment	Difference
1	High capacity lithium-ion power battery project with an annual production capacity of 600 MWH	27,670.49	27,812.21	-141.72
2	Battery grade lithium carbonate construction project with an annual production capacity of 15,000 tonnes	33,800.00	8,567.28	25,232.72 (Note 1)
3	Lithium hydroxide monohydrate project with a production capacity of 20,000 tonnes	30,200.00	28,678.82	1,521.18 (Note 2)
	Total	<u>91,670.49</u>	<u>65,058.31</u>	<u>26,612.18</u>

*Note 1:* Part of the battery grade lithium carbonate construction project with an annual production capacity of 15,000 tonnes was completed and transferred to fixed assets in 2018. Subsequently, it is still required to conduct investment in engineering and equipment.

*Note 2:* The lithium hydroxide monohydrate project with a production capacity of 20,000 tonnes was completed and transferred to fixed assets in 2018. The actual amount of investment is less than the total amount of committed investment. Subsequently, it is still required to make the remaining payments for part of the project and equipment.

**(4) Transfer or replacement of projects financed by the previously raised proceeds**

There was no transfer or replacement of projects financed by the previously raised proceeds by the Company.

(5) Use of temporarily idle proceeds

**1. *Issuance of shares for asset acquisition in cash and raising of proceeds for investment in projects in 2015***

As at 31 December 2018, the proceeds had been used up.

**2. *Projects financed by the proceeds from the public issuance of convertible corporate bonds in 2017***

As at 31 December 2018, the balance of the proceeds from public issuance of convertible corporate bonds by the Company amounted to RMB278,020,892.34, including the balance in the special account for proceeds of RMB228,020,892.34 in the Company's current account for proceeds and the idle proceeds of RMB50,000,000 used for investment in wealth management products of structured deposits.

**III. ECONOMIC BENEFITS FROM THE PROJECTS FINANCED BY THE PREVIOUSLY RAISED PROCEEDS**

**(1) Comparison of benefits achieved in the projects financed by the previously raised proceeds**

**1. *Projects financed by the proceeds from the public issuance of convertible corporate bonds in 2017***

The comparison of benefits achieved in the projects financed by the previously raised proceeds in 2017 as at 31 December 2018 is as follows:

Unit: RMB0'000

No.	Actual investment projects Project name	Accumulated capacity utilization rate of investment projects as at the deadline	Committed benefits	Actual benefits in the recent two years		Accumulated benefits achieved as at the deadline	Whether the expected benefits are achieved
				2017	2018		
1	High capacity lithium-ion power battery project with an annual production capacity of 600 MWH		14,447.51	-2,075.52		-2,075.52	No
2	Battery grade lithium carbonate construction project with an annual production capacity of 15,000 tonnes	73%	25,120.50		26,046.57	26,046.57	Yes
3	Lithium hydroxide monohydrate project with a production capacity of 20,000 tonnes	69%	27,953.60		41,837.98	41,837.98	Yes
Total					65,809.03	65,809.03	

**(2) Reason why the benefits from investment projects financed by the previously raised proceeds cannot be calculated separately and its situation**

There was no investment project financed by previously raised proceeds that cannot be calculated separately.

**(3) Difference between the actual income and committed income from the investment projects financed by the previously raised proceeds**

The circumstance in which the annual income from the investment projects financed by the previously raised proceeds of the Company is 20% (inclusive) or above less than the committed income:

The high capacity lithium-ion power battery project with an annual production capacity of 600 MWH.

The committed annual net profit of the high capacity lithium-ion power battery project with an annual production capacity of 600 MWH after it reaches the design capacity is RMB144,475,100. The main reason for the difference between the actual benefits and committed benefits is that: part of the project reached the serviceable conditions in 2018 and was transferred to fixed assets but did not generate benefits in 2018.

#### **IV. OPERATION OF ASSETS IN THE INVESTMENT PROJECTS FINANCED BY THE PREVIOUSLY RAISED PROCEEDS**

##### **(1) Issuance of shares for asset acquisition in cash and raising of proceeds for investment in projects in 2015**

As approved by the China Securities Regulatory Commission with the Reply on Approval of Issuance of Shares to Li Wanchun, etc. for Asset Acquisition and Raising of Proceeds by Ganfeng Lithium Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1227) (《關於核准江西贛鋒鋰業股份有限公司向李萬春等發行股份購買資產並募集配套資金的批覆》(證監許可[2015]1227號)), the Company issued 16,499,678 Renminbi denominated ordinary shares (A Shares) with a par value of RMB1 per share to Li Wanchun and Hu Yemei in a non-public way at an issue price of RMB15.57 per share. Li Wanchun and Hu Yemei subscribed for the shares with the 70% equity interests held by them in Shenzhen Meibai Electronics Co., Ltd.

According to the Assets Valuation Report (Zhong Lian Ping Bao Zi [2014] No. 869) issued by China United Assets Appraisal Group Co., Ltd. with 31 March 2014 as the valuation benchmark date, the appraised value of Meibai Electronics was RMB369,897,000, and the transaction consideration for the underlying assets as determined by the Company and the counterparties through negotiation based thereon amounted to RMB367 million, of which 70% shall be paid by way of issuance of 16,499,678 shares by the Company and 30% shall be paid with proceeds by the Company.

Li Wanchun and Hu Yemei completed the procedures for registration of changes in the holders of 100% equity interests in Meibai Electronics with the Market Supervision Administration of Shenzhen on 1 July 2015. Meibai Electronics was included in the scope of consolidated statements of the Company in July 2015.

## (2) Operations of Meibai Electronics

## 1. Financial position of Meibai Electronics for 2015–2018

Unit: RMB

Item	2018/12/31 (2018)	2017/12/31 (2017)	2016/12/31 (2016)	2015/12/31 (2015)
Total assets	89,486,404	78,784,972	244,618,499	306,867,427
Total liabilities	8,300,974	9,898,566	170,465,348	189,926,707
Owner's equity	81,185,430	68,886,406	74,153,151	116,940,720
Operating revenue	-287,058	29,599,269	275,250,089	349,584,822
Operating cost		30,095,040	249,934,889	279,246,441
Total profit	13,019,780	-4,873,867	-51,146,423	42,471,420
Net profit	12,299,024	-10,266,745	-42,787,569	35,939,048
Net profit after deducting non-recurring profit or loss	-1,714,210	-31,595,882	-8,060,693	34,786,672

## 2. Completion of profit forecast of Meibai Electronics

## (1) 2015:

The financial statements of Meibai Electronics for 2015 have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP which issued the standard unqualified Audit Report (Xin Kuai Shi Bao Zi [2016] No. 111992) on 28 March 2016. As audited, the net profit attributable to the shareholders of the parent after deducting non-recurring profit or loss of Meibai Electronics for 2015 amounted to RMB34,786,700 and the performance commitments for 2015 were not fulfilled.

Unit: RMB0'000

Item	Actual amount realized	Committed amount	Difference	Completion rate
Net profit attributable to the shareholders of the parent after deducting non-recurring profit or loss	3,478.67	4,300.00	-821.33	80.90%

## (2) 2016:

The financial statements of Meibai Electronics for 2016 have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP which issued the standard unqualified Audit Report (Xin Kuai Shi Bao Zi [2017] No. ZA11854) with emphasized matters on 5 April 2017. As audited, the net profit attributable to the shareholders of the parent after deducting non-recurring profit or loss of Meibai Electronics for 2016 amounted to RMB-8,060,700 and the performance commitments for 2016 were not fulfilled.

*Unit: RMB0'000*

Item	Actual	Committed	Difference	Completion
	amount realized			
Net profit attributable to the shareholders of the parent after deducting non-recurring profit or loss	-806.07	5,600.00	-6,406.07	N/A

### 3. Main Reasons for Failure in Fulfillment of Performance Commitments

#### (1) Main Reasons for Failure in Fulfillment of Performance Commitments for 2015

Due to the decline in the market demand for electronic products including tablet PCs and ultrabooks, the battery demand of relevant products decreased, which had negative effects on part of the sales business and the overall performance did not meet expectations.

#### (2) Main Reasons for Failure in Fulfillment of Performance Commitments for 2016

A fire broke out in the factory of Meibai Electronics on 22 March 2016 and an accidental fire and explosion happened in the aging workshop of Meibai Electronics on 10 July 2016. The losses caused by fires in 2016 amounted to RMB49,620,414.40. Due to the fire and explosion accidents, the factory of Meibai Electronics in Shenzhen stopped production since July 2016. As a result, the performance commitments for 2016 were not fulfilled.



**4. Profit Forecast and Compensation**

According to the profit compensation agreement and the supplemental agreement to the profit compensation agreement entered into between Li Wanchun, Hu Yemei and the Company, the audited net profit after deducting non-recurring profit or loss realized by Shenzhen Meibai Electronics Co., Ltd. in 2014, 2015 and 2016 were not less than RMB33 million, RMB43 million and RMB56 million, respectively.

If the net profit actually realized by Meibai Electronics in 2014, 2015 and 2016 was less than the committed amount, Li Wanchun and Hu Yemei shall make compensation to Ganfeng Lithium for the shortfall. The parties agreed that the compensation shall be made first with the shares of the Company which were subscribed for by Li Wanchun and Hu Yemei in the transaction and had not been transferred; if the abovementioned shares were insufficient to make the compensation, Li Wanchun and Hu Yemei shall further make compensation in cash. Upon expiry of the compensation calculation period, the Company shall conduct impairment calculation for Meibai Electronics. If the amount of impairment was greater than the amount of compensation as calculated based on the net profit, Li Wanchun and Hu Yemei shall otherwise make compensation.

In 2014, 2015 and 2016, the audited net profit after deducting non-recurring profit or loss realized by Meibai Electronics amounted to RMB32,228,799.75, RMB34,786,671.69 and RMB-8,060,692.58, respectively. In 2015, the Company repurchased 137,713 shares from Li Wanchun and Hu Yemei at an aggregate consideration of RMB1. In 2016, the Company repurchased 1,466,639 shares from Li Wanchun and Hu Yemei at an aggregate consideration of RMB1. In 2017, the Company repurchased 23,790,647 shares from Li Wanchun and Hu Yemei at an aggregate consideration of RMB1.

**V. COMPARISON OF INFORMATION DISCLOSURE OF ACTUAL USE OF PREVIOUSLY RAISED PROCEEDS**

The actual use of proceeds by the Company is consistent with the regular reports and other information disclosure documents of the Company.

**VI. APPROVAL FOR ISSUE OF REPORT**

This report was approved for issue on 29 April 2019 by the Board of the Company.

Schedule: Comparison of the use of proceeds from public issuance of convertible corporate bonds

# APPENDIX III REPORT ON THE USE OF THE PREVIOUSLY RAISED PROCEEDS

Schedule:

## Comparison of the Use of Proceeds from Public Issuance of A Share Convertible Bonds

Prepared by: Ganfeng Lithium Co., Ltd.

As at 31 December 2018

Unit: RMB0'000

Net proceeds (after deducting underwriting and sponsors' fees and other issuance expenses):			91,670.49		Total amount of proceeds used accumulatively					
					Total amount of proceeds used in each year		65,058.31			
Total amount of proceeds with the use changed:			2017:				33,153.19			
Proportion of total amount of proceeds with the use changed:			2018:				31,905.12			
No.	Investment projects		Total investment amount of proceeds			Accumulated investment amount of proceeds as at the deadline				
						Difference				
						between				
						the actual				
						investment				
					the committed					
					amount and					
					the committed					
					amount after					
					raising					
					proceeds					
					completion as					
					at the deadline)					
1	High capacity lithium-ion power battery project with an annual production capacity of 600 MWH	High capacity lithium-ion power battery project with an annual production capacity of 600 MWH	27,670.49	27,670.49	27,812.21	27,670.49	27,670.49	27,812.21	-141.72	Partially put into production
2	Battery grade lithium carbonate construction project with an annual production capacity of 15,000 tonnes	Battery grade lithium carbonate construction project with an annual production capacity of 15,000 tonnes	33,800.00	33,800.00	8,567.28	33,800.00	33,800.00	8,567.28	25,232.72	Partially put into production
3	Lithium hydroxide monohydrate project with a production capacity of 20,000 tonnes	Lithium hydroxide monohydrate project with a production capacity of 20,000 tonnes	30,200.00	30,200.00	28,678.82	30,200.00	30,200.00	28,678.82	1,521.18	Put into production
Total			91,670.49	91,670.49	65,058.31	91,670.49	91,670.49	65,058.31	26,612.18	

## FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

### I. PLAN ON THE USE OF PROCEEDS FROM THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

The total amount of proceeds from the Proposed Issuance of A Share Convertible Bonds (including issuance expense) will not exceed RMB2.15 billion (inclusive), which will be used for the following projects after deducting the issuance expense:

No.	Item	Total investment amount of the project (RMB0'000)	Proposed amount of proceeds to be used (RMB0'000)
1	Project for subscription for certain equity interests of Minera Exar	107,200.00	107,200.00
2	Renovation and expansion project for ten thousand tonne lithium salt	76,585.00	47,300.00
3	Replenishment of working capital	60,500.00	60,500.00
	<b>Total</b>	<b>244,285.00</b>	<b>215,000.00</b>

Before the receipt of the proceeds from the Proposed Issuance of A Share Convertible Bonds, the Company will implement the projects utilising its own funds in accordance with the actual progress of the projects. Upon receipt of the proceeds, the proceeds will be used to replace the remaining funds and cover the spent funds. The Board may make adjustment to the proposed investment amount of the proceeds for the above one or multiple projects and the priority thereof, based on the actual situation of project progress, provided that the investment projects for the proceeds shall not be changed. After the receipt of the proceeds of A Share Convertible Bonds, if the actual net proceeds after deducting the issuance expense are less than the amount of the total amount of proceeds proposed to be invested, the shortfall should be financed by the own funds of the Company.

### II. BASIC INFORMATION ON PROJECTS TO BE FINANCED BY THE PROCEEDS

#### (I) Project for subscription for certain equity interests of Minera Exar

The Company proposed to subscribe for 141,016,944 new shares of Minera Exar in cash with proceeds from the Proposed Issuance of A Share Convertible Bonds through Ganfeng Lithium Netherlands Co., B.V. (“**GFL Netherlands**”), a wholly-owned subsidiary of the Company’s wholly-owned subsidiary GFL International Co., Limited (“**GFL International**”) at a transaction consideration of USD160 million.

**1. Basic information on Minera Exar**

Company name: MINERA EXAR SOCIEDAD ANONIMA

Place of registration: Palma de 4 Carrillo 54, Planta Baja Of. 7, San Salvador de Jujuy (4600) Argentina

Registered capital (Peso): 564,067,777

**2. Principal business of Minera Exar**

Minera Exar is an Argentina-based keen mining and exploration company. It is in possession of the Cauchari-Olaroz lithium salt lake project located in Jujuy, Argentina, the phase I of which, with a designed capacity of 25,000 tonnes of battery-grade lithium carbonate per year, is planned to be put into operation in 2020.

**3. Shareholding structure of Minera Exar**

Before completion of the transaction, Minera Exar is held as to 37.5% and 62.5% of equity interests by GFL Netherlands and Lithium Americas, respectively. Upon completion of the transaction, Minera Exar will be held as to 50% of equity interests by each of GFL Netherlands and Lithium Americas.

**4. Major financial data of Minera Exar**

Financial data of Minera Exar for the past two years are as follows:

*Unit: USD'000*

<b>Indicator</b>	<b>December 31, 2017 (Audited)</b>	<b>December 31, 2018 (Unaudited)</b>
Total assets	55,385	179,885
Net assets	16,085	75,459

<b>Indicator</b>	<b>December 31, 2017 (Audited)</b>	<b>December 31, 2018 (Unaudited)</b>
Operating income	—	—
Net profit	-11,705	-911

*Note:* USD1 = RMB6.70

**5. *Constituting no material asset restructuring***

The Company's acquisition of certain projects of Minera Exar does not constitute a material asset restructuring.

**6. *Constituting a related-party transaction***

As Mr. Li Liangbin, the chairman and president of the Company, and Mr. Wang Xiaoshen, the vice chairman and vice president of the Company, serve as directors of Minera Exar, the transaction constitutes a related-party transaction.

**7. *Purposes of the transaction***

**(1) *Continuing to cement the upstream resource strength***

The worldwide lithium resource footprint, including Australia, Argentina, Ireland and Jiangxi Province in China, enables the Company to operate several high-quality lithium resources. The Company aims to further cement such upstream resource strength of the Company through the subscription of certain equity interests in Minera Exar.

Minera Exar is in possession of the Cauchari-Olaroz lithium salt lake project located in Jujuy, Argentina, the phase I of which, with a designed capacity of 25,000 tonnes of battery-grade lithium carbonate per year, is planned to be put into operation in 2020. According to the re-evaluation on the resource volume of Cauchari-Olaroz lithium salt lake project made by Montgomery & Associate Consultation Service (Montgomery & Associate 諮詢服務公司), resources therein are summarized as follows:

<b>Summary of lithium resources</b>			
<b>Description</b>	<b>Average lithium concentration (mg/L)</b>	<b>Lithium content (tonnes)</b>	<b>Lithium carbonate equivalent (tonnes)</b>
Measured quantity of resources	587	651,100	3,465,700
Indicated quantity of resources	580	2,726,300	14,511,500
Total of measured and indicated resources	581	3,377,400	17,977,200
Estimated quantity of resource	602	957,400	5,096,000

(2) *Reducing the Company's raw material costs*

Basic lithium products can be produced through two process methods, i.e., lithium extraction from ores and from salt lake brine in the light of different raw materials. Lithium extraction from ores, the process method adopted originally, is to produce lithium products by smelting of ores containing lithium such as spodumene and lepidolite. Lithium extraction from brine is to produce lithium products using the brine containing lithium obtained by filtering off potassium from salt lake brine and after thorough removal of magnesium, impurity removal via carbonization and carbon removal via coagulation.

Given the low efficiency of the production process of lithium extraction from ore, as well as heavy energy consumption of exploitation and high mining costs, technology on lithium extraction from salt lake (brine) has gradually become a new and major solution to sourcing lithium resources with the keen demand for lithium resources of new energy vehicles and the increasingly sophisticated metallurgical impurity removal technology. Minera Exar is in possession of the Cauchari-Olaroz lithium salt lake project with high quality brine ore resources and low impurity contents, the Cauchari-Olaroz project is expected to become one of the brine lithium extraction projects at the lowest production cost in the world.

(3) *Enlarging the market share of the Company's products and consolidating the leading position of the Company in the industry.*

Thanks to the comprehensive industry layout and broad suite of product offerings in respect of further processed lithium products, the Company's lithium carbonate and lithium hydroxide products enjoy a relatively high market share in China. Given that the Cauchari-Olaroz lithium salt lake project phase I of Minera Exar is likely to have a designed capacity of 25,000 tonnes of battery-grade lithium carbonate per year, relevant products of the Company will embrace a larger share in the market upon completion of the transaction, which will facilitate the Company in consolidating its leading position in the industry.

Category	Gross domestic output in 2018 (0'000 tonnes)	The Company's output in 2018 (0'000 tonnes)	Market share (%)
Lithium carbonate	11.65	1.63	13.99%
Lithium hydroxide	5.02	1.47	29.28%

**(II) Renovation and expansion project for ten thousand tonne lithium salt**

**1. Overview of the project**

The project aims to renovate and expand the project for ten-thousand tonne lithium salt and is invested and constructed by Ganfeng Lithium.

The project is proposed to be sited at the factory yard of Ganfeng Lithium Co., Ltd. located at the industrial park in the hi-tech industry development zone of Xinyu City. It will cover a gross floor area of 131,535 square meters with a production capacity of 50,000 tonnes of battery-grade lithium hydroxide per year. Total investment of the project amounts to RMB765,850,000, of which, RMB496,850,000 is for construction investment and RMB269,000,000 for working capital.

**2. Background and necessity of the project**

Lithium hydroxide is one of the most important varieties of lithium salt, and has been widely used in chemical materials, chemical reagent, lithium battery, petroleum, metallurgical industry, glass, ceramics and other industries. In addition, lithium hydroxide also plays a significant role as raw materials for national defense industry, atomic energy industry and aerospace industry. At present, lithium hydroxide is mainly used to produce cathode materials of lithium battery, lithium grease and lithium bromide refrigerant absorbent.

In the battery sector, battery-grade lithium hydroxide is mainly used to manufacture such cathode materials of lithium battery as lithium cobalt oxide, lithium manganite and other manganite-bearing materials, as well as ternary materials and lithium iron phosphate. With the rapid development of China's economy, consumption of lithium products has also mushroomed, which is reflected especially in the development of electromechanical locomotive industry and the new energy lithium battery. China's new energy-fueled automobile industry has been growing explosively since 2014. According to the statistics, China's installed capacity of power battery in 2018 reached 56.9GWh in aggregate, presenting a year-on-year increase of 56.3% as compared to 2017. As battery-grade lithium hydroxide is the key raw materials in the production of lithium power battery, the development of the new energy-fueled industry will also drive up the demands for battery-grade lithium hydroxide.

### **3. *Feasibility of the project***

#### **(1) *Stable supply of raw materials***

Having been engaged in the R&D, production and operation of further processed lithium products for years, the Company has developed a wide range of lithium product varieties. The Company's expansion of the production scale of battery-grade lithium hydroxide by virtue of its own technical advantages, will definitely pave the way for the Company to become a major supplier of lithium and lithium products in the market.

#### **(2) *Extensive industrial experience and technological merits of the Company***

In the course of progressive development and growth, Ganfeng Lithium has earned great advantages in respect of technical talents reserves and development capacity for developing inorganic chemical process technologies. The project will adopt the sulphuric acid process to make for recrystallization of lithium hydroxide in monohydrate from spodumene and in turn produce battery-grade lithium hydroxide in monohydrate, and such process is featured with short process, low energy consumption, high first-pass rate and high product yield. Moreover, residues from such process can be directly subject to marketing as cement clinker without generating any solid waste. The Company has possessed its own independently developed technology for such production process and "three wastes" treatment process.

#### **(3) *State policy support for the industry***

Lithium battery industry, as one of the national strategic emerging industries, plays an important part in "bolstering up the development and growth of the new-generation information technology, new energy vehicle, biotechnology, green and low-carbon undertakings, high-end equipment and materials, digital originality and other industries" as put forward in the "Outline of the 13th Five-Year Plan". In addition, the NDRC has clearly specified that the "exploitation and comprehensive utilization of scarce chemical and mineral resources including lithium" shall be encouraged and backed up in the Catalogue of Industrial Restructuring Guidance (2013 version). In view of the foregoing, the construction the project is in line with the state policy and planning for the industry.



**4. *Performer of the project and investment therein***

The project will be implemented by Ganfeng Lithium Co., Ltd. Total investment of the project amounts to RMB765,850,000, of which, RMB496,850,000 is for construction investment and RMB269,000,000 for working capital.

**5. *Economic benefits of the project***

The project has a construction term of 1.5 years and is expected to meet up with its production capacity in three years after construction. Upon fulfillment of its production capacity, the project will bring along an annual sales revenue of RMB4,450,384,000 and an annual net profit of RMB733,997,400.

**6. *Governmental approval in relation to the project***

The Company has obtained the Notification on Record of Investment Project numbered “2019–360598–26–03–000367” for the project from the Development and Reform Bureau of the Hi-tech Industrial Development Zone of Xinyu City.

Environmental protection formalities in relation to the project are still underway.

**(III) Replenishing working capital**

**1. *Overview of the project***

The Company plans to use RMB605 million out of the proceeds raised from the Proposed Issuance of A Share Convertible Bonds to replenish its working capital so as to enhance the capital strength of the Company and to fulfil its future operating demands in the process of business growth.

## 2. *Necessity of replenishing working capital*

### (1) *Effective relief of financial stress of the Company*

Engaged in a technology and capital-intensive industry, i.e., the further processed lithium industry, the Company will be faced with an explosive rise in demands for working capital following the rapid scaling up of its businesses. In addition, the Company is also in need of capital for investment in management, technology and personnel with a view to maintaining its sustainable competitiveness. To replenish the working capital for enhancement of the Company's capital strength with part of the proceeds is conducive to improving the risk-resistant capability, the financial security and financial flexible of the Company and boosting the continuous and stable development of the Company.

### (2) *Fulfillment of capital demands for future development*

The Company recorded a CAGR of 62.31% in respect of net profit attributable to the owner of the parent for the past three years thanks to its excellent performance of the principal business and continuous improvement of profitability. In the future, the Company will capitalize on development opportunities to improve income from the principal business especially the further processed lithium products. In addition to the internal retained income, further replenishing working capital through external direct financing will fulfil the Company's capital demands for development in an effective manner.

### (3) *Optimization of capital structure and improvement of risk-resistant capability*

Replenishment of working capital is beneficial to the Company in making up the capital shortfall likely to be faced by the Company in its rapid development as well as in optimizing capital structure and improving financial conditions. As at December 31, 2018, the Company's asset-liability ratio was 41.00%, and current liability accounted for 69.13% of total liabilities. Given that the replenishment of working capital through issuance of convertible bonds is able to increase the proportion of long-term liabilities of the Company, the asset-liability ratio of the Company will decrease stepwise following the successive conversion of shares from convertible bonds, which is conducive to the Company in optimizing capital structure and improving risk-resistant capability.

### 3. Reasonableness of working capital replenishment

On the basis of the operating revenue of the Company for the years from 2016 to 2018, under the assumption of stable principal business and operating model of the Company without major changes, and taking into account the proportional relations among operating assets, operating liabilities and sales revenue as well as other factors, the Company has estimated its demands of working capital for future production and operations in light of the changes in current assets and current liabilities resulting from growth of future operating income calculated using the sales percentage approach.

Based on the average income growth of 59.45% of the Company in the past three years arrived at using income percentage approach (such operating income is not expected to be viewed as the Company's undertaking for future business performance), the Company will encounter a working capital shortfall of RMB6,886,577,500 in the coming three years. Detailed calculation procedures are as follows:

Unit: RMB0'000

Item	Actual		Estimated operating assets and operating liabilities for the years from 2019 to 2021			Estimated amount at the end of 2021
	amount at the end of 2018	Percentage	2019 (estimated)	2020 (estimated)	2021 (estimated)	
<b>Operating income</b>	<b>500,388.29</b>	<b>100.00%</b>	<b>797,869.13</b>	<b>1,272,202.33</b>	<b>2,028,526.61</b>	<b>1,528,138.32</b>
Accounts receivable	100,213.72	20.03%	159,790.78	254,786.39	406,256.90	306,043.18
Inventory	190,471.26	38.06%	303,706.42	484,259.89	772,152.40	581,681.14
Notes receivable	40,346.25	8.06%	64,332.10	102,577.53	163,559.87	123,213.62
Prepayments	30,971.33	6.19%	49,383.79	78,742.45	125,554.83	94,583.50
<b>Total operating current assets</b>	<b>362,002.56</b>	<b>72.34%</b>	<b>577,213.08</b>	<b>920,366.26</b>	<b>1,467,524.00</b>	<b>1,105,521.44</b>
Accounts payable	102,680.82	20.52%	163,724.57	261,058.82	416,258.29	313,577.47
Notes payable	29,216.02	5.84%	46,584.94	74,279.69	118,438.97	89,222.95
Contract liabilities	4,605.01	0.92%	7,342.69	11,707.92	18,668.27	14,063.26
<b>Total operating current liabilities</b>	<b>136,501.85</b>	<b>27.28%</b>	<b>217,652.20</b>	<b>347,046.43</b>	<b>553,365.54</b>	<b>416,863.69</b>
<b>Amount of working capital occupied (operation assets – operating liabilities)</b>	<b>225,500.71</b>	<b>45.07%</b>	<b>359,560.88</b>	<b>573,319.83</b>	<b>914,158.46</b>	<b>688,657.75</b>

In view of the foregoing, total working capital in need of replenishment amounts to RMB6,886,577,500 for the years from 2019 to 2021, whereas the amount of the proceeds from the Proposed Issuance of A Share Convertible Bonds to proposed be used for replenishing working capital is RMB605 million, far less than the amount of working capital to be needed. As such, the amount to be used as working capital out of the proceeds from the Proposed Issuance of A Share Convertible Bonds is reasonable and commensurate with the assets and operating scale of the Company.

### **III. INFLUENCE OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS ON OPERATION AND MANAGEMENT AND FINANCIAL CONDITION OF THE COMPANY**

#### **(I) Influence on Operation and Management of the Company**

The projects to be financed by the proceeds raised from the Proposed Issuance of A Share Convertible Bonds stays in line with the overall development planning of the Company and have optimistic market prospect and desirable economic benefits. The implementation of the projects to be financed by the proceeds is able to scale up the production of the Company, improve and extend the Company's industrial chain landscape, and cement the Company's position in the industry. The Proposed Issuance of A Share Convertible Bonds will facilitate the further improvement and consummation of the business scale, industrial chain extension and technical edges, and is conducive to the Company in maintaining and levelling up its competitiveness in the global market and in enhancing the profitability of the Company.

#### **(II) Influence on the Financial Conditions of the Company**

The Proposed Issuance of A Share Convertible Bonds will further enlarge the asset scale of the Company. Upon receipt of the proceeds, total assets and total liabilities of the Company will both increase. Notwithstanding, with the gradual conversion of shares from convertible bonds, the asset-liability ratio of the Company will decline correspondingly and net assets level up stepwise.

As it would take a while to harvest the operating benefits from the projects to be financed by the proceeds upon receipt of such proceeds, there are risks that such financial indicators as return on equity, earnings per share, etc., are likely to decline in the short run. Following the completion of construction and fulfillment of designed capacity of projects to be financed by the proceeds, the market competitiveness and market share of the lithium salt products of the Company will be further enhanced and the leading position of the Company in the industry will be consolidated, which provide new room for the future development of the Company. In addition, the successive completion and operation at full capacity of the projects will also level up the profitability and operating performance of the Company in the future.

#### **IV. CONCLUSION OF THE FEASIBILITY ANALYSIS**

In view of the foregoing, the projects to be financed by the proceeds are in compliance with relevant industrial policy in the PRC and the overall strategic development orientation of the Company, and have optimistic market prospect and desirable economic benefits. The implementation of the projects to be financed by the proceeds is able to further improve the core competitiveness of the Company, optimize the product portfolio and drive up profitability, and therefore is beneficial for the long-term and sustainable development of the Company. As such, the use of the proceeds is reasonable and feasible and in the interests if the Company and its shareholders as a whole.

**AUTHORIZATION OF THE BOARD AND ITS AUTHORISED PERSONS TO MANAGE THE  
MATTERS RELATING TO THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

In order to complete the Proposed Issuance of A Share Convertible Bonds lawfully and efficiently, and determine the specific matters in relation to the issuance plan according to the conditions of the capital markets, the Board proposed at the general meeting of the Company to authorise the Board, the chairman or their authorised person(s), subject to the applicable laws and regulations, to handle all matters relating to the Proposed Issuance of A Share Convertible Bonds at full discretion, including but not limited to those set out below:

1. to the extent permitted by the relevant requirements of the laws, regulations as well as the Articles of Association, and in compliance with the regulatory requirements, granting the Board the authorisation to determine the specific issuance terms and the issuance plan before the Proposed Issuance of A Share Convertible Bonds, establish and implement the definitive issuance plan for the A Share Convertible Bonds, and to decide on the timing of the Proposed Issuance of A Share Convertible Bonds and any other matters relating to the issuance plan by taking into consideration the circumstances of the Company;
2. granting the Board, the chairman or their authorised person(s) the authorisation to engage relevant agents to deal with the matters relating to the Proposed Issuance of A Share Convertible Bonds and listing application; and prepare, amend and submit the filing materials relating to the Proposed Issuance of A Share Convertible Bonds and listing application as required by the regulatory authorities;
3. granting the Board, the chairman or their authorised person(s) the authorisation to amend, supplement, execute, submit, file and implement all agreements, contracts and documents (including but not limited to the underwriting and sponsorship agreements, agreement relating to the project to be invested with the proceeds, agreement in relation to engagement of service agents, etc.) in the course of the Proposed Issuance of A Share Convertible Bonds;
4. granting the Board the authorisation to adjust or determine the use of the proceeds in line with the actual progress of the project to be invested with the proceeds from the Proposed Issuance of A Share Convertible Bonds as well as the actual demand for the funds, subject to the scope of investment approved by the general meeting; granting the Board the authorisation to allow the Company to raise funds and implement the project to be invested with the proceeds from the Proposed Issuance of A Share Convertible Bonds before the proceeds are available for use according to the actual progress and needs of the operation, and to replace such funds invested in the project with the proceeds when they are ready; and granting the Board the authorisation to make necessary adjustment to the project to be invested with the proceeds according to the applicable laws and regulations, regulatory requirements and the market conditions;

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**APPENDIX V      AUTHORIZATION OF THE BOARD AND ITS AUTHORISED PERSONS TO MANAGE THE  
MATTERS RELATING TO THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

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5. granting the Board, the chairman or their authorised person(s) the authorisation to amend, when necessary, the related provisions of the Articles of Association according to the issuance and implementation progress of the A Share Convertible Bonds, and conduct such matters as industrial and commercial registration, registration of the change in registered capital, listing of the A Share Convertible Bonds, etc.;
6. where there is any change in the regulatory policies with respect to the issuance of the convertible bonds or any change in the market conditions, except for the matters requiring re-voting at the general meeting according to applicable laws and regulations, regulatory documents and the Articles of Association, granting the Board the authorisation to make corresponding adjustment to the specific plan for the Issuance and other relevant issues;
7. in case of force majeure event or occurrence of any event significant enough making the Proposed Issuance of A Share Convertible Bonds become very difficult, or the Proposed Issuance of A Share Convertible Bonds, if proceeds, will bring adverse effect to the Company, or where there is any change in the regulatory policies with respect to the issuance of convertible bonds, granting the Board the authorisation to postpone implementation or the early termination of the issuance plan at its discretion;
8. to authorise the Board, the chairman or their authorised person(s) to deal with other matters relating to the Proposed Issuance of A Share Convertible Bonds; and
9. the above-mentioned authorisation will be valid for 12 months from the date on which the resolution is approved at the general meeting.

The resolution is subject to consideration at the general meeting of the Company.

**IMPACT ON THE COMPANY'S KEY FINANCIAL INDICATORS FROM DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND THE REMEDIAL MEASURES TO BE ADOPTED BY THE COMPANY**

The Company considered and approved relevant resolutions on the public issuance of A Share Convertible Bonds (the “**Issuance**”) at the 34th meeting of the fourth session of the Board of the Company convened on 29 April 2019. According to relevant requirements of the Certain Opinions of the State Council on Further Promoting the Healthy Development of Capital Markets (Guo Fa [2014] No. 17) (國務院關於進一步促進資本市場健康發展的若干意見(國發[2014]17號)), Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110) (國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見(國辦發[2013]110號)) and Guiding Opinions on Matters relating to the Dilution of Immediate Returns Resulting from Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) (關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見(證監會公告[2015]31號)), the Company has analysed the potential dilutive effect of the Proposed Issuance of A Share Convertible Bonds on immediate returns and proposed specific remedial measures in respect thereof (the “**Remedial Measures**”), and relevant parties have given undertakings on the implementation of the Remedial Measures. The dilutive effect of the Proposed Issuance of A Share Convertible Bonds on immediate returns and the Remedial Measures to be adopted are set out as follows:



**I.    IMPACT ON THE COMPANY'S KEY FINANCIAL INDICATORS FROM DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

**(I)    Key Assumptions**

1.    Assume that no significant adverse changes occur in the macro-economic environment, the general policy of the industry, the development trend of the industry and the market situation.
2.    Assume that the Company could complete the Proposed Issuance of A Share Convertible Bonds by the end of December 2019. The time is only used to calculate the impacts of diluted immediate returns arising from the Proposed Issuance of A Share Convertible Bonds on key financial indicators.
3.    Assume that the Company could raise total proceeds of RMB2.15 billion from the Proposed Issuance of A Share Convertible Bonds (without considering the impact of issuance costs). The actual amount of proceeds raised from the Proposed Issuance of A Share Convertible Bonds will be finally determined pursuant to the factors including approval of authorities, subscription for the A Share Convertible Bonds to be issued and issuance costs without considering the impact on the production and operation, the financial conditions (such as financial fees and investment returns) of the Company after proceeds raised from the Proposed Issuance of A Share Convertible Bonds are received.
4.    Assume that the net profit attributable to the owners of the parent before and after deducting non-recurring profit or loss in 2019 remains at the same level as 2018; and the net profit attributable to the owners of the parent before and after deducting non-recurring profit or loss in 2020 is calculated at an increase of 0%, 5% and 10% from that of 2019, respectively.
5.    Assume that the Company could complete the implementation of the 2018 profit distribution plan by the end of June 2019, which proposes a cash dividend of RMB3 (tax inclusive) for every 10 Shares to all Shareholders with a total cash dividend of RMB394,524,755.70. Assume that the cash dividend to be distributed in 2020 is the same as that of 2019, namely RMB394,524,755.70, and the implementation could be completed by the end of May 2020 and no conversion of capital reserves into share capital will be conducted.

6. Assume that the conversion price of the A Share Convertible Bonds is RMB28.98 per Share, i.e. the higher price between the average trading price of A Shares during the 20 trading days or on the trading day preceding the date of the convening of the 34th meeting of the fourth session of the Board of the Company (i.e. April 29, 2019). As a result of the implementation of the 2018 and 2019 profit distribution plans, it assumes that the conversion price is adjusted before the conversion date and the adjusted conversion price is RMB28.68 per Share. The conversion price is only used to calculate the impact of diluted immediate returns arising from the Proposed Issuance of A Share Convertible Bonds on the key financial indicators. The initial conversion price will be determined finally by the Board of the Company according to market conditions before the Proposed Issuance of A Share Convertible Bonds as authorised by the general meetings, and ex-rights, ex-dividend adjustment or downward adjustment might be conducted.
7. Repurchase and cancel 942,000 compensation shares for 2017 from 16 former participants and 3 dead participants and assume that they would be cancelled in June 2019 and after the implementation of the 2018 profit distribution of the Company.
8. Assume that besides the 2018 and 2019 profit distribution plans, the repurchase and cancellation of compensation shares and the Proposed Issuance of A Share Convertible Bonds, the Company will not conduct other activities which will have impacts or potential impacts on the total share capital of the Company.
9. The impact of the bank interest and interest expenses of the A Share Convertible Bonds prior to the utilisation of the funds raised is excluded from the consideration.

**(II) Impact on the Company's Key Financial Indicators**

Based on the above assumptions, the impacts of the Proposed Issuance of A Share Convertible Bonds on the key financial indicators of the Company are calculated as follows:

Item	2018/ December 31, 2018	2019/ December 31, 2019	2020/December 31, 2020	
			June 30, 2020 Without any conversion	June 30, 2020 Full conversion
Number of ordinary shares (10,000 Shares)	1,315,081,930.00	1,314,140,519.00	1,314,140,519.00	1,389,105,651.00

**Scenario 1: Net profit attributable to the owners of the parent deducting non-recurring profit or loss of 2019 and 2020 remain the same level as 2018**

Net profit attributable to the owners of the parent achieved in the current year (RMB0'000)	122,328.69	122,328.69	122,328.69	122,328.69
Net profit attributable to the owners of the parent achieved in the current year (after deducting non-recurring profit or loss) (RMB0'000)	125,611.26	125,611.26	125,611.26	125,611.26
Interests attributable to the owners of the parent at the end of the period (RMB0'000)	792,364.38	872,394.81	955,271.03	1,170,271.03
Basic earnings per share (RMB/Share)	1.07	0.93	0.93	0.91
Earnings per share after deducting non-recurring profit or loss (RMB/Share)	1.10	0.96	0.96	0.93
Net asset per share (RMB/Share)	5.87	6.64	7.27	8.42
Weighted average ROE	26.93%	14.70%	13.39%	11.98%
Weighted average ROE after deducting non-recurring profit or loss	27.65%	15.09%	13.75%	12.30%

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APPENDIX VI      IMPACT ON THE COMPANY'S KEY FINANCIAL INDICATORS FROM DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS AND THE REMEDIAL MEASURES TO BE ADOPTED BY THE COMPANY

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Item	2018/ December 31, 2018	2019/ December 31, 2019	2020/December 31, 2020	
			June 30, 2020 Without any conversion	June 30, 2020 Full conversion
Scenario 2: Net profit attributable to the owners of the parent deducting non-recurring profit or loss of 2019 remain the same level as 2018 while net profit attributable to the owners of the parent deducting non-recurring profit or loss of 2020 increases 5% from 2019				
Net profit attributable to the owners of the parent achieved in the current year (RMB0'000)	122,328.69	122,328.69	128,445.12	128,445.12
Net profit attributable to the owners of the parent achieved in the current year (after deducting non-recurring profit or loss) (RMB0'000)	125,611.26	125,611.26	131,891.82	131,891.82
Interests attributable to the owners of the parent at the end of the period (RMB0'000)	792,364.38	872,394.81	961,387.46	1,176,387.46
Basic earnings per share (RMB/Share)	1.07	0.93	0.98	0.95
Earnings per share after deducting non-recurring profit or loss (RMB/Share)	1.10	0.96	1.00	0.98
Net asset per share (RMB/Share)	5.87	6.64	7.32	8.47
Weighted average ROE	26.93%	14.70%	13.60%	12.21%
Weighted average ROE after deducting non-recurring profit or loss	27.65%	15.09%	13.97%	12.54%

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APPENDIX VI      IMPACT ON THE COMPANY'S KEY FINANCIAL INDICATORS FROM DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS AND THE REMEDIAL MEASURES TO BE ADOPTED BY THE COMPANY

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Item	2018/ December 31, 2018	2019/ December 31, 2019	2020/December 31, 2020	
			June 30, 2020 Without any conversion	June 30, 2020 Full conversion
Scenario 3: Net profit attributable to the owners of the parent deducting non-recurring profit or loss of 2019 remain the same level as 2018 while net profit attributable to the owners of the parent deducting non-recurring profit or loss of 2020 increases 10% from 2019				
Net profit attributable to the owners of the parent achieved in the current year <i>(RMB0'000)</i>	122,328.69	122,328.69	134,561.56	134,561.56
Net profit attributable to the owners of the parent achieved in the current year (after deducting non-recurring profit or loss) <i>(RMB0'000)</i>	125,611.26	125,611.26	138,172.39	138,172.39
Interests attributable to the owners of the parent at the end of the period <i>(RMB0'000)</i>	792,364.38	872,394.81	967,503.90	1,182,503.90
Basic earnings per share <i>(RMB/Share)</i>	1.07	0.93	1.02	1.00
Earnings per share after deducting non-recurring profit or loss <i>(RMB/Share)</i>	1.10	0.96	1.05	1.02
Net asset per share <i>(RMB/Share)</i>	5.87	6.64	7.36	8.51
Weighted average ROE	26.93%	14.70%	14.63%	13.10%
Weighted average ROE after deducting non-recurring profit or loss	27.65%	15.09%	15.02%	13.45%

## **II. SPECIAL RISK WARNING FOR DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

Before the full conversion of the A Share Convertible Bonds held by investors, the Company is required to pay interest to the investors whose A Share Convertible Bonds have not been converted as per the agreed nominal interest rate. If such profit growth due to the Company's use of proceeds raised from the Proposed Issuance of the A Share Convertible Bonds cannot cover the bond interest paid for the A Share Convertible Corporate Bonds, the after-tax profit of the Company will face the risk of decline, hence diluting immediate returns of the Company's ordinary Shareholders.

After the conversion of all or part of the A Share Convertible Bonds held by the investors, total share capitals and net assets of the Company will increase to certain extent, thus generating certain dilutive effect on the shareholding proportion of original Shareholders, ROE and EPS of the Company. In addition, the terms on downward adjustment to the conversion price have been set forth for the A Share Convertible Bonds publicly issued. When the terms are triggered, the Company may apply for downward adjustment to the conversion price, resulting in the amplification of potential dilutive effect of the conversion on original Shareholders of the Company due to the Proposed Issuance of A Share Convertible Corporate Bonds.

The immediate returns face dilutive risks after the Proposed Issuance of A Share Convertible Bonds by the Company. Investors are advised to pay attention to investment risks.

## **III. NECESSITY AND RATIONALITY OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

### **(I) Necessity of the Proposed Issuance of A Share Convertible Bonds**

#### ***1. China issued and improved relevant policies on the new energy vehicle industry***

On March 1, 2017, four ministries and commissions, including the MIIT, issued the Action Plans for Promoting the Vehicle Power Battery Industry Development (促進汽車動力電池產業發展行動方案), which set out the phased technical objectives on power lithium batteries. Various supporting policies have been formulated, requiring supporting key leaders in cutting-edge basis researches, battery products and key components, manufacturing equipment, recycling and other industries through industrial transformation and upgrading, technical transformation, special programs on high-tech industrial development and intelligent manufacturing, advanced investment funds on manufacturing industries and other capital channels.

On February 12, 2018, four ministries and commissions, including the Ministry of Finance, jointly issued the Notice on Further Improvement of Fiscal Subsidy Policy for Promoting the Use of New Energy Vehicles (關於進一步完善新能源汽車推廣應用財政補貼政策的通知), which proposes to further improve the capacity density threshold requirements on pure electric passenger vehicles, non-quick-charge pure electric coaches, power battery system for special vehicles so as to stimulate the use of high-performance power battery; to adjust and optimize the subsidy standards for new energy passenger vehicles and lower the subsidy standards for new energy coaches and new energy special vehicles to a reasonable extent.

On July 3, 2018, the State Council issued the Three-year Action Plan for Fight to Defend the Blue of Skies (打贏藍天保衛戰三年行動計劃), which requires that new energy or clean energy vehicles shall be introduced in the addition and renewal of vehicles used for public transportation, environmental sanitation, postal service, taxi, commuting, light logistics, etc., in existing urban areas, the utilization shall account for 80% in key areas, and new energy or clean energy vehicles shall be the first choice in the addition or replacement of operating vehicles at ports, airports, railway freight yards and other places in key areas. All the public transportation vehicles shall be replaced by new energy vehicles for the existing urban areas of municipalities directly under the central government, provincial capitals and cities specially designated in the state plan under those key areas by the end of 2020.

On December 10, 2018, the NDRC issued the Regulations on Investment Management of Automobile Industry (汽車產業投資管理規定), which proposes to accelerate the development and industrialization of new energy vehicle, smart vehicle, fuel-efficient vehicle and key parts and components thereof, advanced manufacturing equipment, technology for power battery recycling, remanufacturing technology for automobile parts and other equipment.

On January 16, 2019, the MIIT issued the revised Lithium-ion Battery Industry Standard Conditions (2018 Version) (鋰離子電池行業規範條件(2018年本)) and the Interim Measures on the Administration of Standard Announcements on Lithium-ion Battery Industry (2018 Version) (鋰離子電池行業規範公告管理暫行辦法(2018年本)), which encourages enterprises to enhance top design, promote the upgrading of automatic equipment and improve the automation level; and encourages enterprises to establish procurements, production, marketing, recycling and logistics systems with the resources-saving and environment-friendly orientation.

From 2016 to 2018, the total production of new energy vehicles in China reached 254,900, 794,000 and 1,270,000 units, respectively, representing a compound growth rate of 123.21% with a strong growth momentum. The MIIT has released a total of three batches of the Catalogue of Recommended Models for New Energy Automobile Popularization and Application (新能源汽車推廣應用推薦車型目錄) since 2019 with 367 types of vehicles from 86 manufacturers. As a result, the production and sales of new energy vehicles in China is likely to maintain relatively high growth and the increase in the production and sales of downstream new energy vehicles will promote the development of deeply processed lithium products manufacturing industry.

**2.    *The industrialized development of power vehicles will further boost the market demand for lithium carbonate and lithium hydroxide***

Lithium is known as “industrial MSG” and “energy metal”. Lithium and its deeply-processed products are widely used. It is at the initial stage of the full lifetime of the industry and is an emerging sunrise industry. Its rapid development is driven by the booming demands in the downstream new energy, new pharmaceuticals and new materials industries. In the new energy industry, deeply-processed lithium products are mainly used in the production of primary high-energy batteries, secondary lithium batteries and power lithium batteries. In the new pharmaceuticals industry, deeply-processed lithium products are mainly used as key intermediates for the production of new antiviral, anti-tumor and other new pharmaceuticals. In the new materials industry, deeply-processed lithium products are mainly used in the production of new types of synthetic rubber and engineering materials, pottery and porcelain as well as rear earth metallurgy. Major deeply-processed lithium products such as lithium metal, butyl lithium, battery-grade lithium carbonate and battery-grade lithium hydroxide are obviously featured by high technical difficulties, high added value and wide market application, which have become key drivers to the development of the lithium industry in the future.

Lithium carbonate and lithium hydroxide are key materials in the production of lithium batteries. In particular, the electric vehicle industry, which enjoys a promising future, has a huge demand for lithium batteries. Statistics show that the total demand for power batteries for vehicles reached 56.25GWh in 2018, representing an increase of 55.26% over 2017. With the gradual acceleration in the industrialization of power vehicles, the demand for lithium carbonate and lithium hydroxide enjoys a prosperous future.



**3.    *Expanding market share and consolidating the Company's leading position in the industry***

With comprehensive operations in the industry, the Company has extensive portfolios of further processed lithium products. In order to expand its advantage of scale in the upstream lithium mineral resources, the Company has gained access to lithium mineral resources around the world through controlling a number of prime lithium projects in Australia, Argentina, Ireland and other places. After years of efforts, the Company has gained a significant market share in China for each of its core products, being lithium carbonate and lithium hydroxide products. In 2018, the Company took up market shares of 13.99% and 29.28% for lithium carbonate and lithium hydroxide respectively (based on the output), both being industry-leading levels.

The Company is the only enterprise in the global lithium industry that possesses the industrialized technologies of “extracting lithium from brine”, “extracting lithium from ore” and “extracting lithium from retired battery”. Currently, the Company mainly extracts lithium from spodumene, which production process is of relatively low efficiency and high energy consumption. Therefore, the Company needs to secure stable supply of brine raw materials so as to increase the proportion of lithium extraction from brines, and further enhance its scale advantage in respect of upstream resources. The Company intends to use of the proceeds from the Proposed Issuance of A Share Convertible Bonds to fund the acquisition of overseas high-quality salt-lake lithium projects (the “Proceeds-Funded Projects”), which will help greatly boost the market share of the Company's related products and consolidate the Company's leading position in the industry.

**(II)    Rationality of the Proposed Issuance of A Share Convertible Bonds**

The Proceeds-Funded Projects are in line with relevant industrial policies of China and the overall strategic development direction of the Company, and have promising market development prospects and economic benefits. The implementation of the Proceeds-Funded Projects can further enhance the Company's core competitiveness, optimize its product mix and improve its profitability, and thus is conducive to the long-term sustainable development of the Company. Therefore, the use of the proceeds from the Proposed Issuance of A Share Convertible Bonds is reasonable and feasible, and in the interests of the Company and its shareholders as a whole.

**IV. CONNECTION BETWEEN THE PROCEEDS-FUNDED PROJECTS AND THE COMPANY'S EXISTING BUSINESS, AND AVAILABILITY OF THE COMPANY'S PERSONNEL, TECHNOLOGY, MARKET AND OTHER RESOURCES FOR ENGAGING IN THE PROCEEDS-FUNDED PROJECTS**

**(I) Connection between the Proceeds-Funded Projects and the Company's existing business**

Currently, the Company is mainly engaged in the development, production and sale of further-processed lithium products. The proceeds to be raised from the Proposed Issuance of A Share Convertible Bonds will be used to fund the subscription for equity in Minera Exar and the 10,000-ton lithium salt expansion project and to replenish working capital. Through the raised funds investment project, which will strengthen the competitiveness of the Company's current core business, increase its risk resistance capacity, facilitate the implementation of its development strategy of "integration of the upstream and downstream operations along the lithium industry chain" and thereby enhance its core competitiveness.

**(II) Availability of the Company's personnel, technology, market and other resources for engaging in the Proceeds-Funded Projects**

**1. Human resource**

Through training and recruitment over the years, the Company has built a highly competitive technical team in China, which enables it to engage in the Proceeds-Funded Projects. The Company has long-term incentive mechanisms in place to motivate R&D and technical personnel, and has granted share incentives to most of its key management members, core technical personnel and technical experts. Through these share incentives and reward measures, the Company has aligned the personal interests of its key employees with its corporate interests, which not only further stimulates employees' enthusiasm for technological innovation to improve the overall technical standard of the Company, but also encourage employees to enhance their awareness of technical confidentiality to prevent the leakage of technological secrets. The Company has attracted and recruited outstanding talented people in various areas of the lithium industry in China, including experts in production technology, engineering design, product research and development. The Company has a stable and strong technical team, which has become one of the Company's major competitive advantages and an important foundation for the Company to pursue technical improvement, product upgrading and market expansion on a continuous basis.

**2.    *Technical resources***

The Company has the industry-leading integrated product processing chain covering “brine/lithium concentrate/lithium-containing recycled material – lithium chloride/lithium carbonate/lithium hydroxide – lithium metals – butyl lithium – lithium alloys”, and is the China’s first supplier of multiple kinds of further processed lithium products, such as battery-grade lithium carbonate, battery-grade lithium hydroxide and battery-grade lithium metals, occupying a leading position in field of deep processing of lithium products.

**3.    *Market resources***

The Company’s products are mainly applied in three emerging fields, namely new energy, new materials and new medicines. In the field of new energy, the Company’s further processed lithium products are mainly used to produce primary high-energy batteries, secondary lithium batteries and power lithium batteries. With stable product quality and sufficient production capacity, the Company has established close cooperation with customers in downstream markets. In the field of new medicine, the Company’s main products, lithium metals and butyl lithium, require higher safety standards for the production environment, but the Company’s advantages of leading production technology have laid a good market foundation for these products.

In light of the above, the Company has built a good foundation in terms of personnel, technology and market for engaging in the Proceeds-Funded Projects. With the advancement of the Proceeds-Funded Projects and the gradual expansion of its business operations, the Company will proactively improve its personnel, technology and market resources to meet the needs of continuous business development and transformation and upgrading.

**V.    MEASURES TO BE ADOPTED BY THE COMPANY TO DEAL WITH THE DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

**(I)    Operating status, development trend of the Company's existing business segments, key risks faced by the Company and improvement measures therefor**

The Company is the world's third largest and China's largest lithium compounds producer and the world's largest lithium metals producer in terms of production capacity. The Company offers five major categories of more than 40 lithium compounds and metals products, which is one of the most comprehensive product offerings among the lithium products manufacturers. The comprehensive suite of product offerings enables the Company to effectively address the unique and diverse products needs of its customers. The Company leverages technological innovation and its leading edge in the field of deep processing of lithium compounds to develop new markets and new customers by swiftly seizing market opportunities and timely adjusting marketing strategies, and strives to consolidate its management foundation so as to further improve internal control and management and steadily expand production and operation.

With the receipt of the proceeds the implementation of the Proceeds-Funded Projects following the completion of the Proposed Issuance of A Share Convertible Bonds, the overall business scale of the Company will be further expanded. The expansion of asset scale, the increase of employees and the change of production technologies will make the organizational structure and management systems of the Company more complicated, which will pose great challenges to the Company's existing strategic planning, systems and rules, organizational setup, operational management, financial management, and internal control. If the Company's management fails to adjust the Company's management system at the right time, or misses the timing to make adjustment, or makes mistakes in the selection of corresponding management officers, the normal advancement of the Company's business would be hindered or the Company might miss the development opportunities. In the future, the Company might be faced risks caused by faulty organizational model and management system, ineffectiveness of internal control or lack of internal checks and balances.

In response, the Company will promptly improve its existing management systems, establish a more standardized internal control system and improve its management capability to meet the needs of its business expansion. Meanwhile, the Company will continue to improve its internal control system through refining key points, and vigorously promote technological innovation to reduce costs and increase efficiency. In the management process, the Company will tighten supervision and give full play to the role of internal audit. Adhering to the people-oriented approach, the Company will implement merit-based selection and

competitive recruitment process, adopt quantitative assessment indicators and improve incentive and restraint mechanisms. In addition, it will provide multi-channel training for its employees to improve their professional skills and qualities and realize the common growth of employees and enterprises.

**(II) Specific measures to improve the Company's daily operating efficiency, reduce operating costs and improve operating results**

In order to ensure the effective use of the proceeds to be raised from the Proposed Issuance of A Share Convertible Bonds, effectively prevent the dilution of immediate returns to shareholders and enhance the Company's ability to deliver returns to shareholders in the future, the Company will, upon completion of the Proposed Issuance of A Share Convertible Bonds, mitigate the dilutive effect of the Proposed Issuance of A Share Convertible Bonds on immediate returns to shareholders by accelerating the investment progress of the Proceeds-Funded Projects, increasing market development efforts, striving to increase sales revenue, improving the Company's management and operating efficiency and boosting future profitability. The specific measures to be taken by the Company are as follows:

**1. *Strengthening the management of proceeds from the Proposed Issuance of A Share Convertible Bonds and improve capital use efficiency***

To standardize the use and management of the Company's proceeds from fundraising activities and ensure the standard, safe and efficient use of such proceeds, the Company has formulated the Rules for Management and Use of Proceeds from Fundraising Activities (募集資金使用管理制度) in compliance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Regulatory Guidance to Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies (上市公司監管指引第2號–上市公司募集資金管理和使用的監管要求) and the Guidelines of the Shenzhen Stock Exchange for Standard Operation of Listed Companies on the SME Board (深圳證券交易所中小企業板上市公司規範運作指引) and other relevant laws and regulations.

Upon completion of the Proposed Issuance of A Share Convertible Bonds, the proceeds raised therefrom will be deposited in a special account designated by the board of directors according to the rules. The account will be used specially for depositing the proceeds and the proceeds will be earmarked for the intended projects, thereby ensuring the reasonable and standardized use of the proceeds and prevent risks of misuse. In the future, the Company will strive to improve the utilization efficiency of funds, improve and strengthen investment decision-making procedures, design

more reasonable plans for the use of funds, and rationally use various financing tools and channels to control capital cost and improve capital use efficiency, so as to reduce expenses of the Company, comprehensively and effectively control business operations and risks, and enhance the Company's operating efficiency and profitability.

**2.    *Accelerating the investment and construction of the Proceeds-Funded Projects and striving to achieve the expected benefits as soon as practicable***

The Proceeds-Funded Projects are closely related to the Company's main business and in line with the relevant industrial policies of China. Upon receipt of the proceeds from the Proposed Issuance of A Share Convertible Bonds, the Company will speed up the investment and construction of the Proceeds-Funded Projects so as to complete the construction of the Proceeds-Funded Projects in a timely and efficient manner and strive for achieving expected benefits as soon as practicable.

**3.    *Strengthening operations management and internal control to improve operating efficiency and profitability***

The Company will strictly abide by the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Governance for Listed Companies and other laws, regulations and normative documents, and continuously improve its corporate governance structure, so as to ensure that its shareholders can fully exercise their rights, the board of directors can exercise its powers and make scientific, rapid and prudent decisions in accordance with the provisions of applicable laws and regulations and the Articles of Association of the Company, independent directors can conscientiously perform their duties and safeguard the overall interests of the Company, especially the legitimate rights and interests of minority shareholders, and the board of supervisors can independently and effectively exercise supervision and inspection over directors, managers and other senior management members and the financial affairs the Company, thereby providing institutional guarantee for the development of the Company. The Company will further strengthen its operations management and internal control, comprehensively improve its management standard, operating and management efficiency and control operation and management risks.

**4.    *Strictly implementing the Company's dividend policy to ensure returns to shareholders of the Company***

For the purposes of delivering reasonable returns to shareholders while ensuring sufficient funding for its growth, Company has formulated the Shareholder Return Plan for the Coming Three Years (2019–2021) in accordance with requirements under the Notice on Matters Relating to Further Implementation of Cash Dividend Distribution by Listed Companies (關於進一步落實上市公司現金分紅有關事項的通知) and the Regulatory Guidance to Listed Companies No. 3 – Cash Dividend Payments by Listed Companies (上市公司監管指引第3號–上市公司現金分紅) issued by China Securities Regulatory Commission as well as the provisions concerning profit distribution policy under the Articles of Association. The Company will strictly implement its existing dividend policy and shareholder return plan, and strive to increase returns to its shareholders.

Investors are reminded that the Remedial Measures do not constitute any guarantee for future profit of the Company. The Company will continue to disclose in its regular reports the progress of the Remedial Measures, and as well as the fulfillment of the undertakings given by relevant parties.

**VI.    UNDERTAKINGS GIVEN BY THE COMPANY'S DIRECTORS, SENIOR MANAGEMENT MEMBERS AND DE FACTO CONTROLLER FOR THE IMPLEMENTATION OF THE REMEDIAL MEASURES**

In accordance with the requirements under the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Medium and Small Investors in the Capital Market (Guo Ban Fa [2013] No. 110) (國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見(國辦發[2013]110號)) and the Guiding Opinions on Matters relating to the Dilution of Immediate Returns Resulting from Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) (關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見(中國證券監督管理委員會公告[2015]31號)), the Company's directors, senior management members and de facto controller have given the following undertakings for the Remedial Measures to be adopted by the Company for the dilution of immediate returns by the Proposed Issuance of A Share Convertible Bonds:

**(I) Undertakings given by each of the Company's directors and senior management members for the Remedial Measures to be adopted by the Company for the Dilution of Immediate Returns by the Proposed Issuance of A Share Convertible Bonds**

1. I hereby undertake not to convey any benefit to other entities or individuals without pay or with unfair conditions, or damaging the interests of the Company otherwise;
2. I hereby undertake to impose constraints on position-related expenditures;
3. I hereby undertake not to use the Company's assets to make any investment or consumption activity irrelevant to my performance of duties;
4. I hereby undertake to link the remuneration system formulated by the board of directors or the remuneration committee with the implementation of the Remedial Measures;
5. For any subsequent share incentive plan of the Company, I hereby undertake that the vesting terms to be announced shall be operated in line with the Remedial Measures;
6. For any new regulatory requirements introduced by CSRC in relation to the Remedial Measures and relevant undertakings during the period from the date of these undertakings to the completion of the Public Issuance of A Share Convertible Bonds of the Company that makes the said undertakings fail to meet such requirements of CSRC, I hereby undertake that I shall give further undertaking(s) in accordance with those new requirements of CSRC;
7. I hereby undertake that I shall strictly fulfill the Remedial Measures and the undertakings given by me in connection therewith and shall indemnify the loss suffered by the Company or investors in accordance with the laws for any loss caused to the Company or investors as a result of any breach of these undertakings.



**(II) For the purpose of ensuring the effective implementation of the Remedial Measures, the family of Li Liangbin, the de facto controller of the Company, have undertaken that:**

1. they will not interfere with the operation and management activities of the Company or impair the interests of the Company;
2. for any new regulatory requirements introduced by CSRC in relation to the Remedial Measures and relevant undertakings during the period from the date of the undertaking to the completion of the Public Issuance of A Share Convertible Bonds of the Company that makes the said undertaking fail to meet such requirements of CSRC, the Company/they shall give further undertaking(s) in accordance with those new requirements of CSRC; and
3. they shall strictly fulfill the Remedial Measures and the undertakings given by them in connection therewith and shall indemnify the loss suffered by the Company or investors in accordance with the laws for any loss caused to the Company or investors as a result of any breach of these undertakings.

**VII. PROCEDURES FOR CONSIDERATION AND APPROVAL OF THE REMEDIAL MEASURES FOR THE DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND THE RELEVANT UNDERTAKINGS**

All of the directors and senior management members of the Company have given their undertakings in relation to the Remedial Measures to be adopted for the dilution of immediate returns by the Proposed Issuance of A Share Convertible Bonds. In this connection, the board of directors of the Company has prepared a resolution to be submitted to the shareholders' general meeting for consideration and approval.

The Company will continue to disclose in its regular reports the progress of the Remedial Measures, and as well as the fulfillment of the undertakings given by relevant parties.

**GANFENG LITHIUM CO., LTD.**  
**RULES FOR A SHARE CONVERTIBLE**  
**BOND HOLDERS' MEETINGS**

**CHAPTER I GENERAL PROVISIONS**

Article 1 In order to regulate the organisation and behaviour of the meetings for A Share Convertible Bond Holders of the Company, specify the rights and obligations of the A Share Convertible Bond Holders at the meetings and protect the legitimate rights and interests of the A Share Convertible Bond Holders, these rules have been formulated pursuant to the requirements under the laws and regulations including the Company Law, the Securities Law, the Administration Measures for the Issuance of Securities by Listed Companies promulgated by CSRC, the Implementation Rules of the Convertible Corporate Bond Business of Shenzhen Stock Exchange (《深圳證券交易所可轉換公司債券業務實施細則》), the Shenzhen Listing Rules and other normative documents with reference to the actual conditions of the Company.

Article 2 The A share convertible bonds under these rules shall be the A share convertible corporate bonds (“**A Share Convertible Bonds**” or the “**Bonds**”) as agreed to be issued by the Company pursuant to the offering document of the Public Issuance of A Share Convertible Bonds by Ganfeng Lithium Co., Ltd. (the “**A Share Convertible Bonds Offering Document**”). The A Share Convertible Bond Holders shall refer to the investors who acquire the A Share Convertible Bonds through subscription, purchase or other legal means.

Article 3 The A Share Convertible Bond Holders’ meetings shall be composed of all A Share Convertible Bond Holders under these rules and shall be convened and held according to the procedures stipulated in these rules to consider and vote for the matters within the extents of authority stipulated in these rules according to laws.

Article 4 The resolutions considered and passed at the A Share Convertible Bond Holders’ meetings under these rules shall be equally binding on all A Share Convertible Bond Holders (hereafter including those who are present at the meetings, do not attend the meetings, vote against the resolutions or abstain from voting and the A Share Convertible Bond Holders who become the holders of the A Share Convertible Bonds through transfer after passing the relevant resolutions).

Article 5 Investors who subscribe for, hold or acquire the A Share Convertible Bonds are deemed to agree all the articles under these rules and to be bound by these rules.

**CHAPTER II RIGHTS AND OBLIGATIONS OF A SHARE CONVERTIBLE BOND HOLDERS****Article 6 Rights of the A Share Convertible Bond Holders:**

- (1) to receive agreed interests in accordance with the number of the A Share Convertible Bonds held by the A Share Convertible Bond Holders;
- (2) to convert the A Share Convertible Bonds held by the A Share Convertible Bond Holders into A Shares according to the agreed conditions;
- (3) to exercise the right of sale back on agreed conditions;
- (4) to assign, bestow or pledge the A Share Convertible Bonds held by the A Share Convertible Bond Holders in accordance with the laws, administrative regulations and the Articles of Association;
- (5) to receive relevant information in accordance with the laws and the Articles of Association;
- (6) to request the Company to repay the principal and interest of the A Share Convertible Bonds within the agreed period and by the agreed manner;
- (7) to attend the meetings of the A Share Convertible Bond Holders, either in person or by proxy, and vote in accordance with relevant regulation under laws and administrative regulations; and
- (8) other rights as creditors of the Company prescribed by applicable laws, administrative regulations and the Articles of Association.

**Article 7 Obligations of the A Share Convertible Bond Holders:**

- (1) to abide by the relevant terms of the issuance of the A Share Convertible Bonds by the Company;
- (2) to pay the subscription amount in accordance with the number of A Share Convertible Bonds subscribed for;
- (3) to abide by the resolutions approved at the meetings of the A Share Convertible Bond Holders;
- (4) not to request the Company to make prepayment of the principal and interest of the A Share Convertible Bonds, unless otherwise required by applicable laws and regulations, or otherwise agreed in the A Share Convertible Bonds Offering Document; and
- (5) other obligations of A Share Convertible Bond Holders prescribed by applicable laws, administrative regulations and the Articles of Association.

**CHAPTER III   EXTENTS OF AUTHORITY OF A SHARE CONVERTIBLE BOND  
HOLDERS' MEETINGS**

Article 8   The extents of authority of A Share Convertible Bond Holders' meetings are as follows:

- (1)   to resolve on whether to agree the Company's proposal for modifying the plan contained in the A Share Convertible Bonds Offering Document, but the A Share Convertible Bond Holders' meetings shall not resolve to agree the Company in not paying the principal and interest of the A Share Convertible Bonds, modifying the interest rate and term of the A Share Convertible Bonds or cancelling the terms of redemption or sale back contained in the A Share Convertible Bonds Offering Document;
- (2)   to resolve on whether to agree the solution to the failure to pay the principal and interest of the A Share Convertible Bonds on time by the Company; to resolve on the enforcement of repaying the principal and interest of the A Share Convertible Bonds by the Company and the guarantors (if any) through litigation and other procedures; to resolve on whether to participate in the legal procedures of the Company including rectification, settlement, reorganisation or bankruptcy;
- (3)   to resolve on whether to accept the Company's proposal in relation to a capital reduction (other than a capital reduction caused by a share buyback under equity incentive), merger, division, dissolution or filing for bankruptcy and to resolve on the plan of exercising the legal rights of the A Share Convertible Bond Holders according to laws;
- (4)   to resolve on the plan of exercising the rights of the A Share Convertible Bond Holders according to laws in case any material adverse change arises from the guarantors (if any);
- (5)   to resolve on the plan of exercising the rights of the A Share Convertible Bond Holders according to laws in case any event having a material impact on the interests of the A Share Convertible Bond Holders happens;
- (6)   to resolve on the amendments to these rules as permitted by the laws and regulations;
- (7)   other circumstances which are required to be resolved at the A Share Convertible Bond Holders' meetings in accordance with the laws, administrative regulations and normative documents.

**CHAPTER IV CONVENING OF A SHARE CONVERTIBLE BOND HOLDERS' MEETINGS**

Article 9 A Share Convertible Bond Holders' meetings shall be convened by the Board. The Board shall, within 30 days after the proposal of convening an A Share Convertible Bond Holders' meeting has been raised or received by the Board, convene the A Share Convertible Bond Holders' meeting. The Board shall publish a notice to all A Share Convertible Bond Holders and the relevant attendees at least 15 days prior to the meeting.

Article 10 During the term of the A Share Convertible Bonds, an A Share Convertible Bond Holders' meeting shall be convened by the Board upon the occurrence of any of the following events:

- (1) the Company proposes to change the terms of the A Share Convertible Bonds Offering Document;
- (2) proposed amendments to the Rules for A Share Convertible Bonds Holders' meetings;
- (3) the Company defaults in paying the principal and interests of the A Share Convertible Bonds on time;
- (4) the Company undertakes a capital reduction (other than a capital reduction caused by a share buyback under equity incentive), merger, division or dissolution, or files for bankruptcy;
- (5) any material change arises from the guarantors (if any) or the collaterals (if any);
- (6) inability to perform duties duly by the management of the Company leads to serious uncertainties on the Company's ability to repay debts, and actions should be taken in accordance with laws;
- (7) the Company proposes a debt restructuring plan;
- (8) other circumstances where the Board of the Company or A Share Convertible Bond Holders, either individually or jointly, holding 10% or more of the aggregate nominal value of the outstanding A Share Convertible Bonds, propose(s) in writing to convene;
- (9) other matters which may significantly and materially affect the rights and interests of A Share Convertible Bond Holders;
- (10) other matters required to be considered and determined at the A Share Convertible Bond Holders' meetings in accordance with the provisions of the laws, administrative regulations, the CSRC, the SZSE and these rules.

The following entities or persons may propose an A Share Convertible Bond Holders' meeting:

1. the Board;
2. the A Share Convertible Bond Holders (individually or jointly) holding more than 10% of the total par value of the outstanding A Share Convertible Bonds through written proposal;
3. other entities or persons prescribed by laws, regulations and CSRC.

Article 11 Within 15 days after the events mentioned in Article 10 of these rules happen, in the event that the Board fails to perform its duties under these rules, the A Share Convertible Bond Holders individually or jointly holding more than 10% of the total par value of the outstanding A Share Convertible Bonds are entitled to publish a notice of convening the A Share Convertible Bond Holders' meeting in the form of an announcement.

Article 12 After a notice of A Share Convertible Bond Holders' meeting is given, no change shall be made to the meeting time or the proposals stated in the notice and the meeting shall not be cancelled due to a reason other than force majeure. In the event that there is a change in the meeting time or the proposals stated in the notice or the meeting is cancelled due to force majeure, the convenor shall notify all A Share Convertible Bond Holders with reasons provided in the form of an announcement within at least 5 trading days prior to the original date of convening the A Share Convertible Bond Holders' meeting. No change shall be made to the record date of the A Share Convertible Bond Holders.

After a notice of A Share Convertible Bond Holders' meeting is given, in the event that the proposals to be resolved at the A Share Convertible Bond Holders' meeting are cancelled, the convenor may cancel the A Share Convertible Bond Holders' meeting with reasons provided in the form of an announcement.

Article 13 The convenor of the A Share Convertible Bond Holders' meeting shall publish the notice of A Share Convertible Bond Holders' meeting in the media designated by CSRC. A notice of A Share Convertible Bond Holders' meeting shall comprise the following contents:

- (1) the time, venue, convenor and way of voting of the meeting;
- (2) matters to be considered at the meeting;
- (3) explicit text stating that all A Share Convertible Bond Holders are entitled to attend and vote at the A Share Convertible Bond Holders' meeting, either in person or by proxy;
- (4) the record date to determine A Share Convertible Bond Holders who are entitled to attend the A Share Convertible Bond Holders' meeting;

- (5) necessary documents and formalities required for attending the meeting, including but not limited to the power of attorney authorising the proxy(ies) to attend the meeting on behalf of the A Share Convertible Bond Holder(s);
- (6) the name of the convenor and the names and telephone numbers of the contact persons for the affairs of the meeting; and
- (7) the closing time for submitting the account information of the bonds to confirm the qualification for attending the meeting: the A Share Convertible Bond Holders who have not proved their qualification for attending the meeting to the convenor before the convening of an A Share Convertible Bond Holders' meeting shall not attend the A Share Convertible Bond Holders' meeting and have no voting rights;
- (8) other matters required to be notified by the convenor.

Article 14 The record date of the A Share Convertible Bond Holders' meeting shall be the fifth trading day prior to the date of convening the A Share Convertible Bond Holders' meeting. The holders of the outstanding A Share Convertible Bonds whose names appear in the depository register of China Securities Depository and Clearing Corporation Limited or of other institutions approved under applicable laws at the close of the record date will be entitled to attend the A Share Convertible Bond Holders' meeting and exercise their voting right.

Article 15 On-site A Share Convertible Bond Holders' meetings shall in principle be held at the domicile of the Company. The venue shall be provided by the Company or the convenor of the A Share Convertible Bond Holders' meetings.

Article 16 An institution or a person who issues a notice of an A Share Convertible Bond Holders' meeting under these rules is the convenor of such a meeting.

Article 17 When convening an A Share Convertible Bond Holders' meeting, the convenor shall engage lawyers to issue legal opinions in relation to the following matters:

- (1) whether or not the procedures for convening and holding the meeting are in compliance with laws, regulations and these rules;
- (2) whether or not the qualifications of the persons present at the meeting, and of the convenor are lawful and valid;
- (3) whether or not the voting procedures at the meeting and the voting results are lawful and valid;
- (4) other legal opinions to be issued in relation to other relevant matters at the request of the convenor.

Article 18 The convener of the meeting shall prepare a signature book for attendees, which shall indicate the attendees' names (or companies' names), ID card number and domicile, the par value of the Bonds held or represented by the attendees and the names of related A Share Convertible Bond Holders (or companies' names) etc.

**CHAPTER V PROPOSALS OF A SHARE CONVERTIBLE BOND HOLDERS' MEETINGS,  
PARTICIPANTS THEREOF AND THEIR RIGHTS**

Article 19 Proposals to be proposed at the A Share Convertible Bond Holders' meetings for consideration shall be drafted by the convenor and shall be in compliance with the laws and regulations as permitted within the extents of authority of the A Share Convertible Bond Holders' meetings with clear subject matters and specific items to be resolved.

Article 20 The matters to be considered at the A Share Convertible Bond Holders' meeting shall be decided by the convenor according to Article 8 and Article 10 of these rules.

The A Share Convertible Bond Holders individually or jointly holding more than 10% of the total par value of the outstanding A Share Convertible Bonds may bring forward a provisional proposal to the A Share Convertible Bond Holders' meeting. The Company and its related parties may attend the A Share Convertible Bond Holders' meeting and bring forward a provisional proposal. The provisional proposal, provided with complete details, shall be submitted to the convenor no later than 10 days prior to the date of convening the A Share Convertible Bond Holders' meeting. The convenor shall issue a supplemental notice of the A Share Convertible Bond Holders' meeting within 5 days after receiving the provisional proposal and publish an announcement containing the name(s) of the A Share Convertible Bond Holder(s) who proposed the proposal, the percentage of the A Share Convertible Bonds held by such A Share Convertible Bond Holder(s) and the particulars of the proposal. The supplemental notice shall be published in the same designated media in which the notice of meeting has been published. Unless otherwise provided in the above articles, the convenor shall not amend the proposals set out in the notice of the A Share Convertible Bond Holders' meeting, or add new proposals after the notice of the meeting is given. No voting shall take place and no resolutions shall be made at the A Share Convertible Bond Holders' meeting on the proposals which are not set out in the notice of the meeting (including the supplemental notice for adding provisional proposals) or do not meet the requirements under these rules.

Article 21 A Share Convertible Bond Holders may attend and vote at A Share Convertible Bond Holders' meetings in person, and also may appoint a proxy to attend and vote on their behalves. The travelling, catering and accommodation expenses incurred by the A Share Convertible Bond Holders and their proxies for attending the A Share Convertible Bond Holders' meeting shall be borne by the A Share Convertible Bond Holders.



Article 22 An A Share Convertible Bond Holder who attends the A Share Convertible Bond Holders' meeting shall produce his/her own identity document and stock account card holding the outstanding A Share Convertible Bonds, or other supporting documents as required by the applicable laws. A legal representative or responsible person who attends an A Share Convertible Bond Holders' meeting on behalf of the A Share Convertible Bond Holder shall produce his/her own identity document, valid proof of his/her qualification as a legal representative or responsible person and stock account card holding the outstanding A Share Convertible Bonds, or other supporting documents as required by the applicable laws.

A proxy who attends an A Share Convertible Bond Holders' meeting on behalf of an A Share Convertible Bond Holder shall produce his/her own identity document, power of attorney issued by such an A Share Convertible Bond Holder (or his/her legal representative or responsible person) according to laws, identity document of such an A Share Convertible Bond Holder, stock account card holding the outstanding A Share Convertible Bonds of such A Share Convertible Bond Holder or other supporting documents as required by the applicable laws.

Article 23 The power of attorney issued by an A Share Convertible Bond Holder to appoint another person to attend the A Share Convertible Bond Holders' meeting shall contain the following particulars:

- (1) the name and identity card number of the proxy;
- (2) the extents of authority of the proxy, including but not limited to the right to vote;
- (3) the instructions to vote for or against, or to abstain from voting on, each matter set out on the agenda of the A Share Convertible Bond Holders' meeting;
- (4) the date and validity of the power of attorney;
- (5) the signature or seal of such an A Share Convertible Bond Holder. The power of attorney shall contain a statement that, in the absence of specific instructions from the A Share Convertible Bond Holder, the proxy may or may not vote at his/her discretion. The power of attorney shall be made available to the convenor of the A Share Convertible Bond Holders' meeting at least 24 hours prior to the meeting.

Article 24 The convenor and the lawyer shall jointly verify the qualifications and legitimacy of A Share Convertible Bond Holders attending the meeting based on the register of the A Share Convertible Bond Holders provided by the securities registration and clearing institution at the close of the record date, and record the names of the A Share Convertible Bond Holders and their proxies attending the A Share Convertible Bond Holders' meeting and the number of A Share Convertible Bonds held by them with voting rights.

The aforementioned register of the A Share Convertible Bond Holders shall be acquired by the Company from the securities registration and clearing institution and shall be provided to the convenor free of charge.

#### **CHAPTER VI HOLDING OF A SHARE CONVERTIBLE BOND HOLDERS' MEETINGS**

Article 25 A Share Convertible Bond Holders' meetings may be held in the form of on-site meetings, correspondence or other methods as required by laws and regulations.

Article 26 A Share Convertible Bond Holders' meetings shall be chaired by the authorised representative appointed by the Board to attend the meeting. In the event that the Board is unable to perform its duties, an A Share Convertible Bond Holder (or its proxy) elected by the A Share Convertible Bond Holders (or proxies thereof) present at the A Share Convertible Bond Holders' meeting who represent a majority of the voting rights may serve as the chairman of the meeting and preside over the meeting. If a moderator cannot be elected within 1 hour after the start of the meeting, the A Share Convertible Bond Holder (or its proxy) attending the meeting with the maximum voting rights represented by outstanding convertible bonds shall serve as the chairman of the meeting and preside over the meeting.

Article 27 As requested by A Share Convertible Bond Holders individually or jointly holding more than 10% of the total voting rights of the A Share Convertible Bonds, the Company shall appoint a Director or senior management to present at the A Share Convertible Bond Holders' meeting. Save for the trade secrets of the Company or those as restricted by the applicable laws and the information disclosure requirements of the listed companies, the Director or senior management of the Company present at the meeting shall answer to or explain the enquiries and suggestions from the A Share Convertible Bond Holders.

Article 28 The following entities or persons may attend the A Share Convertible Bond Holders' meeting and submit proposal for consideration, but do not have voting rights: Directors, supervisors and senior management of the Company.

**CHAPTER VII VOTING, RESOLUTION AND MINUTES OF A SHARE CONVERTIBLE BOND HOLDERS' MEETINGS**

Article 29 Every proposal submitted to the meeting shall be voted by the A Share Convertible Bond Holders who have the right to attend the A Share Convertible Bond Holders' meeting or their duly appointed proxies at the meeting. Each of the outstanding A Share Convertible Bonds (with a par value of RMB100 each) shall have one vote.

Article 30 Different matters to be considered or different proposals on the same matter to be considered as set forth in the notice of the meeting announced shall be considered and voted separately. Except for special reasons such as force majeure that results in suspending a meeting or failing to make any resolution, no proposal set forth in the notice of the meeting may be suspended or dismissed at the meeting. In the event that there are different proposals on the same matter, they shall be voted and resolved in a chronological order of proposing such proposals.

No voting shall take place at the A Share Convertible Bond Holders' meeting for the matters not announced. When considering the matters to be considered at the A Share Convertible Bond Holders' meeting, no change shall be made to the matters to be considered. Any change to the matters to be considered shall be deemed as a new matter to be considered and shall not be voted at such a meeting.

Article 31 Voting at A Share Convertible Bond Holders' meetings shall take place by way of open ballot. When the A Share Convertible Bond Holders or their proxies vote for the matters to be considered, they shall only vote for, vote against or abstain. The un-filled, wrongly-filled, illegible votes shall be considered as spoilt votes and the correspondingly voting shares for such votes shall not be included in the voting results. Un-voted votes shall be deemed as the voters' waiver of voting rights and shall not be included in the voting results.

Article 32 The following A Share Convertible Bond Holders can express opinions at the A Share Convertible Bond Holders' meetings but have no voting rights, and the number of A Share Convertible Bonds represented by them shall not be included in the number of A Share Convertible Bonds in the attendance of A Share Convertible Bond Holders' meeting:

- (1) A Share Convertible Bond Holders who hold more than 5% of the Shares in the Company; and
- (2) the related parties of the above Shareholders, the Company and the guarantors (if any).

Article 33 There shall be one vote counter and one scrutineer at the meeting, who are responsible for counting votes and scrutinizing voting. The counter and scrutineer shall be recommended by the chairman of the meeting and shall be served by A Share Convertible Bond Holders (or proxies of A Share Convertible Bond Holders) attending the meeting. A Share Convertible Bond Holders who have related party relationships with the Company and their proxies shall not serve as counter and scrutineer.

When voting for each of the matters for consideration, the votes shall be counted by at least two A Share Convertible Bond Holders (or proxies of A Share Convertible Bond Holders) and an authorised representative of the Company, who shall announce the voting results on the spot. The lawyer shall be responsible for witnessing the voting procedures.

Article 34 The chairman of the meeting shall confirm whether the resolution at the A Share Convertible Bond Holders' meeting is passed based on the voting results and announce the voting results at the meeting. The voting results for the resolution shall be included in the minutes of the meeting.

Article 35 In the event that the chairman of the meeting has any doubt to the results of the resolution submitted for voting, he/she may recount the cast votes. In the event that the chairman of the meeting does not propose to recount the votes, A Share Convertible Bond Holders (or proxies of the A Share Convertible Bond Holders) attending the meeting and disagreeing with the results announced by the chairman of the meeting shall have the right to demand for recounting the votes immediately upon the announcement of voting results, and the chairman of the meeting shall arrange to recount the votes immediately.

Article 36 Unless otherwise required under these rules, in order to be valid, the resolutions passed at A Share Convertible Bond Holders' meeting shall be agreed by holders (or proxies of A Share Convertible Bond Holders) holding more than half of the par value of the outstanding A Share Convertible Bonds attending the meeting.

Article 37 The resolutions passed at A Share Convertible Bond Holders' meeting shall be effective from the date of passing the resolutions. Those needed to be approved by competent authorities shall be effective upon being approved by such authorities. Pursuant to the relevant laws, regulations, A Share Convertible Bonds Offering Document and these rules, the resolutions passed at A Share Convertible Bond Holders' meeting by voting shall be legally binding on all A Share Convertible Bond Holders (including those who do not attend the meeting or hold different views towards the results). In the event that any resolution in relation to the A Share Convertible Bonds causes any change in the rights and obligations between the Company and the A Share Convertible Bond Holders, in addition to those made by A Share Convertible Bond Holders being binding on the Company as clearly stated in laws, regulations, departmental rules and the Offering Document:

- (1) If such a resolution is made based on a proposal from an A Share Convertible Bond Holder, it shall be legally binding on the Company and all A Share Convertible Bond Holders after being passed at the A Share Convertible Bond Holders' meeting by voting and obtaining a written consent of the Company;
- (2) If such a resolution is made based on a proposal from the Company, it shall be legally binding on the Company and all A Share Convertible Bond Holders after being passed at the A Share Convertible Bond Holders' meeting by voting.

Article 38 The convenor of A Share Convertible Bond Holders' meeting will make announcement of the resolution on the media designated by the regulatory authorities within 2 trading days after the resolution is passed at the A Share Convertible Bond Holders' meeting. The announcement shall contain the date, time, venue, method, convenor and chairman of the meeting, the number of A Share Convertible Bond Holders and proxies attending the meeting, the number of A Share Convertible Bonds with voting rights represented by A Share Convertible Bond Holders and proxies attending the meeting and its percentage to the total number of the A Share Convertible Bonds, the voting results of each of the matters considered and the details of the resolutions passed.

Article 39 Minutes shall be prepared for A Share Convertible Bond Holders' meetings and shall contain the following particulars:

- (1) time, venue and agenda of the meeting and the name of convenor;
- (2) names of the chairman of the meeting, persons who attend and present at the meeting, witnessing lawyer, vote tellers, scrutineers and vote counters of the meeting;
- (3) number of A Share Convertible Bond Holders and proxies attending the meeting, the number of A Share Convertible Bonds with voting rights represented by them and its percentage to the total number of the A Share Convertible Bonds;
- (4) the key points for each of the matters considered;
- (5) the voting results of each of the matters voted for;
- (6) the enquiries and suggestions from the A Share Convertible Bond Holders and the reply and explanation from the Directors, supervisors or senior management of the Company;
- (7) any other particulars considered to be necessary to be included in the minutes according to the laws, administrative regulations, normative documents and A Share Convertible Bond Holders' meetings.

Article 40 The convenor and chairman of the meeting shall guarantee the truthfulness, accuracy and completeness of the minutes of an A Share Convertible Bond Holders' meeting. The minutes shall be signed by the chairman, convenor (or his/her representative), witnessing lawyer, recorder and scrutineers who attend the meeting. The Board shall keep the minutes, votes cast, signature books, power of attorney, legal opinions issued by lawyers and other documents and information in relation to A Share Convertible Bond Holders' meetings for ten years.

Article 41 The convenor shall guarantee the proceeding of an A Share Convertible Bond Holders' meeting until a final resolution is formed. In the event that the meeting is interrupted, cannot proceed normally or fails to make a resolution due to special reasons such as force majeure and unexpected events, necessary measures shall be taken to resume or directly terminate the meeting as soon as possible and an announcement shall be made for such circumstances. At the same time, the convenor shall report to the branch of CSRC where the Company operates and the SZSE. Measures shall be taken to stop the behaviour which interrupts the meeting, provokes troubles and infringes the legitimate rights of the A Share Convertible Bond Holders and a report shall be made to the relevant authorities for investigation and punishment.

Article 42 The Board shall execute the resolutions passed at the A Share Convertible Bond Holders' meetings in a strict manner, communicate with the relevant parties on behalf of the A Share Convertible Bond Holders with respect to the relevant resolutions in a timely manner and procure the concrete implementation of the resolutions passed at the A Share Convertible Bond Holders' meetings.

#### **CHAPTER VIII SUPPLEMENTAL PROVISIONS**

Article 43 If there is any specific provision on the rules for A Share Convertible Bond Holders' meetings in the laws, administrative regulations and normative documents, such provisions shall be complied with. Otherwise, no change shall be made to these rules.

Article 44 The matters to be announced under these rules shall be announced on the website of the SZSE and the media of information disclosure designated by the Company.

Article 45 In these rules, the expressions of "more than" and "within" shall be inclusive of the stated figure while the expressions of "over", "below" and "above" shall be exclusive of the stated figure.

Article 46 The “outstanding A Share Convertible Bonds” mentioned in these rules refers to all issued A Share Convertible Bonds other than the following A Share Convertible Bonds:

- (1) A Share Convertible Bonds which have been paid for principal and interest;
- (2) A Share Convertible Bonds which fall due for principal and interest with such payment being paid by the Company to the payment agent and becoming available to the A Share Convertible Bond Holders. The payment shall comprise any interest and principal payable of such bonds under the terms of the Bonds as at the date of payment;
- (3) A Share Convertible Bonds which have been converted to the shares of the Company;
- (4) A Share Convertible Bonds which have been repurchased and cancelled by the Company as agreed.

Article 47 Any dispute arising from the legitimacy of the convening, holding, voting procedures and resolution of A Share Convertible Bond Holders' meetings shall be resolved through litigation at the people's court having the right of jurisdiction where the Company's domicile located at.

Article 48 These rules shall be effective from the date of issuing the A Share Convertible Bonds upon consideration and approval at the general meeting of the Company.

**SHAREHOLDERS' RETURN PLAN FOR THREE YEARS OF 2019 TO 2021**

For the purposes of delivering reasonable returns to shareholders while ensuring sufficient funding for its growth, the Company has formulated the Shareholders' Return Plan of Ganfeng Lithium Co., Ltd. for the Three Years of 2019 to 2021 (the “**Plan**”) in accordance with the requirements of applicable laws, regulations, normative documents and the regulatory rules of stock exchanges, such as the Company Law, and the Notice on Matters Relating to Further Implementation of Cash Dividend Distribution by Listed Companies (關於進一步落實上市公司現金分紅有關事項的通知) and the Regulatory Guidance to Listed Companies No. 3 – Cash Dividend Payments by Listed Companies (Zheng Jian Hui Gong Gao [2013] No. 43) (上市公司監管指引第3號–上市公司現金分紅(證監會公告[2013]43號)) issued by CSRC, as well as the provisions concerning profit distribution policy under the Articles of Association, the details of which is set out below.

**I. Principles for Formulating the Plan**

The Plan is formulated in accordance with applicable laws and regulations and the Articles of Association, emphasizes reasonable investment returns to investors while ensuring the sustainable development of the Company, and maintains the consistency and stability of the Company's profit distribution policy.

1. The Board shall take various factors into consideration, including the characteristics of the industry the Company operates in, the Company's development stage, business model and profitability as well as whether it has any substantial capital expenditure arrangement, to propose a differentiated cash dividend policy based on actual conditions and pursuant to the procedures stipulated in the Articles of Association.
2. Forms of profit distribution for the coming three years of 2019 to 2021: The Company may distribute profits in cash or bonus shares or a combination of both; where the conditions for cash dividend are satisfied, cash dividends shall be preferred for profit distribution.
3. The Company shall listen to and take into full consideration the opinions of public investors, especially minority shareholders, independent directors and supervisors.



**II. Factors Considered in Formulating the Plan**

The Plan represents an arrangement made by the Company based on the comprehensive analysis of the Company's profitability, business development plans, shareholders' returns, and social capital costs and external financing environment, taking full account of the Company's current and future profits, cash flows, development stage, fund requirements for project investments, bank credit and debt financing environment while balancing shareholders' reasonable investment returns and the Company's long-term development.

**III. The Specific Plan for Delivering Returns to Shareholders for the Coming Three Years of 2019–2021**

- (I) Principles of profit distribution: The Company adopts a proactive profit distribution policy that emphasizes reasonable investment returns to investors and maintains continuity and stability while taking into account the Company's sustainable development. The profit distribution shall not exceed the scope of accumulated distributable profits and shall not impair the Company's ability to continue to operate as a going concern.
- (II) Form of profit distribution: The Company may distribute dividends in the form of cash, stocks or a combination of cash and stocks, and preferentially use cash dividend distribution.

The Company generally makes profit distribution on an annual basis. If it is allowable under the conditions, the Board may propose that the Company make profit distribution for the interim period.

- (III) Proportion of cash dividends: To the extent that the funding requirements for the Company's normal production and operation activities are satisfied, and the Company makes profits in the current year and has positive accumulated undistributed profits, dividends may be distributed in cash. The profits distributed in cash each year shall not be less than 10% of distributable profits realized in the year.

The Company may not pay cash dividends or the proportion of cash dividends may be lower than 10% of the distributable profits realized during the year:

1. distributable profit per share realized in the current year is less than RMB0.1.
  2. the audited debt asset ratio in the current year (parent company) exceeds 70%.
  3. the Company will have major investment plans or significant cash outlays in the next 12 months (except for the raised funds). A major investment plan or significant cash outlay means that the Company intends to make external investment, acquire assets, or purchase equipment in the next 12 months, of which cumulative expenditure exceeds 30% of the net assets in the latest audited consolidated financial statements of the Company, and is in excess of RMB50 million.
- (IV) The profits accumulatively distributed by the Company in cash over the last three years are not less than 30% of the annual average distributable profits realized in the last three years.
- (V) Where the Company is in good operating condition and the Board believes that the Company's stock price does not match the size of the Company's share capital, and that the issuance of stock dividends is beneficial to the overall interests of all the Company's Shareholders, the Board may, if the conditions on cash dividends stated above are satisfied, propose a stock dividend distribution plan, which shall be subject to consideration and approval at the general meeting. When distributing profits in the form of bonus shares, the Company shall take into full consideration such factors as the Company's growth and the dilutive effect on return on equity per share.
- (VI) The Board shall take into consideration various factors including the characteristics of the industry the Company operates in, the Company's development stage, business model and profitability as well as whether it has any substantial capital expenditure arrangement, and propose a differentiated cash dividend policy based on the following conditions and pursuant to the procedures stipulated in the Articles of Association:
1. Where the Company is at a mature stage in its development and has no major capital expenditure arrangement, cash dividends shall at least account for 80% of the total distribution when distributing profits;
  2. Where the Company is at a mature stage in its development and has major capital expenditure arrangements, cash dividends shall at least account for 40% of the total distribution when distributing profits;

3. Where the Company is at a growth stage in its development and has major capital expenditure arrangements, cash dividends shall at least account for 20% of the total distribution when distributing profits;

The provision stated above may apply if it is difficult to determine the Company's stage of development and the Company has significant capital expenditure arrangements.

#### **IV. Period of Shareholders' Return Plan and Relevant Decision-Making and Adjustment Mechanisms**

The Company reviews its Shareholders' return plan for the coming three years at least once every three years. After listening to and taking into full consideration the opinions of Shareholders (especially public investors and small and medium-sized investors), independent Directors and the board of supervisors of the Company, the Board formulates the Shareholders' return plan for the upcoming three years based on the effective profit distribution policy of the Company and with reference to the Company's specific business conditions, cash flows, development stage and funding requirements, and submits the same to the general meeting for deliberation.

The management and the Board put forward proposal and plan for dividend distribution with reference to Company's profitability and funding requirements. The Board shall fully discuss with independent Directors and supervisors in the process of demonstration of the profit distribution plan, and listen to the opinions of minority Shareholders through various channels, so as to formulate a profit distribution plan on the basis of considering continuous, stable and scientific returns to all Shareholders.

When the Board considers the profit distribution plan, it must be approved by a majority of all Directors, and by more than half of the Company's independent Directors who shall express clearly their independent opinions; when the board of supervisors considers the profit distribution plan, it must be approved by a majority of all supervisors. The profit distribution plan shall be submitted to the general meeting for consideration only after consideration and approval by the Board and the board of supervisors, and must be approved by two-thirds or more of the voting rights of the Shareholders present at the meeting.

The Company shall effectively protect the right of public Shareholders to attend the general meetings, and the Board, independent Directors and Shareholders satisfying certain conditions may solicit the rights to vote at general meetings from other Shareholders of the Company.

If it is really necessary to adjust the Company's existing dividend distribution plan due to the external business environment or the Company's own operating needs, the reasons for the adjustment will be demonstrated and explained in detail. The adjusted dividend distribution plan should take into full account the interests of the Shareholders, especially the minority Shareholders, and conform to the provisions of relevant laws and regulations and the Articles of Association.

**V. Miscellaneous**

Matters not covered in the Plan shall be dealt with in accordance with relevant laws and regulations, normative documents and the Articles of Association. The Plan shall be interpreted by the Board and shall come into effect from the date of consideration and approval at the general meeting of the Company.

**RESOLUTION IN RELATION TO OPENING SPECIAL ACCOUNT FOR PROCEEDS TO BE RAISED FROM PUBLIC ISSUANCE OF A SHARE CONVERTIBLE BONDS**

In accordance with the Company Law, the Securities Law, the Administrative Measures for Issuance of Securities by Listed Companies and other laws and regulations, for the purpose of regulating the use and management of the proceeds to be raised by the Company from the Proposed Issuance of A Share Convertible Bonds, the Board will set up a special bank account for depositing such proceeds and authorise the chairman to make arrangements for handling relevant specific matters.

The resolution is subject to consideration at the general meeting of the Company.

**REPORT ON THE USE OF PROCEEDS PREVIOUSLY RAISED OVERSEAS**

In accordance with the requirements of the Regulations for the Report on the Use of the Previously Raised Proceeds (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission, the Company reports the use of proceeds previously raised overseas as at 31 December 2018 as follows:

**I. BASIC INFORMATION ON THE PROCEEDS PREVIOUSLY RAISED OVERSEAS**

As approved by the China Securities Regulatory Commission with the Reply on Approval of Issuance of Overseas Listed Foreign Shares by Ganfeng Lithium Co., Ltd. (Zheng Jian Xu Ke [2018] No. 970) (《關於核准江西贛鋒鋰業股份有限公司發行境外上市外資股的批覆》(證監許可[2018]970 號)), the Company issued 200,185,800 H shares, all of which were new H shares through a public way at an issue price of HKD16.50 per share. The proceeds from the issuance amounted to HKD3,303,065,700.00 and the net proceeds after deducting such issuance expenses as underwriting commission, sponsor fee, SFC and HKSE charges, intermediary commission, listing application fee, printing fee, etc., amounted to USD404,400,510.20. As at 31 December 2018, USD113,020,736.42 out of the proceeds raised by public issuance of overseas listed foreign shares (H shares) was utilized, and balance of the proceeds amounted to USD291,643,268.92.

**II. ACTUAL USE OF PROCEEDS PREVIOUSLY RAISED OVERSEAS****(1) Comparison of the use of proceeds previously raised overseas**

For details of the use of proceeds from the initial public offering of H shares, please refer to the schedule attached to the report.

**(2) Change in the projects actually financed by the proceeds previously raised overseas**

There was no change in the projects actually financed by the Company's proceeds previously raised overseas.

**(3) Difference between the actual amounts of the proceeds previously raised overseas used for investment in projects and the committed investment and the reasons therefor**

As at 31 December 2018, proceeds of the Company previously raised overseas had not been used up, and there was no difference between the actual amounts of the proceeds previously raised overseas used for investment in projects and the committed investment.

**(4)    Transfer or replacement of projects financed by the proceeds previously raised overseas**

There was no transfer or replacement of projects financed by the Company's proceeds previously raised overseas.

**(5)    Use of temporarily idle proceeds previously raised overseas**

As at 31 December 2018, the balance of the Company's proceeds previously raised overseas amounted to USD291,643,268.92, which was deposited in the special account for proceeds.

**III.   ECONOMIC BENEFITS FROM THE PROJECTS FINANCED BY THE PROCEEDS PREVIOUSLY RAISED OVERSEAS**

N/A

**IV.   COMPARISON OF INFORMATION DISCLOSURE OF ACTUAL USE OF PROCEEDS PREVIOUSLY RAISED OVERSEAS**

The actual use of the Company's proceeds previously raised overseas is consistent with the regular reports and other information disclosure documents of the Company.

**V.    APPROVAL FOR ISSUE OF SPECIAL REPORT**

This special report was approved for issue on June 28, 2019 by the Board of the Company.

Schedule:

**1.    Comparison of the use of proceeds previously raised overseas**

# APPENDIX X REPORT ON THE USE OF PROCEEDS PREVIOUSLY RAISED OVERSEAS

Schedule 1:

## Comparison of the Use of Proceeds Previously Raised Overseas

Prepared by: Ganfeng Lithium Co., Ltd.

For the Year of 2018

Unit: USD0'000

Net proceeds (after deducting underwriting and sponsors' fees and other issuance expenses)	40,440.05	Total amount of proceeds used during the year	11,302.07
Total amount of proceeds with the use changed during the reporting period	-	Total amount of proceeds used accumulatively	11,302.07
Total amount of proceeds with the use changed	-		
Proportion of total amount of proceeds with the use changed	-		

		Total investment amount of proceeds			Accumulated investment amount of proceeds as at 31 December 2018			Difference between the actual investment amount and the committed amount after raising proceeds		Date on which the project reaches the serviceable conditions (or stage of project completion as at the deadline)
Investment projects		Committed investment amount before raising proceeds	Committed investment amount after raising proceeds	Actual investment amount	Committed investment amount before raising proceeds	Committed investment amount after raising proceeds	Actual investment amount			
Committed investment projects	Actual investment projects									
Investments and acquisitions of upstream lithium resources, and funding capital expenditures for the production capacity of the entire industry chain	Investments and acquisitions of upstream lithium resources, and funding capital expenditures for the production capacity of the entire industry chain	23,455.24	23,455.24	11,285.00	23,455.24	23,455.24	11,285.00	12,170.24	N/A	
Providing financial assistance to Lithium Americas	Providing financial assistance to Lithium Americas	8,896.81	8,896.81		8,896.81	8,896.81		8,896.81		
Research and development input	Research and development input	4,044.01	4,044.01		4,044.01	4,044.01		4,044.01		
Working capital and general corporate purposes	Working capital and general corporate purposes	4,044.01	4,044.01	17.07	4,044.01	4,044.01	17.07	4,026.93		
Total		40,440.05	40,440.05	11,302.07	40,440.05	40,440.05	11,302.07	29,137.98		



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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

### (a) Interests and Short Positions of the Directors, Supervisors and the Chief Executive in the Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Existing Shares, underlying Existing Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company were as follows:

#### (i) Interest in Shares of our Company

<u>Name of Director/ supervisor/chief executive</u>	<u>Nature of interest</u>	<u>Class of Shares</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding interest</u>
Li Liangbin 李良彬	Beneficial owner	A Shares	269,770,452	20.51%
Wang Xiaoshen 王曉申	Beneficial owner	A Shares	100,898,904	7.67%
Shen Haibo 沈海博	Beneficial owner	A Shares	14,273,568	1.09%
Deng Zhaonan 鄧招男	Beneficial owner	A Shares	2,852,928	0.22%
Tang Xiaoqiang 湯小強	Beneficial owner	A Shares	300	0.00%

**(ii) Interest in debentures of our Company**

<u>Name of Director/ supervisor/chief executive</u>	<u>Nature of interest</u>	<u>Denomination of convertible bonds</u>	<u>Amount of convertible bonds</u>
Li Liangbin 李良彬	Beneficial owner	RMB100	RMB107,380,100
Wang Xiaoshen 王曉申	Beneficial owner	RMB100	RMB75,915,000

*Notes:*

- (1) All interests stated are long positions

**(b) Directors' Position in Other Companies**

As at the Latest Practicable Date, as far as the Company is aware, none of the Directors are employed by a company which has interests or short positions in the Shares or underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO.

**(c) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares**

As at the Latest Practicable Date, the following persons had interests and short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<u>Name</u>	<u>Nature of interest</u>	<u>Class</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest in our Company</u>	<u>Approximate percentage of the relevant class of Shares of our Company</u>
Li Liangbin 李良彬	Beneficial owner	A Shares	269,770,452	20.51%	24.20%
Huang Rong 黃蓉	Interest of spouse <sup>(1)</sup>	A Shares	269,770,452	20.51%	24.20%
Wang Xiaoshen 王曉申	Beneficial owner	A Shares	100,898,904	7.67%	9.05%
Xiao Xuan 肖璇	Interest of spouse <sup>(2)</sup>	A Shares	100,898,904	7.67%	9.05%
China Structural Reform Fund Corporation Limited (中國國有企業結 構調整基金股份有限公司)	Beneficial owner <sup>(4)</sup>	H Shares	33,244,000	2.53%	16.61%

Name	Nature of interest	Class	Number of Shares	Approximate percentage of interest in our Company	Approximate percentage of the relevant class of Shares of our Company
Postal Savings Bank of China Co., Ltd (中國郵政儲蓄銀行股份有限公司)	Beneficiary of a trust <sup>(4)</sup>	H Shares	33,244,000	2.53%	16.61%
China Asset Management Co., Ltd. (華夏基金管理有限公司)	Investment manager <sup>(4)</sup>	H Shares	33,244,000	2.53%	16.61%
CCBT (Beijing) Investment Fund Management Co., Ltd. (建信(北京) 投資基金管理有限责任公司)	Interest of controlled corporation <sup>(4)</sup>	H Shares	33,244,000	2.53%	16.61%
CCB Trust Co., Ltd. (建信信託 有限責任公司)	Interest of controlled corporation <sup>(4)</sup>	H Shares	33,244,000	2.53%	16.61%
LG Chem, Ltd.	Beneficial owner <sup>(5)</sup>	H Shares	23,745,600	1.81%	11.86%
Samsung SDI Co., Ltd.	Beneficial owner <sup>(6)</sup>	H Shares	23,745,600	1.81%	11.86%
Shanghai Trust (上海國際信託 有限公司)	Trustee of a trust <sup>(7)</sup>	H Shares	14,247,400	1.08%	7.12%
Karsh Bruce Allen	Interest of controlled corporation <sup>(8)</sup>	H Shares	12,003,000	0.91%	6.00%
Marks Howard Stanley	Interest of controlled corporation <sup>(8)</sup>	H Shares	12,003,000	0.91%	6.00%
Oaktree Capital Group Holdings GP, LLC	Interest of controlled corporation <sup>(8)</sup>	H Shares	12,003,000	0.91%	6.00%
Oaktree Capital Group Holdings, L.P.	Interest of controlled corporation <sup>(8)</sup>	H Shares	12,003,000	0.91%	6.00%
Oaktree Capital Group, LLC	Interest of controlled corporation <sup>(8)</sup>	H Shares	12,003,000	0.91%	6.00%
Oaktree Capital Management, L.P.	Investment manager <sup>(8)</sup>	H Shares	12,003,000	0.91%	6.00%

*Notes:*

- (1) Ms. Huang Rong is the spouse of Mr. Li Liangbin and, by virtue of the SFO, is deemed to be interested in the A Shares in which Mr. Li Liangbin is interested.
- (2) Ms. Xiao Xuan is the spouse of Mr. Wang Xiaoshen and, by virtue of the SFO, is deemed to be interested in the A Shares in which Mr. Wang Xiaoshen is interested.
- (3) All interests stated are long positions.

- (4) China Structural Reform Fund Corporation Limited is the beneficial owner of 33,244,000 H Shares of the equity interest of the Company, representing 16.61% of the total issued H Shares of the Company. China Asset Management Co., Ltd. is the investment manager of China Structural Reform Fund Corporation Limited and, by virtue of the SFO, is deemed to have an interest in the H Shares held by China Structural Reform Fund Corporation Limited and managed by itself. Postal Savings Bank of China Co., Ltd is the beneficiary owner of the trust named “建信信託-梧桐樹資金信託計劃資產(資產配置類26號投資單元)” of China Structural Reform Fund Corporation Limited, hence, by virtue of the SFO, is deemed to have an interest in the H Shares held by China Structural Reform Fund Corporation Limited. CCBT (Beijing) Investment Fund Management Co., Ltd. is the beneficial owner of 38.20% of the equity interest in China Structural Reform Fund Corporation Limited and is wholly owned by CCB Trust Co., Ltd..
- (5) LG Chem, Ltd. is the beneficial owner of 23,745,600 H Shares of the equity interest of the Company, representing 11.86% of the total issued H Shares of the Company.
- (6) Samsung SDI Co., Ltd. is the beneficial owner of 23,745,600 H Shares of the equity interest of the Company, representing 11.86% of the total issued H Shares of the Company.
- (7) Shanghai Trust is trustee of a trust named “上海信託鉑金系列香港市場投資單一資金信託(GJ-13-18029)” and has an interest in 14,247,400 H Shares, representing 7.12% of the total issued H Shares of the Company.
- (8) Oaktree Capital Management, L.P. holds 12,003,000 H Shares, representing 6.00% of the total issued H Shares of the Company. Oaktree Capital Management, L.P. is 100% controlled by Oaktree Holdings, Inc.. Oaktree is 100% controlled by Oaktree Capital Group LLC. Oaktree Capital Group LLC is 92.40% controlled by Oaktree Capital Group Holdings, L.P.. Oaktree Capital Group Holdings, L.P. is 100% controlled by Oaktree Capital Group Holdings GP, LLC. Oaktree Capital Group Holdings GP, LLC is 37.97% controlled by Karsh Bruce Allen and 36.61% controlled by Marks Howard Stanley respectively. Hence, Karsh Bruce Allen, Marks Howard Stanley, Oaktree Capital Group Holdings GP, LLC, Oaktree Capital Group Holdings, L.P. and Oaktree Capital Group LLC are deemed to have an interest in the 12,003,000 H Shares.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Hong Kong Listing Rules.

### 4. DIRECTORS AND SUPERVISORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interest in any assets which had since December 31, 2018, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested, either directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting at the Latest Practicable Date and was significant to the business of the Group.

## **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered into a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## **6. EXPERT AND CONSENT**

Zhongtai Capital has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter of advice dated June 28, 2019, and report and references to its name included in the form and context in which it appears.

The following is the qualification of the expert who has given an opinion or advice, which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Zhongtai International 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

Zhongtai Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and all reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Zhongtai Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Zhongtai Capital was not interested, directly or indirectly, in any assets which had since December 31, 2018, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading positions of the Group since December 31, 2018, being the date to which the latest published audited accounts of the Group were made up.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business at 40/F, Sunlight Tower, 248 Queen's Road East Wanchai, Hong Kong, except public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Board dated June 28, 2019, the text of which is set out on pages 1 to 41 of this circular;
- (b) the letter from the Independent Board Committee dated June 28, 2019, the text of which is set out on pages 42 to 43 of this circular;
- (c) the letter from the Independent Financial Adviser dated June 28, 2019, the text of which is set out on pages 44 to 73 of this circular;
- (d) the consent letter from Zhongtai Capital referred to in the paragraph headed "Expert and Consent" in this Appendix; and
- (e) this circular.

**9. GENERAL**

- (a) The registered office of the Company is at Longteng Road, Economic Development Zone, Xinyu City, Jiangxi Province, PRC.
- (b) The principal place of business of the Company is at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.
- (c) The H Share Registrar, Computershare Hong Kong Investor Services Limited, is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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## NOTICE OF THE EGM

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**Ganfeng Lithium Co., Ltd.**  
**江西赣锋锂业股份有限公司**

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

**(Stock Code: 1772)**

### NOTICE OF THE EGM

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of Ganfeng Lithium Co., Ltd. (the “**Company**”) will be held at the conference room of the Company at 4th Floor, R&D Building at the Company’s Headquarter, Longteng Road, Economic Development Zone, Xinyu, Jiangxi Province, the People’s Republic of China on Tuesday, August 13, 2019 at 2:00 p.m. for the following purposes. Unless otherwise stated, the terms used herein and in the following resolutions shall have the same meanings as defined in the circular of the Company dated June 28, 2019 (the “**Circular**”), for which the notice convening the EGM shall constitute a part. The following resolutions shall be considered and approved, if thought fit, at the EGM:

### SPECIAL RESOLUTIONS

- 1 To consider and approve satisfaction of the conditions of the Proposed Issuance of A Share Convertible Bonds
- 2 To consider and approve the preliminary plan of the proposed issuance of A Share Convertible Bonds
- 3 To consider and approve proposed issuance of A Share Convertible Bonds and grant of specific mandate to issue A Shares upon the conversion of A Share Convertible Bonds
  - 3.01 Type of securities to be issued
  - 3.02 Size of issuance
  - 3.03 Par value and issue price
  - 3.04 Term

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## NOTICE OF THE EGM

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- 3.05 Interest rate
- 3.06 Method and timing of interest payment and repayment of the principal
- 3.07 Conversion period
- 3.08 Determination and adjustment of the conversion price
- 3.09 Terms of downward adjustment to the conversion price
- 3.10 Method of determining the number of shares for conversion and resolving the situation when the A Share Convertible Bonds are insufficient to be converted into one share
- 3.11 Terms of redemption
- 3.12 Terms of sale back
- 3.13 Entitlement to dividend in the year of conversion
- 3.14 Method of issue and targeted subscribers
- 3.15 Subscription arrangement for the existing A Shareholders
- 3.16 Matters relating to A Share Convertible Bond Holders' meeting
- 3.17 Use of proceeds
- 3.18 Guarantee and security
- 3.19 Deposit account for proceeds raised
- 3.20 Validity period of the A Share Convertible Bond Issuance Plan
- 4 To consider and approve report on the use of the previously raised proceeds
- 5 To consider and approve feasibility report on the use of proceeds raised from the proposed issuance of A Share Convertible Bonds



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## NOTICE OF THE EGM

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- 6 To consider and approve impact on the Company's key financial indicators from dilution of immediate returns by the proposed issuance of A Share Convertible Bonds and the remedial measures to be adopted by the Company
- 7 To consider and approve rules for A Share Convertible Bond holders' meeting
- 8 To consider and approve shareholders' return plan for three years of 2019 to 2021
- 9 To consider and approve opening special account for proceeds raised
- 10 To consider and approve authorisation of the Board and its authorised persons to manage the matters relating to the proposed issuance of A Share Convertible Bonds
- 11 To consider and approve possible subscription for A Share Convertible Bonds by connected persons
- 12 To consider and approve proposed issuance of H Shares under Specific Mandate and connected transaction
  - 12.01 Class and nominal value of the Shares to be issued
  - 12.02 Method and date of issue
  - 12.03 Target subscribers
  - 12.04 Number of shares to be issued
  - 12.05 Method of pricing
  - 12.06 Use of proceeds
  - 12.07 Related party relationship, connected relationship, related party transactions, connected transactions and shareholders to abstain from voting
  - 12.08 Lock-up period
  - 12.09 The validity period of the resolution in relation to the Issuance of H Shares

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## NOTICE OF THE EGM

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- 13 To consider and approve proposed grant of Specific Mandate
- 14 To consider and approve report on the use of proceeds previously raised overseas

By order of the Board  
**GANFENG LITHIUM CO., LTD.**  
**LI Liangbin**  
*Chairman*

June 28, 2019

*As at the date of this notice, the Board of the Company comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Mr. SHEN Haibo, Ms. DENG Zhaonan and Mr. XU Xiaoxiong as executive directors of the Company; Mr. HUANG Daifang as non-executive director of the Company; and Mr. GUO Huaping, Mr. HUANG Huasheng, Mr. LIU Jun and Ms. WONG Sze Wing as independent non-executive directors of the Company.*

*Notes:*

- (A) In order to determine the list of shareholders of the Company who will be entitled to attend and vote at the EGM, the registers of members of the Company will be closed from Saturday, July 13, 2019 to Tuesday, August 13, 2019, both days inclusive, during which no transfer of H shares in the share capital of the Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollar and listed on the Hong Kong Stock Exchange (“**H Shares**”), will be effected. Holders of H Shares whose names appear on the registers of members of the Company at 4:30 p.m. on Friday, July 12, 2019 shall be entitled to attend and vote at the EGM. In order for the holders of H Shares to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, July 12, 2019 for registration.
- (B) Holders of H Shares intending to attend the EGM (or any adjournment thereof) should complete and return the reply slip for attending the EGM (or any adjournment thereof) personally, by facsimile or by post.
- Holders of H Shares should complete and return the reply slip to the Company’s H Share Registrar by facsimile at (852) 2865 0990 or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong such that the reply slip shall be received by the Company’s H Share Registrar 20 days before the EGM (i.e. on or before Wednesday, July 24, 2019).
- (C) Each holder of H Shares may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM (or any adjournment thereof) on his behalf. A proxy need not be a shareholder of the Company.
- (D) Holders of H Shares must use the form of proxy of the Company for appointing a proxy and the appointment

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## NOTICE OF THE EGM

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must be in writing. The form of proxy must be signed by the relevant shareholder of the Company or by a person duly authorized by the relevant shareholder of the Company in writing (a “**power of attorney**”). If the form of proxy is signed by the person authorized by the relevant shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate shareholder of the Company appoints a person other than its legal representative to attend the EGM (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate shareholder of the Company or duly signed by the chairman of the board of directors or any other person duly authorized by that corporate shareholder of the Company as required by the articles of association of the Company.

- (E) To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in note (D) above must be delivered to the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the EGM (i.e. not later than 2:00 p.m. on Monday, August 12, 2019, Hong Kong time) (or any adjournment thereof).
- (F) Shareholders may contact the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited by telephone at (852) 2862 8555 or by email to [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk) in connection with the EGM.
- (G) A shareholder of the Company or his proxy should produce proof of identity when attending the EGM (or any adjournment thereof). If a corporate shareholder’s legal representative or any other person duly authorised by such corporate shareholder attends the EGM (or any adjournment thereof), such legal representative or other person shall produce his proof of identity, proof of designation as legal representative and/or the valid authorization document (as the case may be).
- (H) The EGM (or any adjournment thereof) is expected to last for one day. Shareholders who attend the EGM (or any adjournment thereof) shall bear their own travelling and accommodation expenses.
- (I) As at the date of this notice, the Board of the Company comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Mr. SHEN Haibo, Ms. DENG Zhaonan and Mr. XU Xiaoxiong as executive directors of the Company; Mr. HUANG Daifang as non-executive director of the Company; and Mr. GUO Huaping, Mr. HUANG Huasheng, Mr. LIU Jun and Ms. WONG Sze Wing as independent non-executive directors of the Company.

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## NOTICE OF THE H SHARE CLASS MEETING

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赣锋锂业

**Ganfeng Lithium Co., Ltd.**

江西赣锋锂业股份有限公司

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

**(Stock Code: 1772)**

### NOTICE OF THE H SHARE CLASS MEETING

**NOTICE IS HEREBY GIVEN** that a H Share Shareholders Class Meeting (the “**H Share Class Meeting**”) of Ganfeng Lithium Co., Ltd. (the “**Company**”) will be held on Tuesday, August 13, 2019 immediately after the conclusion of the A Share Shareholders Class Meeting (the “**A Share Class Meeting**”) at the conference room of the Company at 4th Floor, R&D Building at the Company’s Headquarter, Longteng Road, Economic Development Zone, Xinyu, Jiangxi Province, PRC to consider and, if thought fit, to pass the following resolutions:

#### **SPECIAL RESOLUTIONS**

- 3 To consider and approve proposed issuance of A Share Convertible Bonds and grant of specific mandate to issue A Shares upon the conversion of A Share Convertible Bonds
  - 3.01 Type of securities to be issued
  - 3.02 Size of issuance
  - 3.03 Par value and issue price
  - 3.04 Term
  - 3.05 Interest rate
  - 3.06 Method and timing of interest payment and repayment of the principal
  - 3.07 Conversion period

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- 3.08 Determination and adjustment of the conversion price
- 3.09 Terms of downward adjustment to the conversion price
- 3.10 Method of determining the number of shares for conversion and resolving the situation when the A Share Convertible Bonds are insufficient to be converted into one share
- 3.11 Terms of redemption
- 3.12 Terms of sale back
- 3.13 Entitlement to dividend in the year of conversion
- 3.14 Method of issue and targeted subscribers
- 3.15 Subscription arrangement for the existing A Shareholders
- 3.16 Matters relating to A Share Convertible Bond Holders' meeting
- 3.17 Use of proceeds
- 3.18 Guarantee and security
- 3.19 Deposit account for proceeds raised
- 3.20 Validity period of the A Share Convertible Bond Issuance Plan
- 11 To consider and approve possible subscription for A Share Convertible Bonds by connected persons
- 12 To consider and approve proposed issuance of H Shares under Specific Mandate and connected transaction
  - 12.01 Class and nominal value of the Shares to be issued
  - 12.02 Method and date of issue
  - 12.03 Target subscribers
  - 12.04 Number of shares to be issued

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- 12.05 Method of pricing
- 12.06 Use of proceeds
- 12.07 Related party relationship, connected relationship, related party transactions, connected transactions and shareholders to abstain from voting
- 12.08 Lock-up period
- 12.09 The validity period of the resolution in relation to the Issuance of H Shares
- 13 To consider and approve proposed grant of Specific Mandate

By order of the Board  
**GANFENG LITHIUM CO., LTD.**  
**LI Liangbin**  
*Chairman*

June 28, 2019

*As at the date of this notice, the Board of the Company comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Mr. SHEN Haibo, Ms. DENG Zhaonan and Mr. XU Xiaoxiong as executive directors of the Company; Mr. HUANG Daifang as non-executive director of the Company; and Mr. GUO Huaping, Mr. HUANG Huasheng, Mr. LIU Jun and Ms. WONG Sze Wing as independent non-executive directors of the Company.*

*Notes:*

- (A) In order to determine the list of shareholders of the Company who will be entitled to attend and vote at the H Share Class Meeting, the registers of members of the Company will be closed from Saturday, July 13, 2019 to Tuesday, August 13, 2019, both days inclusive, during which no transfer of H shares in the share capital of the Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollar and listed on the Hong Kong Stock Exchange (“**H Shares**”), will be effected. Holders of H Shares whose names appear on the registers of members of the Company at 4:30 p.m. on Friday, July 12, 2019 shall be entitled to attend and vote at the H Share Class Meeting. In order for the holders of H Shares to qualify to attend and vote at the H Share Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, July 12, 2019 for registration.

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- (B) Holders of H Shares intending to attend the H Share Class Meeting (or any adjournment thereof) should complete and return the reply slip for attending the H Share Class Meeting (or any adjournment thereof) personally, by facsimile or by post.

Holders of H Shares should complete and return the reply slip to the Company's H Share Registrar by facsimile at (852) 2865 0990 or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong such that the reply slip shall be received by the Company's H Share Registrar 20 days before the H Share Class Meeting (i.e. on or before Wednesday, July 24, 2019).

- (C) Each holder of H Shares may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the H Share Class Meeting (or any adjournment thereof) on his behalf. A proxy need not be a shareholder of the Company.
- (D) Holders of H Shares must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder of the Company or by a person duly authorized by the relevant shareholder of the Company in writing (a "**power of attorney**"). If the form of proxy is signed by the person authorized by the relevant shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate shareholder of the Company appoints a person other than its legal representative to attend the H Share Class Meeting (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate shareholder of the Company or duly signed by the chairman of the board of directors or any other person duly authorized by that corporate shareholder of the Company as required by the articles of association of the Company.
- (E) To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in note (D) above must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the H Share Class Meeting (i.e. not later than 2:00 p.m. on Monday, August 12, 2019, Hong Kong time) (or any adjournment thereof).
- (F) Shareholders may contact the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited by telephone at (852) 2862 8555 or by email to [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk) in connection with the H Share Class Meeting.
- (G) A shareholder of the Company or his proxy should produce proof of identity when attending the H Share Class Meeting (or any adjournment thereof). If a corporate shareholder's legal representative or any other person duly authorised by such corporate shareholder attends the H Share Class Meeting (or any adjournment thereof), such legal representative or other person shall produce his proof of identity, proof of designation as legal representative and/or the valid authorization document (as the case may be).
- (H) The H Share Class Meeting (or any adjournment thereof) is expected to last for one day. Shareholders who attend the H Share Class Meeting (or any adjournment thereof) shall bear their own travelling and accommodation expenses.

*As at the date of this notice, the Board of the Company comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Mr. SHEN Haibo, Ms. DENG Zhaonan and Mr. XU Xiaoxiong as executive directors of the Company; Mr. HUANG Daifang as non-executive director of the Company; and Mr. GUO Huaping, Mr. HUANG Huasheng, Mr. LIU Jun and Ms. WONG Sze Wing as independent non-executive directors of the Company.*