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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)

CONNECTED TRANSACTION

ACQUISITION OF 100% EQUITY INTEREST IN GUANGDONG HUICHUANG AND CAPITAL INCREASE IN GANFENG LIENERGY

The Board is pleased to announce that, on July 30, 2021, the Purchaser (a directly non-wholly owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Purchaser shall purchase the Target Equity Interest in the Target Company from the Vendors for a total consideration of RMB52,400,000. The Purchaser holds no equity interest in the Target Company prior to completion of the Acquisition, and will hold 100% equity interest in the Target Company upon completion of the Acquisition.

On July 30, 2021, the Purchaser entered into the Capital Increase agreement with the Vendors, pursuant to which the Vendors shall subscribe 15 million shares of Ganfeng LiEnergy at the price of RMB2.5 per share and the total amount of capital increase is RMB37.5 million, of which RMB20.625 million shall be contributed by Ge Qiaoyu and RMB16.875 million shall be contributed by Jiang Rongjin. Of the total amount of capital increase, RMB15 million shall be recognized in the paid-in capital of Ganfeng LiEnergy and RMB22.5 million shall be recognized in the capital reserve of Ganfeng LiEnergy.

As at the date of this announcement, Mr. Ge, the chief executive personnel and an executive director of the Purchaser, has also served as an executive Director of the Company in the past 12 months, and hence is a connected person of the Company under Chapter 14A of the Listing Rules. Ge Qiaoyu and Jiang Rongjin, the Vendors, are the relatives of Mr. Ge and therefore both the Vendors and Guangdong Huichuang, the Target Company, are the associates of Mr. Ge, and the Acquisition and Capital Increase constitute connected transaction under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the Acquisition and Capital Increase are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Acquisition and Capital Increase are only subject to the reporting and announcement requirements under the Listing Rules, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. ACQUISITION OF 100% EQUITY INTEREST IN GUANGDONG HUICHUANG

The Board is pleased to announce that, on July 30, 2021, the Purchaser (a direct non-wholly owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendors, in respect of the purchase of the Target Equity Interest by the Purchaser in the Target Company from the Vendors for a total consideration of RMB52,400,000.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

i. Date

July 30, 2021 (after trading hours)

ii. Parties:

Purchaser	Ganfeng LiEnergy
Target Company	Guangdong Huichuang
Vendors	(1) Ge Qiaoyu
	(2) Jiang Rongjin
and the Company	

iii. Subject matters

Pursuant to the Equity Transfer Agreement, the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Target Equity Interest, representing 100% of the total registered share capital of the Target Company, being RMB10,000,000.

iv. Consideration and the basis of consideration

The total consideration of the Acquisition is RMB52,400,000. The consideration was determined after arm's length negotiations between the parties with reference to the appraisal value of the Target Company on March 31, 2021 as the appraisal date. The Company has engaged an audit firm and an asset appraisal institution with securities qualification to audit and appraise the Target Company in compliance with general commercial principles, which have issued the corresponding audit and appraisal reports. The appraisal value of the Target Equity Interest in Target Company is RMB51 million. The consideration of the Acquisition shall be paid by the Purchaser in the following manner:

- (a) Within 30 working days after the Equity Transfer Agreement comes into effect, the Purchaser shall make the first instalment of payment of RMB14.9 million to the designated accounts of the Vendors, of which RMB8.195 million shall be paid to Ge Qiaoyu and RMB6.705 million shall be paid to Jiang Rongjin. The Vendors shall complete the change of relevant industrial and commercial registration within 10 working days after receiving the first instalment of payment; and
- (b) If the Purchaser has subsequent capital increase and share expansion plan, after signing the relevant agreement, the parties agree through negotiation that the Purchaser shall make the second instalment of payment of RMB37.5 million to the designated accounts of the Vendors during the capital and share increase of Purchaser, of which RMB20.625 million shall be paid to Ge Qiaoyu and RMB16.875 million shall be paid to Jiang Rongjin; the Vendors shall participate in the Purchaser's capital increase and share expansion plan with the second instalment of payment of RMB37.5 million when receiving the second instalment of payment from the Purchaser, and the price per share in the Purchaser's capital increase and share expansion plan shall be consistent with the subscription price of third-party investment institution in the corresponding period. The Vendors shall make capital contribution to the Purchaser within 5 working days after receiving the second instalment of payment from the Purchaser, of which RMB20.625 million shall be contributed by Ge Qiaoyu and RMB16.875 million shall be contributed by Jiang Rongjin.

v. Subsequent events

- (a) Upon completion of the Acquisition, the Target Company shall not establish any board of directors nor supervisory committee, but shall have one executive director and one supervisor nominated by the Purchaser. The general manager shall be nominated by the Vendors, and the financial administrator shall be nominated by the Purchaser.
- (b) The Vendors and the Target Company guarantee that the net profit of the Target Company for the full years of 2021, 2022 and 2023, as confirmed by audit, shall not be less than RMB5.0 million, RMB6.5 million and RMB8.5 million, respectively. Where the net profit of the Target Company for the full years of 2021 and 2022 is not less than 80% of the guaranteed net profit (inclusive), the Target Company may make up for the differences not later than 2023.

- (c) Where the actual net profit of the Target Company in any of the above-mentioned profit guarantee years, as confirmed by audit, is less than 80% of the guaranteed net profit for the profit guarantee year, or the total actual net profit in the above-mentioned three profit guarantee years, as confirmed by audit, is less than the total guaranteed net profit of RMB20 million, the Purchaser is entitled to compensation from the Vendors.

The compensation amount for the current period = (the accumulated amount of net profit guaranteed by the Target Company as at the end of the current period – the accumulated amount of actual net profit of the Target Company realized as at the end of the current period) ÷ the accumulated amount of net profit guaranteed by the Target Company in the profit guarantee years × the total transaction consideration for the equity transfer – the amount of compensation paid

When the current compensation amount calculated according to the above formula is less than 0, it is taken as 0. The parties acknowledge and agree that under the above circumstances, the Vendors shall raise the current compensation amount by selling its Purchaser's equity to the Company, and the Company shall repurchase the Purchaser's equity corresponding to the current compensation amount from the Vendors according to the Vendors' subscription price when the Purchaser increases capital. The Company repurchases the Purchaser's equity held by Ge Qiaoyu and Jiang Rongjin as follows:

The Company repurchases the Purchaser's equity held by GE Qiaoyu = amount to be compensated in the current period × 55% ÷ the Vendors' subscription price during the capital and share increase of Ganfeng LiEnergy

The Company repurchases the Purchaser's equity held by Jiang Rongjin = amount to be compensated in the current period × 45% ÷ the Vendors' subscription price during the capital and share increase of Ganfeng LiEnergy

In particular, if the amount of compensation payable in the current period is greater than the number of Purchaser's equity held by the Vendors at the price of the company's repurchase of the Purchaser's equity held by the Vendors at that time, the Vendors shall sell all the Purchaser's equity held by the Vendors at that time to the Company to raise the amount of compensation payable in the current period, Moreover, the difference between the income from selling equity and the amount to be compensated in the current period shall be compensated by cash raised by the Vendors.

The Vendors shall use the proceeds to compensate the Purchaser after selling the Purchaser's equity to the Company in accordance with the above agreement.

If the Purchaser converts or gives shares within the profit guarantee year, then: 1) the Company's repurchase of the Purchaser's equity held by the Vendors shall be adjusted accordingly, that is, the Company repurchases the Purchaser's equity held by GE Qiaoyu (after adjustment) = the Company repurchases the Purchaser's equity held by GE Qiaoyu (before adjustment) \times (1 + proportion of conversion to value-added shares or share bonus) = amount of compensation payable in the current period \times 55% \div the Vendors' subscription price when the Purchaser increases capital and shares \times (1 + proportion of conversion to value-added shares or share offering); The Company repurchases the Purchaser's equity held by Jiang Rongjin (after adjustment) = the Company repurchases the Purchaser's equity held by Jiang Rongjin (before adjustment) \times (1 + proportion of conversion to value-added shares or share bonus) = amount of compensation payable in the current period \times 45% \div the Vendors' subscription price when the Purchaser increases capital and shares \times (1 + proportion of conversion to value-added shares or share offering); 2) The price at which the Company repurchases the Purchaser's equity held by the Vendors shall be adjusted accordingly: that is, the price at which the Company repurchases the Purchaser's equity held by the Vendors (after adjustment) = the subscription price when the Vendors participates in the Purchaser's capital increase / (1 + conversion or share distribution ratio).

If the Purchaser carries out share reduction within the profit guarantee year, the Company's repurchase of the Purchaser's equity held by the Vendors and the price shall be adjusted accordingly. The adjustment method shall refer to the increase or share distribution carried out by the Purchaser in the profit guarantee year.

If Ganfeng LiEnergy implements cash dividend within the profit guarantee year, the part of cash dividend shall be returned accordingly. The calculation formula is: return amount = cash dividend received per share before compensation (subject to pre tax amount) \times The Company repurchases the Purchaser's equity held by the Vendors.

Each party shall complete the above compensation and corresponding equity repurchase within 30 working days after the completion of the audit of the financial statements of the current year. The audit of the financial statements shall be completed by an accounting firm with securities practice qualification recognized by Ganfeng LiEnergy within 4 months after the end of the accounting year.

- (d) Upon expiry of the profit guarantee years, the audit firm and the asset appraisal institution designated by the Purchaser will conduct an impairment test on the Target Company. Where the Target Company is impaired, the Vendors shall otherwise compensate the Purchaser.

The amount to be compensated for impairment test = the closing impairment amount – the compensation paid due to the actual profit being less than the guaranteed net profit

All parties confirm and agree that the Vendors shall also raise the amount of compensation for impairment test by selling its Purchaser's equity to the Company. The Company shall repurchase the Purchaser's equity corresponding to the amount of compensation for impairment test from the Vendors according to the subscription price of the Vendors when the buyer increases capital and shares. The company repurchases the buyer's equity held by Ge Qiaoyu and Jiang Rongjin as follows:

The Company repurchases the Purchaser's equity held by Ge Qiaoyu = (impairment amount at the end of the period – compensation amount paid because the actual profit does not reach the promised profit) × 55% ÷ the Vendors' subscription price during the capital and share increase of Ganfeng LiEnergy;

The Company repurchases the Purchaser's equity held by Jiang Rongjin = (impairment amount at the end of the period – compensation amount paid because the actual profit does not reach the promised profit) × 45% ÷ the Vendors' subscription price during the capital and share increase of Ganfeng LiEnergy.

If Ganfeng LiEnergy implements conversion, share distribution, share reduction or cash dividend within the profit guarantee year, it shall be adjusted accordingly with reference to the terms agreed in this agreement.

In particular, if the amount of compensation for impairment test is greater than the number of Purchaser's equity held by the seller at the price of the Company's repurchase of the Vendor's equity in Ganfeng LiEnergy, the Vendors shall sell all the Purchaser's equity held by the Vendors at that time to the Company to raise the amount of compensation for impairment test, Moreover, the difference between the income from the sale of equity and the amount to be compensated in the impairment test shall be compensated by the cash raised by the Vendors.

The Vendors shall use the proceeds to compensate the Purchaser after selling the Purchaser's equity to the Company in accordance with the above agreement.

- (e) Ge Qiaoyu and Jiang Rongjin shall be jointly and severally liable for their profit compensation and impairment compensation obligations under the agreement.

vi. Conditions precedent to the agreement

The agreement shall become effective upon fulfilment of the following conditions:

- (a) The Equity Transfer Agreement has been approved by the competent authorities;
- (b) The representations and warranties are true and accurate in all material respects, and the undertakings of the parties have been strictly complied with; and
- (c) The management and core personnel of the Target Company have signed the confidentiality and non-competition agreement with the Target Company.

II. CAPITAL INCREASE IN GANFENG LIENERGY BY THE VENDORS

On July 30, 2021, the Purchaser entered into the Capital Increase agreement with the Vendors, pursuant to which the Vendors shall subscribe 15 million shares of Ganfeng LiEnergy at the price of RMB2.5 per share and the total amount of capital increase is RMB37.5 million, of which RMB20.625 million shall be contributed by Ge Qiaoyu and RMB16.875 million shall be contributed by Jiang Rongjin.

Capital Increase Agreement

i. Date

July 30, 2021 (after trading hours)

ii. Parties:

Ganfeng LiEnergy;

Ge Qiaoyu; and

Jiang Rongjin.

iii. Subject matters

In order to optimize the governance structure of Ganfeng LiEnergy, a controlled subsidiary, to raise funds for further development the business of Ganfeng LiEnergy, stabilize and attract talents, the Vendors agree to subscribe 15 million shares of Ganfeng LiEnergy at the price of RMB2.5 per share and the total amount of transaction is RMB37.5 million, of which RMB20.625 million shall be contributed by Ge Qiaoyu and RMB16.875 million shall be contributed by Jiang Rongjin. Of the total amount of capital increases, RMB15 million is recognized in the paid in capital of Ganfeng LiEnergy and RMB22.5 million is recognized in the capital reserve of Ganfeng LiEnergy.

iv. Consideration and the basis of consideration

Ge Qiaoyu and Jiang Rongjin shall pay the subscription amount for the capital increase to the bank account designated by Ganfeng LiEnergy within 15 working days upon the completion of all the closing conditions for the capital increase met in the agreement (or be exempted by the investors in writing), and they have received all of the documents.

Considering the historical performance, market influence and industry prospect of Ganfeng LiEnergy, the transaction price for the Capital Increase was determined by the parties through negotiation in the principles of willingness, equality and fairness. The price of capital increase is RMB2.5 per registered capital.

The Company will engage an audit firm and an asset valuation institution with securities qualification to audit and appraise the Ganfeng LiEnergy in compliance with general commercial principles, which will issue the corresponding audit and valuation reports before the EGM to consider the proposed resolution regarding capital increase in Ganfeng LiEnergy, a controlled subsidiary of the Company.

v. *Subsequent events*

Before completion of the capital increase, the registered capital of Ganfeng LiEnergy is RMB915.36 million. The Company held 54.62% equity interest, and the Vendors do not hold any equity interest in Ganfeng LiEnergy. Upon completion of the capital increase, the registered capital of Ganfeng LiEnergy will be RMB2135.7 million. The company will hold 60.87% equity interest, and Ge Qiaoyu and Jiang Rongjin will hold 0.39% and 0.32% equity interest in Ganfeng LiEnergy respectively. (The final shareholding of Industrial and Commercial Registration shall prevail).

vi. *Conditions precedent to the agreement*

The agreement shall become effective upon fulfilment of the following conditions:

- (a) The Capital Increase agreement has been approved by the competent authorities; and
- (b) The representations and warranties are true and accurate in all material respects, and the undertakings of the parties have been strictly complied with.

INFORMATION ON THE COMPANY

The Company is principally engaged in the production of lithium hydroxide, lithium compound, 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.

INFORMATION ON THE PARTIES TO THE AGREEMENTS

The Purchaser

Ganfeng LiEnergy

Ganfeng LiEnergy is a limited liability company established under the laws of the PRC on June 13, 2011 with its registered office located at No. 2551 Sunshine Avenue, Hi-Tech Development Zone, Xinyu, Jiangxi, which is a direct non-wholly owned subsidiary of the Company. The company's business scope includes research, development, production, and sales of lithium ion power battery, fuel cell, energy storage battery; research, development, production, and sales of super capacitor, battery management system, wind and photovoltaic power energy storage system, and relevant equipment and instruments; lithium battery industry design services; lithium battery technology consultancy, technology promotion and transfer services; self-management of import/export and import/export agency. As at the date of this announcement, the

Company holds approximately 54.62% equity interest in Ganfeng LiEnergy, Mr. Ge holds approximately 6.84% equity interest in Ganfeng LiEnergy, while the remaining equity interest of Ganfeng LiEnergy is held by certain shareholders with their respective shareholding in Ganfeng LiEnergy being less than 10%.

Set out below is the financial information of the Ganfeng LiEnergy:

Unit: RMB

Indicator	As of December 31, 2019 (unaudited)	As of December 31, 2020 (unaudited)	As of March 31, 2021 (unaudited)
Total Assets	1,821,049,917.51	2,535,412,231.16	2,937,466,133.65
Net Assets	835,445,182.04	867,926,802.98	884,478,523.21

Indicator	2019 (unaudited)	2020 (unaudited)	January 1, 2021– March 31, 2021 (unaudited)
Revenue	618,038,879.51	1,294,919,774.90	327,325,546.82
Profit (loss) before taxation	657,937.57	29,360,773.59	18,086,381.60
Profit (loss) after taxation	584,591.10	32,721,620.94	16,551,720.23

The Vendors

Ge Qiaoyu, an individual shareholder of the Target Company, who holds 55% equity interest in the Target Company as at the date of this announcement.

Jiang Rongjin, an individual shareholder of the Target Company, who holds 45% equity interest in the Target Company as at the date of this announcement.

The Target Company

Guangdong Huichuang was established in September 2017 and headquartered in Xiaoxiang Industrial Park, Wanjiang District, Dongguan, Guangdong. Its predecessor is Taiweineng Technology Co., Ltd. (泰威能科技有限公司), which was established in February 2012 in Longgang, Shenzhen, and is a green high-tech enterprise dedicated to lithium ion battery manufacturing, integrating product research, development, production and sales, and after-sales service.

The shareholdings of each shareholder in the Target Company before and after the Acquisition are as follows:

Shareholder	Before the Acquisition		After the Acquisition	
	Subscribed capital contribution (RMB0'000)	Shareholding percentage	Subscribed capital contribution (RMB0'000)	Shareholding percentage
Ge Qiaoyu	550	55.00%	0	0
Jiang Rongjin	450	45.00%	0	0
Ganfeng LiEnergy	0	0.00%	1,000	100%

Set out below is the financial information of the Target Company:

Unit: RMB

Indicator	As of December 31, 2019 <i>(audited)</i>	As of December 31, 2020 <i>(audited)</i>	As of March 31, 2021 <i>(audited)</i>
	Total Assets	13,302,822.79	25,837,860.08
Net Assets	9,692,307.33	14,051,510.05	13,280,152.53

Indicator	2019 <i>(audited)</i>	2020 <i>(audited)</i>	January 1, 2021– March 31, 2021 <i>(audited)</i>
	Revenue	28,206,823.88	32,138,685.43
Profit (loss) before taxation	717,649.78	3,982,899.75	-766,602.84
Profit (loss) after taxation	705,534.97	3,385,464.79	-766,602.84

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT AND CAPITAL INCREASE AGREEMENT

The Acquisition is conducive to the expansion of the Company's lithium battery business and the enhancement of its core competitiveness, which is in line with the Company's strategy of upstream and downstream integration and its strategy of development in new energy vehicle industry.

The Capital Increase in Ganfeng LiEnergy is conducive to reducing the gearing ratio of Ganfeng LiEnergy and, financial expenses, enhancing its profitability, giving full play to the respective advantages of investors in the lithium industry, and promoting the rapid development of Ganfeng LiEnergy.

The Board (including the independent non-executive Directors) is of the view that terms of the Equity Transfer Agreement and the Capital Increase agreement, the Acquisition and the Capital Increase are fair and reasonable, and the entering into of the Equity Transfer Agreement and the Capital Increase agreement, the Acquisition and the Capital Increase are conducted on normal commercial terms and in the interests of the Company and the its shareholders as a whole.

None of the Directors have any material interest in the Acquisition and none of them abstained from voting on the relevant board resolutions.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Ge), the chief executive and an executive director of the Purchaser, has also served as an executive Director of the Company in the past 12 months, and hence is a connected person of the Company under Chapter 14A of the Listing Rules. Ge Qiaoyu and Jiang Rongjin, the Vendors, are the relatives of Mr. Ge and therefore both the Vendors and Guangdong Huichuang, are the associates of Mr. Ge, and the Acquisition and Capital Increase constitute connected transaction under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the Acquisition and Capital Increase are more than 0.1% but less than 5%, the Acquisition and Capital Increase are only subject to the reporting and announcement requirements under the Listing Rules, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Target Equity Interest by the Purchaser from the Vendors pursuant to the terms of the Equity Transfer Agreement
“Capital Increase”	the capital increase in Ganfeng LiEnergy pursuant to the capital increase agreement dated July 30, 2021
“Board”	the board of Directors of the Company

“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 its predecessor Jiangxi Ganfeng Lithium Company Limited (江西贛鋒鋰業有限公司, formerly known as Xinyu Ganfeng Lithium Company Limited(新餘贛鋒鋰業有限公司) 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 Shenzhen Stock Exchange since August 10, 2010 (Stock Code: 002460)
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the agreement dated July 30, 2021 entered into among the Purchasers, the Vendors and the Target Company
“Ganfeng LiEnergy” or “Purchaser”	Jiangxi Ganfeng LiEnergy Technology Co., Ltd. (江西贛鋒鋰電科技有限公司), a direct non-wholly owned subsidiary of the Company and held as to approximately 54.62% by the Company, approximately 6.84% by Mr. Ge and with its remaining equity interest held by certain shareholders with their respective shareholding being less than 10% as of the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Ge”	Mr. Ge Zhimin (戈志敏)
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Guangdong Huichuang” or “Target Company”	Guangdong Huichuang New Energy Co., Ltd.* (廣東匯創新能源有限公司), a company incorporated and existing under the laws of the PRC with limited liability
“Target Equity Interest”	the 100% equity interest of the Target Company held by the Vendors in aggregate

“Vendor(s)”

Ge Qiaoyu* (戈巧喻) and Jiang Rongjin* (蔣榮金), the shareholders of the Target Company immediately prior to the completion of the Acquisition, and both being relatives of Mr. Ge

By order of the Board
GANFENG LITHIUM CO., LTD.
LI Liangbin
Chairman

Jiangxi, PRC
July 30, 2021

As at the date of this announcement, the Board comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Ms. DENG Zhaonan and Mr. SHEN Haibo as executive directors of the Company; Mr. YU Jianguo and Ms. YANG Juan as non-executive directors of the Company; and Mr. LIU Jun, Ms. WONG Sze Wing, Ms. XU Yixin and Mr. XU Guanghua as independent non-executive directors of the Company.